2020
Annual Report

From Resilience Grows Optimism

nelnet

February 25, 2021

Dear Shareholder:

2020 will be a pivotal year in peoples' memory. Most certainly, people for generations to come will reflect upon the global pandemic that consumed the attention of the planet. During the pandemic came historic tension because of racial injustices, unprecedented climate-driven events, and a brutal national election process.

In mid-December, USA Today ran a survey that asked the question "In a single word, how would you describe the year 2020?" Twenty-three percent of people responded "awful, terrible, or horrible." Fifteen percent responded with "[expletive]." (Frankly, that would have been my response.) Eleven percent responded with "challenging or difficult." Ten percent said "disaster, catastrophic, hell." Eight percent responded with "crazy, wild, unpredictable." Six percent said "tumultuous, turbulent, whirlwind, or chaotic," five percent said "anxious, stressful, or depressing," and five percent said "OK, wonderful, good." Only five percent classified it as a good year.

It made me think about how I would categorize Nelnet's year in one word. Pretty quickly, it came to me: resilient. Our earnings came in at an all-time high of $9.02 per share, including resilient core earnings, but also large gains from our ALLO and Hudl investments. Because of the pandemic, we also incurred large expenses for increases in provision for loan losses and impairment charges on certain investments. Every one of our core businesses rose to the year's challenges and navigated uncharted waters that made all of us extremely proud of our fellow associates.

In 2019, we spent a lot of time rededicating our people to stay focused on our core values and our purpose to serve our customers, our associates, our communities, and our shareholders. It could not have been better timing coming into the insanity of the year 2020.

// Pandemic and Working From Home

When the pandemic came into full focus in early March, we moved approximately 6,000 associates from an office environment to working from home in one week – and we did it with virtually zero disruption to our customers. We stayed focused on the health and welfare of our customers, our associates and their families, and our communities. We never lost sight of the financial health and bottom line of the corporation. As a senior management team, we remain dedicated stewards of the capital we have been entrusted to manage.

// NextGen Federal Servicing Procurement

In addition to managing through the pandemic and the work from home environment, the largest uncertainty for our company in the last year has been actions by the federal government surrounding the student loan servicing procurement called the Next Generation Financial Servicing Environment (NextGen). NextGen is made up of components including the core servicing system, or Enhanced Processing System (EPS), and the customer service and processing work, or Business Process Operations (BPO), that is performed for borrowers using those systems. The procurement process has been rife with challenges and changes over the last five years. At the start of the pandemic, the Department of Education (Department) eliminated two of the three bidders in the EPS component, including Nelnet, and subsequently cancelled that version of the system procurement. They later awarded BPO contracts to other entities, but to our knowledge those contracts have not been implemented. The federal government has since issued another procurement and has then put that version on hold during the transition to the new Administration. We remain hopeful that the most recent procurement will move forward, and we are optimistic that, as we are continually the top-rated servicer in the nation, we will play an important role in government-funded loan servicing in the future.

// Loan Forgiveness

In the lead-up to the presidential election and in the current budget cycle, there has been significant public discussion and debate around the forgiveness of student loans. As the largest unsecured consumer lender in the world, the federal government has taken on the huge burden of lending $1.7 trillion to students. There are many sides to the discussion and the potential impact on the cost of higher education, on existing borrowers, and on future borrowers, as the government lends $140 billion in new funding each year. We are hopeful and confident that thoughtful policies will be implemented that are best for the people truly in need. We are ready to help implement those policies however we can when the decisions are finalized.

// Diversity and Inclusion

Diversity and inclusion have become an extremely important topic of discussion in companies across the country. To be crystal clear, Nelnet has always been committed to equality in all forms, including race, gender, ethnic background, and sexual orientation. Nelnet leadership believes equality to be a key component in its corporate culture and crucial to the health of any organization. We believe organizational culture is set by the tone at the top and by implementing processes to ensure the intended culture is represented throughout an organization.

Following the murder of George Floyd last summer, Nelnet made an unwavering commitment to stand in support of the Black community and be a part of the long-term solution to systemic racism and inequality in the world - because Black lives matter. For the leadership at Nelnet, it is important not to just make a statement, but to put meaningful, sustained, and multi-faceted action behind our words by working to ensure equitable opportunity and treatment for all people of color.

Our leaders chose to focus on distinct initiatives where we believe we can use the company's resources, influence, and data to create real change.

As part of Nelnet's commitment to deepen its support of organizations advancing racial and socioeconomic equality and social justice, we created the Service, Not Silence fundraising and volunteer campaign. Through this fundraiser, Nelnet associates could donate to local and national organizations advancing these issues. The money raised was matched by the Nelnet Foundation 3:1. The company created an aggressive goal of $1 million to give to these organizations and Nelnet hit that goal in a short period of time.

To further Nelnet's objective of creating an awesome work environment and furthering associate development, Better Together, Nelnet's Diversity, Equity, and Inclusion Program, launched a robust mentoring program. The program is available to all associates, prioritizing mentorships for associates from underrepresented racial and ethnic groups. Having opportunities to build meaningful relationships with leadership is always a motivator to keep associates engaged. Associates participating in this program are partnered with tenured Nelnet leaders for guidance, support, and coaching. Better Together has also provided training sessions for all associates on cultural competence and unconscious bias. We also revised our scholarship program for the children of Nelnet associates to better recognize minority and low-income students.

We have changed new hire recruiting methods, tactics, and strategies in order to increase pools of minority, female, veteran, and disabled candidates, in addition to creating specific programs to increase diversity throughout the company focused on race and gender.

The company is making progress in the number of women working in leadership positions across the organization. Nelnet's Board of Directors has an equal number of women and men, excluding our Executive Chairman Mike Dunlap. The company has acknowledged that people of color are underrepresented in leadership positions at Nelnet, and this needs to change. We are committed to have our workforce reflect the diversity in our communities. We know that we are not alone in corporate America in facing or tackling this challenge, and we are committed to the work.

Pay equity is equal pay for work and experience of equal value. By paying associates fairly and consistently based on the role they perform, working conditions, and market data, companies can ensure that associates are not paid based on factors like gender, race, or ethnicity. We know that subjective factors can play a role in compensation, to the associate's disadvantage or to their advantage.

Nelnet launched a supplier diversity program to help us develop relationships with minority and women-owned companies to meet our business needs. In fact, we are committing to significantly increase our IT infrastructure spending with minority-owned suppliers.

The Nelnet leadership team has committed to bringing analytical rigor to measuring and maintaining our progress in order to hold ourselves accountable for creating real change on all these fronts.

// Nelnet Renewable Energy

I mentioned our funding of solar energy projects via tax equity financing in last year's letter, and I'm proud to say that Nelnet continues to make a positive, indirect impact on the environment. We have now funded or committed to fund $149 million for the development and operations of over 214 megawatts of power at 86 community solar sites across the country. We continue to be encouraged by the financial yields offered by these investments and believe the federal tax incentives and operational cash flows are a great fit within our capital deployment strategy.

Though it is counterintuitive, the accounting for these investments requires a significant write-down of these investments in the initial couple of years followed by a corresponding write-up in the latter years of investment. Meanwhile, the cash flow of these investments is front-loaded such that the next capital outlay at any given time is not significant. Though these investments may create unusual impacts to our earnings each year, we like the cash flows they generate. By the end of the hold period, the economic gain realized will also be realized in our earnings.

As we've previously discussed, Nelnet continues to be innovative and provide value in current and new markets with existing and new services. In this regard, during 2020 we have expanded our footprint within renewable energy to be more than simply an investor but rather look to diversify and grow our service offering within the industry. Based on customer feedback, we determined there was a need in the market that we were well positioned to solve. We leveraged our loan servicing infrastructure and expertise to launch a solar subscription acquisition and management business for solar projects that are selling power to commercial and residential off-takers. In addition, we are utilizing our tax equity underwriting, market relationships, and asset management proficiency to bring other tax equity co-investors into the financing of solar projects. The renewable energy team is focused on continued innovation to diversify the services we offer and grow the margin earned within this space. We remain optimistic about the growth of this business and our ability to provide value within it, especially with the direction of the new Administration, corporate America, the momentum toward socially responsible management, and the need to combat climate change.

// Nelnet Diversified Services

It was anything but a dull year within our loan servicing operation. The division showed its resiliency amid a significant amount of volatility which is demonstrated in its revenue for the year of over $497 million. The earnings for the year were a bit choppy due to multiple events tied to the federal government and the pandemic. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was passed by Congress and signed into law by President Trump on March 27, 2020, effectively put all direct student loans into a zero-interest forbearance status. In response, the Department of Education's office of Federal Student Aid lowered the rates that it pays student loan servicers per borrower due to the unique status of all loans going into forbearance.

As you can imagine, the COVID forbearance took away a significant portion of NDS's workload. We knew we had an opportunity to find new things for our associates in these roles to do so we could retain these hard-working associates. This was especially important when keeping in mind that at some point all the loans will exit the forbearance status and millions of borrowers will need trained and experienced people to help them navigate back into repayment. Further complicating the process was the unknown date of when the CARES Act forbearance would end – as of the publication of this letter, President Biden has extended it through September 30, 2021.

We were able to leverage hundreds of our associates for different opportunities that were presenting themselves as a part of the pandemic, such as for the states of Nebraska and Wisconsin to help process record levels of unemployment claims and to perform contact tracing. Although these activities did not fully offset the lost revenue due to the CARES Act, they did help mitigate the severity and helped us retain people to be able to serve borrowers once it expires.

Another excellent opportunity presented itself toward the end of the year when Wells Fargo launched a process to sell its $10 billion private student loan portfolio and the accompanying servicing business. We have always prided ourselves on opportunistic acquisitions of loan portfolios. Taking on that level of servicing in one fell swoop is definitely within the ordinary course of business given our level of expertise and experience. However, the approximately $1 billion dollars of capital to fund the 10 times leverage one can put on a private loan portfolio was a bit larger than our appetite for capital investment in a single transaction. We were fortunate enough to join with some large entities who funded the vast majority of equity in the transaction and we will assume all of the servicing, growing our number of private loan servicing borrowers by over 70%. We are looking forward to executing this transaction during the first half of 2021 and putting up to $100 million of additional capital to work as a partial owner of the assets.

With these successes and the continued deployment of the Velocity loan servicing system we remain optimistic about the future of our servicing business.

// Nelnet Financial Services

There are many products and services we offer within our Nelnet Financial Services division, but the primary revenue and net income driver is our student loan asset management business, which is driven by loan volume and how we finance those loans in the capital markets. As you are all acutely aware, 2020 saw many highs and lows in the capital markets. We went into the pandemic-induced downturn well-positioned to take advantage of market turmoil – and emerged stronger nine months later. This is another shining example of the resiliency of our business.

From a macro perspective, the sudden drop in interest rates was very beneficial to our fixed rate loan portfolio that was only partially hedged. Moreover, during the depth of the crisis, we spent $33 million to acquire student loan residuals with 15% to 20% expected returns. Those residuals effectively correlate to approximately $550 million in loans and complement the $1.6 billion in whole loans we acquired during the year. Lastly, the disruption in fixed income trading caused spreads to widen to levels not seen since the credit crisis. We were buyers throughout 2020 and capitalized on the lower prices to add over $400 million to our assets under management at Whitetail Rock, our SEC-registered investment advisor.

// Nelnet Bank

More great news came in 2020 with the launch of Nelnet Bank. After years of hard work, we felt very fortunate to be granted approval by the FDIC and Utah Department of Financial Institutions for federal deposit insurance and an Industrial Bank Charter, respectively. After the charter was granted, our bank team worked tirelessly to stand up the entity and we launched Nelnet Bank on November 2. It was the first new industrial bank launched since 2008.

A true virtual bank with one physical location in Salt Lake City, Nelnet Bank is now receiving institutional deposits and making loans every day. We are elated at this accomplishment and confident we can add value to our customers, our communities, and our shareholders with state-of-the-art systems and loan products. We believe the bank will be a key part of our asset replacement strategy as our FFELP program continues to run off. We are originating refinance loans and will be launching an in-school private student loan product in 2021. We could not be more excited about innovation at Nelnet in the form of a new bank launch.

// Nelnet Business Services

Nelnet Business Services (NBS) is a diversified international business that specializes in facilitating education commerce. Our diversified revenue streams are resilient in challenging times because most of our revenue streams are recurring in nature. In fact, resilience is the perfect way to describe Nelnet Business Services' performance in 2020. Our ability to increase earnings 6% over 2019 was the financial measure of resilience. The year could have been much different under COVID-19 than what we experienced. The effort to achieve consistent earnings was the direct result of a solid business model, loyal customers, and the adaptability of the Nelnet Business Services team members.

We could not be prouder of the way our team members responded to pandemic impacts. Once at home, our team members continued to perform at high levels, efficiency did not decline, calls were answered, chats were completed, and emails sent – all because of a resilient team of people dedicated to the mission of our clients.

I also want to give a special thanks to our Australian team members. Australia, and our office in Melbourne, was effectively shut down for the longest period of any of our locations. The team in Australia exhibited resolve and resilience in dealing with the most significant restrictions anywhere in our company.

NBS produced more net income in 2020 than in 2019. We begin 2021 with anticipation that vaccine deployment will return both K-12 education and higher education to normalcy in the fall of 2021. Our team members stand ready to support our clients, our families, and our students no matter what the future brings.

// FACTS Management

We serve over 11,000 private faith-based K-12 schools in the United States and in over 50 countries worldwide. Our revenue streams from these schools are derived from licensing fees for software used to manage schools, transaction-based fees for creating and presenting bills, processing payments, and offering deferred payment plans to help families afford tuition. Of particular importance this year was our capability to process financial aid applications. Traditionally, we supported our school clients in processing applications from families and evaluating whether they qualify for need-based aid, and then allocating limited funds in the form of need-based scholarships. Because of the design of our flexible systems and service capability, we were able to help states allocate CARES Act funding to families struggling with COVID-19 financial impacts to keep their children in a school of their choice.

Throughout the last half of the year, our Nelnet Business Services division was working on two strategic acquisitions that eventually closed at year-end: Catholic Faith Technologies (CFT), based in Overland Park, Kan. and Higher School Instructional Services (Higher School), based in New York City.

CFT was formed in 2010 and has a powerful and customizable learning and content management platform for churches and non-education corporate customers – two markets where we are looking to expand our NBS products and services. Their platform is branded as CFT in the faith-based market and as CD2 Learning (CD2) in the public and private business sector.

The expansion into online learning management technologies for church and faith-based communities complements our Aware3 church member engagement platform. Like our FACTS Management business, CFT has a relationship with over 35 Archdioceses and ministries in the U.S., as well as internationally. This acquisition allows us to continue to advance our mission to “Make Educational Dreams Possible with Service and Technology.” Additionally, CD2 will meet one of our primary initiatives to diversify and grow in new vertical markets.

There are lots of students falling behind despite the efforts of our public and private school systems. We are committed to helping students catch up through FACTS Education Solutions. FACTS Education Solutions helps students catch up through focused tutoring services paid for by the Department’s Title I Program. We also help teachers with professional development through the Title II program. Both programs were in great demand as teachers needed to learn how to teach virtually and help kids that had a difficult time with the transition.

The acquisition of Higher School as of December 31, 2020 complements FACTS Education Solutions’ existing business. Founded in 2004, Higher School has an outstanding reputation in the academic services market and is dedicated to improving outcomes for their students and educators.

Over the past nine years, Higher School has developed a strong partnership with approximately 50 Yeshiva schools in New York City, one of the fastest growing faith-based markets in the country. Higher School's experience and deep knowledge of the largest K-12 system in the U.S. will support FACTS Education Solutions’ continued growth.

// Nelnet Campus Commerce

In the United States and Australia, Nelnet Campus Commerce serves over 1,200 higher education institutions. In 2020, higher education saw a significant decrease in enrollment, with many students taking gap years when faced with the prospect of losing an in-person higher education learning experience. Our business was resilient to lower enrollment, because of the recurring nature of our revenue streams, and because of the high retention rate and loyalty we achieve with our higher education clients. However, most of the services we offer remain enrollment dependent – for example, the creation and presentation of a bill to a student, helping a student or family with a deferred payment plan, or a payment or refund processed for a student.

The loyalty we have to our clients and they have to us has been built up over many years. This was reflected in the high retention rates we maintained with our clients and, in almost every case, we were able to maintain or grow these service relationships. We look forward to seeing expanded enrollment in higher education with vaccine deployment and the return of more students to campus in the fall of 2021.

// Nelnet Communication Services

Another shining beacon in the Nelnet portfolio of companies in 2020 was the validation of the business model and our investment in ALLO Communications. As the pandemic unfolded, it became absolutely clear to everyone that high speed broadband is critical in a work from home, school from home, teach from home environment – not to mention the impact of social distancing on gaming and remote social activities. In my household, everyone put massive simultaneous stress on our ALLO internet. I am like tens of thousands of our customers; I can't even imagine living without it. As I have previously stated publicly, if my family had to choose between me and their ALLO service, I don't think it would be a very difficult decision. The demand from mid-sized cities and rural areas for ALLO's service is insatiable.

With the growing demand for fiber becoming greater and greater throughout the year, we decided to enter into a transaction in the fourth quarter to restructure ALLO's balance sheet and provide additional funding for ALLO's growth. SDC Capital Partners invested $197 million for an approximate 48% equity interest in ALLO. Nelnet retained just over 45%. The investment, combined with ALLO's $230 million debt facility structured in January of 2021, will position ALLO for accelerated growth not solely reliant upon Nelnet. As a result of these transactions, ALLO paid Nelnet $260 million to redeem preferred interests held by Nelnet. Currently, Nelnet holds approximately $130 million of additional preferred ALLO interests earning 6.25%. Overall, Nelnet recognized a pretax gain of $259 million in the fourth quarter, or more than $5.00 per share in 2020. As a result, ALLO is now treated as an equity-method investment and no longer consolidated as part of Nelnet's financial statements.

// Hudl

Resilience was also a key theme for Hudl in 2020. When sports paused globally in March, the company quickly worked to strengthen its capital position and launch a number of new initiatives. This ensured the company could stay true to its mission and serve coaches, athletes, and analysts in the best way possible.

Hudl launched its Return to Play initiative, allowing schools to sign a multi-year agreement to upgrade to a school-wide package. These deals provided both short-term budget relief for the school and long-term account growth for the company. Most importantly, these school-wide packages promote equity across sports and genders by providing the same tools for all athletes and coaches. In total, around 4,000 schools participated in Hudl's Return to Play program.

Last year, we discussed Hudl's acquisition of the Italy-based company Wyscout. Wyscout boasts the largest soccer video archive in the world, with more than 210,000 full matches analyzed across 90 countries, and more than 550,000 players profiled on the platform. Since the acquisition, Hudl has worked to integrate Wyscout into Hudl's family of products and expand distribution through the company's global sales reach. That work couldn't have proven more timely as travel restrictions shut down global talent scouting and recruiting efforts, pushing everyone to video scouting and leading to significant increases in platform utilization.

Two years ago, we talked about Hudl's acquisition of the Netherlands-based company Incatec and the subsequent launch of Hudl Focus, the company's automatic capture, upload, and livestream solution. Hudl Focus played a huge role this year to help teams make every moment count. With fan restrictions in most of the country, schools relied even more on the company's livestream offering to keep fans and athletes connected. In 2020, the company roughly tripled the number of Hudl Focus cameras installed.

Not to be left behind, the company's media division – focused on highlights, athletes, fans, and brands – saw significant brand partnership growth in 2020. More brands turned to the platform for unique ways to connect with both athletes and the company's highly-coveted demographic of fans.

As we've shared before, Hudl completed a significant financing round in May 2020. In addition to Nelnet's approximately $26 million participation in the round and further funding from other current investors, Hudl also added Bain Capital's expertise to the mix. As part of the round, all investors have the opportunity to participate in a follow-on investment in May 2021, and Nelnet expects to fully participate in the second tranche.

// Mike Dunlap's Thoughts on the Market

It is our goal for each Nelnet shareholder to record a gain or loss in market value proportional to the gain or loss in per-share fundamental value recorded by the company. To achieve this goal, we strive to maintain a one-to-one relationship between the company's fundamental value and market price. As that implies, we would rather see Nelnet's stock price at a fair level than at an artificial level. Our fair value approach may not be preferred by all investors, but we believe it aligns with Nelnet's long-term approach to both our business model and market value. However, from time to time Mrs./Mr. Market can be irrational and will materially overvalue or undervalue the investment style they currently love.

Here's an excerpt from an article I wrote in February 2000:

"'Internet/NASDAQ,' 'Biotech,' 'Nifty Fifty,' '1929.' What do all of these things have in common? They are all speculative bubbles. Today, there are warning signs we may be in a speculative bubble. Many believe it is different this time, that we are in a new paradigm. However, fear and greed still run the market. Currently we are in the greed phase. People are buying stock, not based on the discounted cash flow the stock will pay out to shareholders, but with a hope and prayer a greater fool will buy it from them in the near future for a far higher price."

Today, we are once again living in wild and crazy times. How do you know you are in a bubble? My dad's 84-year-old close friend asked me to explain Bitcoin and whether or not he should buy some. Some other friends are asking me about GameStop and AMC Theaters. What happens when the government increases liquidity exponentially, maybe infinitely, and pours trillions of dollars of cash into the economy? When there is more money than investable assets? The magic about the market is it will create new options. Many companies with negative earnings, suspect business plans, and questionable long-term prospects are entering the public markets through IPOs, direct listings, and Special Purpose Acquisition Companies (SPACs) for billions and billions of dollars.

In May 1999, I went to a Young Presidents' Organization Technology University in San Francisco. I have many interesting, funny, and informative memories from this meeting, but I am going to share the top three.

> **Number 3.** In the 20 years from 1979 to 1999, there was more wealth created within a twenty-mile radius of downtown San Francisco than in all of Europe since World War II. I would guess if you did the same analysis again from 1999-2021 it may be true again.
>
> **Number 2.** e.Schwab was set up as a distinct separate company with its own offices across town. In 18 months, the new e.Schwab took over the original Charles Schwab.
>
> **Number 1.** I was in a small breakout session with about 20 c-suite executives with several new dot.com companies and the likes of Yahoo, Palm, Amazon, and CNET. The CEO of Williams-Sonoma was presenting. Howard Lester was 67 years old and had worked decades of blood, sweat, and tears to build Williams-Sonoma into a household brand. At the time, the company had roughly a $2 billion market value and around $100 million in earnings. One interesting fact that he shared was that wherever they had a store location their mail order sales increased tenfold. But the funniest and truest thing he said was, "Someday all of you dot.com companies are going to have to make real money and you can take your Yahoo money and shove it up your a$#."

What does any of this have to do with Nelnet? I am now the 57-year-old version of Howard. I am not sure how funny I think it is when all of these companies that lose money, but are master marketers at selling hype, are going public quickly while the market is hot through SPACs (giving up to 20% dilution in exchange for speed and ease) for multiples of Nelnet's market value. The magic question I ask myself is how many will be here 22 years from now? Our goal at Nelnet is to be here decades into the future and for our stock to trade for a fair value. When we make investments and buy businesses, we look at the discounted cash we will create over time and then look for ways to reinvest that cash into the future. As you read in Jeff's letter, we have a decent track record. We are owner shareholders and treat our shareholders' cash like it is our own – because it is.

Could Nelnet hype, spin out, and financially engineer a short-term higher market value? Maybe. Would that help our customers? Our associates? Our communities? We would argue it would hurt all three. It may help our shareholders in the short term, but long term we see no value and most likely it would create negative long-term value because of the added costs, distractions, and lack of diversification. But, someone could use the new spun out stock as currency to buy other overpriced, overhyped companies. So, are we going to merge our cash flowing great businesses with another company's hype, dreams, negative cash flow, and potential prospects that must perform perfectly to justify the value? Where is the margin of error on the projections if everything doesn't go perfectly? We would then have 50% of the cash flow supporting 100% of an inflated market value of the combined entity. If we were to do this ten times and subsequently don't find a greater fool to cash out to in time, we would all be left with pennies on the dollar. What about the additional cost and impact to our customers caused by the distraction, or the impact to our associates, and communities? We have always worked to balance all four of our constituencies (customers, associates, communities, and shareholders).

I wish all of our shareholders had the exact same investment philosophy, objectives and time frame as I do but I realize that we do have a diverse group of smart people in our shareholder group. That said, the bottom line is if you are looking for the quick pop in value you may get from Bitcoin, or the newest hyped entrant to the market, then Nelnet is the wrong investment. If you want us to invest your money for the long term, we will try and maximize the long term cash flow and long term sustainable value to the best of our abilities.

One last thought: an example of the overexuberance of the internet bubble is the market value of SoftBank. Their stock price has been increasing recently and is just now nearing its record price from February 2000. Excluding dividends, which there have been a few under 1% in recent years, their return has been close to zero for the last 21 years. Another example of overexuberance is the Japanese stock market that just surpassed their price from 1990. So, if you had bought an index fund on the Japanese stock market in 1990 your return excluding dividends would have been zero for the last 31 years. From the time I went to the conference in May 1999 to today, Berkshire Hathaway has gone up five times from $73,000 per share to $365,000 per share and Williams-Sonoma's stock price has increased from $8 to $126, or 15 times your money, excluding dividends. If you are a long-term investor, are you sure you want to invest in the Yahoo money?

Capital Deployment By Year (in millions)

	2013	2014	2015	2016	2017	2018	2019	2020	8-Year Total
FFELP loan/residual acquisitions, net of financing	$38	$127	$140	-	-	$105	$71	$141	$622
Private and consumer loan/residual acquisitions, net of financing	$68	$17	$173	$61	$75	$188	$61	$71	$714
Business acquisitions	-	$47	-	-	-	$153	-	$30	$230
Nelnet Bank	-	-	-	-	-	-	-	$100	$100
ALLO acquisition and capital expenditures	-	-	$47	$39	$115	$87	$45	$48	$381
Other capital expenditures (non-ALLO)	$17	$26	$17	$29	$41	$38	$48	$65	$281
Hudl investment	-	$1	$41	-	$10	-	-	$26	$78
Other investments (venture capital/real estate/solar)	$20	$45	$53	$22	$19	$67	$103	$396	$725
Debt repurchases	$79	$47	$42	$77	$181	$13	-	$26	$465
Stock repurchases	$13	$16	$96	$69	$69	$45	$40	$73	$421
Dividends	$19	$19	$19	$21	$24	$27	$29	$32	$190
	$254	**$345**	**$628**	**$318**	**$534**	**$723**	**$397**	**$1,008**	**$4,207**

Nelnet's Corporate Performance (Annual Percentage Change)				
	Nelnet Per Share Book Value With Dividends Included	Nelnet Per Share Market Value With Dividends Included	S&P 500 With Dividends Included	Net Income Reinvested[1] (in millions)
2004	49.2%	20.2%	10.9%	$149
2005	41.5%	51.1%	4.9%	$181
2006	6.3%	(32.7%)	15.8%	$6
2007	(1.6%)	(52.5%)	5.5%	($63)
2008	6.6%	13.3%	(37.0%)	$24
2009	21.0%	20.7%	26.5%	$135
2010	23.7%	41.6%	15.1%	$115
2011	22.6%	4.9%	2.1%	$160
2012	16.7%	27.5%	16.0%	$89
2013	26.1%	42.8%	32.4%	$271
2014	21.1%	10.9%	13.7%	$273
2015	16.0%	(26.6%)	1.4%	$153
2016	15.4%	52.7%	12.0%	$166
2017	8.8%	9.1%	21.8%	$80
2018	9.9%	(3.2%)	(4.4%)	$156
2019	6.2%	12.7%	31.5%	$72
2020	15.6%	23.7%	18.4%	$247
CAGR/Total	**17.3%**	**8.4%**	**9.6%**	**$2,214**

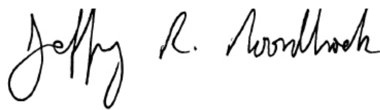
[1]We believe well-managed companies do not distribute to the shareholders all their earnings. Instead, they retain a part of their earnings and reinvest the capital to grow the business. Since going public in late 2003, the company has recognized $3.2 billion in cumulative net income and, of that amount, has reinvested $2.2 billion – or 69% of our earnings over time – back into the business.

// Closing

Without a doubt we have some strong opinions about the debt and equity markets and our focus on running Nelnet for the long term. When we look ahead, we often say it is hard to plan too many years out as the speed of change in the world is inspiring. As we grow and navigate uncharted waters in the post-pandemic era, our goal is to be able to adapt, innovate, and implement change quickly within our company.

If we were to summarize in one word what we believe will describe 2021, it would be optimism. We believe in the resiliency of humankind and specifically in the resiliency of America and the American Dream. Although it may be cautious optimism, we are still very excited about all of the businesses we are in as we have extreme faith in our people and the culture we have built to empower them to provide our customers with exceptional service and ensure we are good stewards of the capital you have entrusted us to invest.

Dream. Learn. Grow.



Jeff Noordhoek, Chief Executive Officer

Nelnet Board of Directors

Michael S. Dunlap

James P. Abel

Preeta Bansal

William R. Cintani

Kathleen A. Farrell Ph.D.

David Graff

Thomas E. Henning

Joann Martin

Kimberly Rath

Nelnet Bank Board of Directors

Michael S. Dunlap

Tim Tewes

Carine Strom Clark

Connie Edmond

Anthony Goins

Crawford Cragun

Jaime Pack

Andrea Moss

Forward-Looking and Cautionary Statements

This letter to shareholders contains forward-looking statements within the meaning of federal securities laws. The words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “future,” “intend,” “may,” “plan,” “potential,” “predict,” “should,” “will,” “would,” and similar expressions, as well as statements in future tense, are intended to identify forward-looking statements. These statements are based on management's current expectations as of the date of this letter and are subject to known and unknown risks, uncertainties, assumptions, and other factors that may cause the actual results and performance to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to: risks and uncertainties related to the severity, magnitude, and duration of the Coronavirus Disease 2019 ("COVID-19") pandemic, including changes in the macroeconomic environment and consumer behavior, restrictions on business, educational, individual, or travel activities intended to slow the spread of the pandemic, and volatility in market conditions resulting from the pandemic; risks related to the ability to successfully maintain and increase allocated volumes of student loans serviced by the company under existing and any future servicing contracts with the Department, which current contracts accounted for 27 percent of the company's revenue in 2020; risks to the company related to the Department's initiatives to procure new contracts for federal student loan servicing and awards of contracts to other parties, including the pending and uncertain nature of the Department's procurement process, the possibility that awards or other evaluations of proposals may be challenged by various interested parties and may not be finalized or implemented for an extended period of time or at all, risks that the company may not be successful in obtaining any of such potential new contracts, and risks related to the company's ability to comply with agreements with third-party customers for the servicing of loans; risks related to the company's loan portfolio, such as interest rate basis and repricing risk and changes in levels of loan repayment or default rates; the use of derivatives to manage exposure to interest rate fluctuations; the uncertain nature of expected benefits from FFEL Program, private education, and consumer loan purchases and initiatives to purchase additional FFEL Program, private education, and consumer loans; financing and liquidity risks, including risks of changes in the securitization and other financing markets for loans; risks and uncertainties from changes in terms of education loans and in the educational credit and services marketplace resulting from changes in applicable laws, regulations, and government programs and budgets, such as changes resulting from the Coronavirus Aid, Relief, and Economic Security Act and the expected decline over time in FFEL Program loan interest income due to the discontinuation of new FFEL Program loan originations in 2010 and the resulting initiatives by the company to adjust to a post-FFEL Program environment; risks and uncertainties of the expected benefits from the November 2020 launch of Nelnet Bank operations, including the ability to successfully conduct banking operations and achieve expected market penetration; risks related to the expected benefits to the company and to ALLO from the recapitalization and additional funding for ALLO and the company’s continuing investment in ALLO, and risks related to investments in solar projects, including risks of not being able to realize tax credits which remain subject to recapture by taxing authorities; risks and uncertainties related to other initiatives to pursue additional strategic investments, acquisitions, and other activities, such as the planned transactions associated with the sale by Wells Fargo of its private education loan portfolio, including activities that are intended to diversify the company both within and outside of its historical core education-related businesses; risks from changes in economic conditions and consumer behavior; cybersecurity risks, including potential disruptions to systems, disclosure of confidential information, and/or damage to reputation resulting from cyber-breaches; and changes in the general interest rate environment, including the availability of any relevant money-market index rate such as LIBOR or the relationship between the relevant money-market index rate and the rate at which the company's assets and liabilities are priced.

For more information, see the "Risk Factors" sections and other cautionary discussions of risks and uncertainties included in documents filed or furnished by the company with the Securities and Exchange Commission (SEC), including the most recent form 10-K filed by the company with the SEC. All forward-looking statements in this letter are as of the date of this letter. Although the company may voluntarily update or revise its forward-looking statements from time to time to reflect actual results or changes in the company's expectations, the company disclaims any commitment to do so except as required by law.

10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _to_.

COMMISSION FILE NUMBER 001-31924

NELNET, INC.
(Exact name of registrant as specified in its charter)

Nebraska	**84-0748903**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
121 South 13th Street, Suite 100	
Lincoln, Nebraska	**68508**
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (402) 458-2370

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, Par Value $0.01 per Share	NNI	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 (§232.405 of this chapter) 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 ☐	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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the registrant’s voting common stock held by non-affiliates of the registrant on June 30, 2020 (the last business day of the registrant’s most recently completed second fiscal quarter), based upon the closing sale price of the registrant’s Class A Common Stock on that date of $47.74 per share, was $918,743,888. The registrant’s Class B Common Stock is not listed for public trading on any exchange or market system, but shares of Class B Common Stock are convertible into shares of Class A Common Stock at any time on a share-for-share basis. For purposes of this calculation, shares of common stock beneficially owned by any director or executive officer of the registrant or by any person who beneficially owns greater than 10 percent of the Class A Common Stock or who is otherwise believed by the registrant to be in a control position have been excluded, since such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not conclusive for other purposes.

As of January 31, 2021, there were 27,195,862 and 11,155,571 shares of Class A Common Stock and Class B Common Stock, par value $0.01 per share, outstanding, respectively (excluding 11,305,731 shares of Class A Common Stock held by wholly owned subsidiaries).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive Proxy Statement to be filed for its 2021 Annual Meeting of Shareholders, scheduled to be held May 20, 2021, are incorporated by reference into Part III of this Form 10-K.

NELNET, INC.
FORM 10-K
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FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This report contains forward-looking statements and information that are based on management's current expectations as of the date of this document. Statements that are not historical facts, including statements about the Company's plans and expectations for future financial condition, results of operations or economic performance, or that address management's plans and objectives for future operations, and statements that assume or are dependent upon future events, are forward-looking statements. The words “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “future,” “intend,” “may,” “plan,” “potential,” “predict,” “scheduled,” “should,” “will,” “would,” and similar expressions, as well as statements in future tense, are intended to identify forward-looking statements.

The forward-looking statements are based on assumptions and analyses made by management in light of management's experience and its perception of historical trends, current conditions, expected future developments, and other factors that management believes are appropriate under the circumstances. These statements are subject to known and unknown risks, uncertainties, assumptions, and other factors that may cause the actual results and performance to be materially different from any future results or performance expressed or implied by such forward-looking statements. These factors include, among others, the risks and uncertainties set forth in “Risk Factors” and elsewhere in this report, and include such risks and uncertainties as:

- risks and uncertainties related to the severity, magnitude, and duration of the Coronavirus Disease 2019 (“COVID-19”) pandemic, including changes in the macroeconomic environment and consumer behavior, restrictions on business, educational, individual, or travel activities intended to slow the spread of the pandemic, and volatility in market conditions resulting from the pandemic, including interest rates, the value of equities, and other financial assets;
- risks related to the ability to successfully maintain and increase allocated volumes of student loans serviced by the Company under existing and any future servicing contracts with the U.S. Department of Education (the "Department"), which current contracts accounted for 27 percent of the Company's revenue in 2020, risks to the Company related to the Department's initiatives to procure new contracts for federal student loan servicing, including the pending and uncertain nature of the Department's NextGen and ISS procurement processes (under which awards of new NextGen contracts have been made to other service providers), the possibility that awards or evaluations of proposals may be challenged by various interested parties and may not be finalized or implemented for an extended period of time or at all, risks that the Company may not be successful in obtaining any of such potential new contracts, and risks related to the Company's ability to comply with agreements with third-party customers for the servicing of Federal Direct Loan Program, Federal Family Education Loan Program (the "FFEL Program" or "FFELP"), and private education and consumer loans;
- loan portfolio risks such as interest rate basis and repricing risk resulting from the fact that the interest rate characteristics of the student loan assets do not match the interest rate characteristics of the funding for those assets, the risk of loss of floor income on certain student loans originated under the FFEL Program, risks related to the use of derivatives to manage exposure to interest rate fluctuations, uncertainties regarding the expected benefits from purchased securitized and unsecuritized FFELP, private education, and consumer loans and initiatives to purchase additional FFELP, private education, and consumer loans, and risks from changes in levels of loan prepayment or default rates;
- financing and liquidity risks, including risks of changes in the general interest rate environment, including the availability of any relevant money market index rate such as LIBOR or the relationship between the relevant money market index rate and the rate at which the Company's assets and liabilities are priced, and changes in the securitization and other financing markets for loans, including adverse changes resulting from unanticipated repayment trends on student loans in FFELP securitization trusts that could accelerate or delay repayment of the associated bonds, which may increase the costs or limit the availability of financings necessary to purchase, refinance, or continue to hold student loans;
- risks from changes in the terms of education loans and in the educational credit and services markets resulting from changes in applicable laws, regulations, and government programs and budgets, such as changes resulting from the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and the expected decline over time in FFELP loan interest income due to the discontinuation of new FFELP loan originations in 2010 and potential government initiatives or legislative proposals to consolidate existing FFELP loans to the Federal Direct Loan Program or otherwise allow FFELP loans to be refinanced with Federal Direct Loan Program loans;
- risks related to a breach of or failure in the Company's operational or information systems or infrastructure, or those of third-party vendors, including cybersecurity risks related to the potential disclosure of confidential loan borrower and other customer information, the potential disruption of the Company's systems or those of third-party vendors or customers, and/or the potential damage to the Company's reputation resulting from cyber-breaches;
- uncertainties inherent in forecasting future cash flows from student loan assets and related asset-backed securitizations;
- risks and uncertainties of the expected benefits from the November 2020 launch of Nelnet Bank operations, including the ability to successfully conduct banking operations and achieve expected market penetration;
- risks related to the expected benefits to the Company and to ALLO Communications LLC (“ALLO”) from the recapitalization and additional funding for ALLO and the Company’s continuing investment in ALLO, and risks related to investments in solar projects, including risks of not being able to realize tax credits which remain subject to recapture by taxing authorities;
- risks and uncertainties related to other initiatives to pursue additional strategic investments, acquisitions, and other activities, such as the planned transactions associated with the sale by Wells Fargo of its private education loan portfolio, including activities that are intended to diversify the Company both within and outside of its historical core education-related businesses; and
- risks and uncertainties associated with litigation matters and with maintaining compliance with the extensive regulatory requirements applicable to the Company's businesses, reputational and other risks, including the risk of increased regulatory costs resulting from the politicization of student loan servicing, and uncertainties inherent in the estimates and assumptions about future events that management is required to make in the preparation of the Company's consolidated financial statements.

All forward-looking statements contained in this report are qualified by these cautionary statements and are made only as of the date of this document. Although the Company may from time to time voluntarily update or revise its prior forward-looking statements to reflect actual results or changes in the Company's expectations, the Company disclaims any commitment to do so except as required by law. In this report, unless the context indicates otherwise, references to "Nelnet," "the Company," "we," "our," and "us" refer to Nelnet, Inc. and its subsidiaries.

PART I.

ITEM 1. BUSINESS

Overview

Nelnet is a diverse company with a purpose to serve others and a vision to make customers' dreams possible by delivering customer focused products and services. The largest operating businesses engage in loan servicing and education technology, services, and payment processing, and the Company also has a significant investment in communications. A significant portion of the Company's revenue is net interest income earned on a portfolio of federally insured student loans. The Company also makes investments to further diversify both within and outside of its historical core education-related businesses, including, but not limited to, investments in real estate, early-stage and emerging growth companies, and renewable energy. Substantially all revenue from external customers is earned, and all long-lived assets are located, in the United States.

The Company was formed as a Nebraska corporation in 1978 to service federal student loans for two local banks. The Company built on this initial foundation as a servicer to become a leading originator, holder, and servicer of federal student loans, principally consisting of loans originated under the Federal Family Education Loan Program. A detailed description of the FFEL Program is included in Appendix A to this report.

The Health Care and Education Reconciliation Act of 2010 (the "Reconciliation Act of 2010") discontinued new loan originations under the FFEL Program, effective July 1, 2010, and requires that all new federal student loan originations be made directly by the Department through the Federal Direct Loan Program. This law does not alter or affect the terms and conditions of existing FFELP loans.

As a result of the Reconciliation Act of 2010, the Company no longer originates new FFELP loans. However, a significant portion of the Company's income continues to be derived from its existing FFELP student loan portfolio. As of December 31, 2020, the Company had a $20.2 billion loan portfolio, consisting primarily of FFELP loans, that management anticipates will amortize over the next approximately 20 years and has a weighted average remaining life of 9.8 years. Interest income on the Company's existing FFELP loan portfolio will decline over time as the portfolio is paid down. However, since July 1, 2010, which is the effective date on and after which no new loans can be originated under the FFEL Program, the Company has purchased $27.9 billion of FFELP loans from other FFELP loan holders looking to exit or adjust their FFELP businesses. The Company believes there may be additional opportunities to purchase FFELP portfolios to generate incremental earnings and cash flow. However, since all FFELP loans will eventually run off, a key objective of the Company is to reposition itself for the post-FFELP environment.

To reduce its reliance on interest income from FFELP loans, the Company has expanded its services and products. This expansion has been accomplished through internal growth and innovation as well as business acquisitions. The Company is also actively expanding its private education and consumer loan portfolios, and in November 2020 launched Nelnet Bank (as further discussed below). In addition, the Company has been servicing federally owned student loans for the Department since 2009.

Recent Developments

ALLO's Recapitalization and Additional Funding

On October 1, 2020, the Company entered into various agreements with SDC Allo Holdings, LLC ("SDC"), a third party global digital infrastructure investor, and ALLO, then a majority owned communications subsidiary of the Company, to recapitalize and provide additional funding for ALLO. On October 15, 2020, ALLO received proceeds of $197.0 million from SDC for the issuance of membership units of ALLO, and redeemed $160.0 million of non-voting preferred membership units of ALLO held by the Company. As a result of the receipt of required regulatory approvals on December 21, 2020, SDC, the Company, and members of ALLO's management own approximately 48 percent, 45 percent, and 7 percent, respectively, of the outstanding voting membership interests of ALLO, and the Company deconsolidated ALLO from the Company's consolidated financial statements.

Upon the deconsolidation of ALLO, the Company recorded its 45 percent voting membership interests in ALLO at fair value of $133.0 million, and accounts for such investment under the Hypothetical Liquidation at Book Value ("HLBV") method of accounting. In addition, the Company recorded its remaining non-voting preferred membership units in ALLO at fair value of $228.5 million, and accounts for such investment as a separate equity investment. As a result of the deconsolidation of ALLO on December 21, 2020, the Company recognized a gain of $258.6 million in the fourth quarter of 2020.

On January 19, 2021, ALLO closed on certain private debt financing facilities from unrelated third-party lenders providing for an aggregate financing of up to $230.0 million. With proceeds from this transaction, ALLO redeemed a portion of its non-

voting preferred membership units held by the Company in exchange for an aggregate redemption price payment to the Company of $100.0 million.

See note 2 of the notes to consolidated financial statements included in this report for additional information related to the ALLO recapitalization. ALLO's results of operations, prior to deconsolidation, are presented by the Company as a reportable operating segment.

Nelnet Bank

On November 2, 2020, the Company obtained final approval from the Federal Deposit Insurance Corporation ("FDIC") for federal deposit insurance and for a bank charter from the Utah Department of Financial Institutions ("UDFI") in connection with the establishment of Nelnet Bank, and Nelnet Bank launched operations. Nelnet Bank operates as an internet Utah-chartered industrial bank franchise focused on the private education loan marketplace, with a home office in Salt Lake City, Utah. Nelnet Bank operates as a subsidiary of the Company, and the industrial bank charter allows the Company to maintain its other diversified business offerings.

Operating Segments

The Company's reportable operating segments are summarized below. Business activities and operating segments that are not reportable are combined and included in "Corporate and Other Activities."

Loan Servicing and Systems ("LSS")

- Referred to as Nelnet Diversified Services ("NDS")
- Focuses on student and consumer loan origination services and servicing, loan origination and servicing-related technology solutions, and outsourcing business services
- Includes the brands Nelnet Diversified Solutions, Nelnet Loan Servicing, Nelnet Servicing, Great Lakes Educational Loan Services, Inc. ("Great Lakes"), Firstmark Services, GreatNet, and Nelnet Renewable Energy

Education Technology, Services, and Payment Processing ("ETS&PP")

- Referred to as Nelnet Business Services ("NBS")
- Includes the brands FACTS, Nelnet Campus Commerce, PaymentSpring, FACTS Education Solutions, Aware3, HigherSchool Instructional Services, Catholic Faith Technologies, CD2 Learning, and Nelnet International
- Services include tuition payment plans and billing, financial needs assessment services, online payment and refund processing, school information system software, payment technologies, and professional development and educational instruction services

Communications

- Includes the operations of ALLO prior to the deconsolidation of ALLO on December 21, 2020
- Focuses on providing fiber optic service directly to homes and businesses for internet, telephone, and television services

Asset Generation and Management ("AGM")

- Also referred to as Nelnet Financial Services
- Includes the acquisition and management of student and other loan assets

Nelnet Bank

- Internet Utah-chartered industrial bank focused on the private education loan marketplace

A more detailed description of each of the Company's reportable operating segments and Corporate and Other Activities is provided below.

Loan Servicing and Systems

The primary service offerings of this operating segment include:

- Servicing federally-owned student loans for the Department
- Servicing FFELP loans
- Originating and servicing private education and consumer loans
- Backup servicing for FFELP, private education, and consumer loans
- Providing student loan servicing software and other information technology products and services

- Customer acquisition, management services, and backup servicing for community solar developers
- Providing outsourced services including call center, processing, technology, and marketing services

As of December 31, 2020, the Company serviced $490.2 billion of loans for 15.2 million borrowers. See Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations (the “MD&A”) - “Loan Servicing and Systems Operating Segment - Results of Operations - Student Loan Servicing Volumes” for additional information related to the Company's servicing volume.

Servicing federally-owned student loans for the Department

Nelnet Servicing, LLC (“Nelnet Servicing”), a subsidiary of the Company, and Great Lakes, acquired by the Company in February 2018, are two of the four large private sector companies (referred to as Title IV Additional Servicers, or “TIVAS”) that have student loan servicing contracts awarded by the Department in June 2009 to provide servicing for loans owned by the Department. The Department has also awarded contracts to four not-for-profit entities (“NFP”) to service loans owned by the Department. These loans include Federal Direct Loan Program loans originated directly by the Department and FFEL Program loans purchased by the Department. Under the servicing contracts, Nelnet Servicing and Great Lakes earn a monthly fee from the Department for each unique borrower who has loans owned by the Department and serviced by Nelnet Servicing or Great Lakes, respectively. The amount paid per each unique borrower is dependent on the status of the borrower (e.g., in school or in repayment). As of December 31, 2020, Nelnet Servicing was servicing $191.7 billion of student loans for 5.6 million borrowers under its contract, and Great Lakes was servicing $251.6 billion of student loans for 7.6 million borrowers under its contract. The Department is the Company's largest customer, representing 27 percent of the Company's revenue in 2020 and 66 percent of the LSS operating segment’s revenue.

The current servicing contracts with the Department are currently scheduled to expire on June 14, 2021, but provide the potential for an additional six-month extension at the Department’s discretion through December 14, 2021. The Consolidated Appropriations Act, 2021, signed into law on December 27, 2020, provides that the Department may extend the period of performance for the servicing contracts scheduled to expire on December 14, 2021 for up to two additional years to December 14, 2023.

The Department is conducting a contract procurement process entitled Next Generation Financial Services Environment (“NextGen”) for a new framework for the servicing of all student loans owned by the Department. On January 15, 2019, the Department issued solicitations for certain NextGen components, including the NextGen Enhanced Processing Solution (“EPS”), which is for a technology servicing system and certain processing functions the Department planned to use under NextGen to service the Department's student loan customers, and the NextGen Business Processing Operations (“BPO”), which is for the back office and call center operational functions for servicing the Department's student loan customers.

On June 24, 2020, the Department awarded and signed contracts with five other companies in connection with the BPO solicitation. On July 10, 2020, the Department cancelled the solicitation for the EPS component. In the Department's description of its cancellation of the EPS solicitation component, the Department indicated that it continues to be committed to the goals and vision of NextGen, and that it would be introducing a new solicitation to continue the NextGen strategy in the future. On October 28, 2020, the Department issued a new federal loan servicing solicitation for an Interim Servicing Solution ("ISS"). ISS was a follow-on to the existing contracts, which would award a full system and servicing solution to two providers. Under ISS, the selected providers would have provided the technology platform to host the Department's student loan portfolio; customer service (including contact centers) and back-office processing; digital engagement layer including borrower-facing website and mobile-applications; intake, imaging, and fulfillment; and portfolio-level operations. As the companies awarded BPO contracts are onboarded, contact center and back-office operations would have shifted from the ISS contract to the BPO providers. The Consolidated Appropriations Act, 2021 contains provisions directing certain aspects of the NextGen process, including that any new federal student loan servicing environment shall provide for the participation of multiple student loan servicers and the allocation of borrower accounts to eligible student loan servicers based on performance, and directed the suspension of awarding any ISS contract for at least 90 days. On January 9, 2021, the Department suspended the ISS solicitation. In the Department’s description of the suspension, it indicated that in consideration of the Consolidated Appropriations Act, 2021, the Government is reassessing its needs and will amend or cancel the subject solicitation in the future.

The Department currently allocates new loan volume among the TIVAS and NFP servicers based on the following performance metrics:

- Two metrics measure the satisfaction among separate customer groups, including borrowers (35 percent) and Department personnel who work with the servicers (5 percent).

- Three metrics measure the success of keeping borrowers in an on-time repayment status and helping borrowers avoid

default as reflected by the percentage of borrowers in current repayment status (30 percent), percentage of borrowers more than 90 days but fewer than 271 days delinquent (15 percent), and percentage of borrowers over 270 days and fewer than 361 days delinquent (15 percent). The loans are evaluated in 15 different loan portfolio stratifications to account for differences in portfolios.

The allocation of ongoing volume is determined twice each year based on the performance of each servicer in relation to the other servicers. Quarterly results are compiled for each servicer. The average of the September and December quarter-end results are used to allocate volume for the period from March 1 to August 31, and the average of the March and June quarter-end results are used to allocate volume for the period from September 1 to February month end, of each year.

Under the most recent publicly announced performance metrics measurements used by the Department for the quarterly periods January 1, 2020 through June 30, 2020, Great Lakes' and Nelnet Servicing's overall rankings among the then-current nine servicers for the Department at that time were first and tied for fifth, respectively. Based on these results, Great Lakes' and Nelnet Servicing's allocation of new student loan servicing volumes for the period September 1, 2020 through February 28, 2021 are 20 percent and 10 percent, respectively.

In October 2020, the Department communicated to its servicers that a not-for-profit servicer requested to end its contract with the Department. Effective October 23, 2020, the percent of allocated new student loan servicing volume that previously was awarded to this servicer will be split among the remaining servicers, resulting in Great Lakes' allocation to increase by two percent and each remaining servicer to obtain an additional one percent allocation.

Incremental revenue components earned by Nelnet Servicing or Great Lakes from the Department (in addition to loan servicing revenues) include:

- *Administration of the Total and Permanent Disability (TPD) Discharge program*. Nelnet Servicing processes applications for the TPD discharge program and is responsible for discharge, monitoring, and servicing TPD loans. Individuals who are totally and permanently disabled may qualify for a discharge of their federal student loans, and the Company processes applications under the program and receives a fee from the Department on a per application basis, as well as a monthly servicing fee during the monitoring period. Nelnet Servicing is the exclusive provider of this service to the Department.

- *Origination of consolidation loans.* The Department outsources the origination of consolidation loans whereby each of the servicers receive Federal Direct Loan consolidation origination volume based on borrower choice. The Department pays the Company a fee for each completed consolidation loan application it processes. Nelnet Servicing and Great Lakes each service the consolidation volume it originates.

<u>*Servicing FFELP loans*</u>

NDS services the Company's student loan portfolio and the portfolios of third parties. The loan servicing activities include loan conversion activities, application processing, borrower updates, customer service, payment processing, due diligence procedures, funds management reconciliations, and claim processing. These activities are performed internally for the Company's portfolio, in addition to generating external fee revenue when performed for third-party clients.

The Company uses proprietary systems to manage the servicing process. These systems provide for automated compliance with most of the federal student loan regulations adopted under Title IV of the Higher Education Act of 1965, as amended (the “Higher Education Act”).

The Company serviced FFELP loans on behalf of 124 third-party servicing customers as of December 31, 2020. The Company's FFELP servicing customers include national and regional banks, credit unions, and various state and nonprofit secondary markets. The majority of the Company's external FFELP loan servicing activities are performed under “life of loan” contracts, which essentially provide that as long as the applicable loan exists, the Company shall be the sole servicer of that loan; however, the agreement may contain “deconversion” provisions where, for a fee, the lender may move the loan to another servicer.

The discontinuation of new FFELP loan originations in July 2010 has caused and will continue to cause FFELP servicing revenue to decline as these loan portfolios are paid down. However, the Company believes there may be opportunities to service additional FFELP loan portfolios from current FFELP participants as the program winds down.

Originating and servicing private education and consumer loans

NDS conducts origination and servicing activities for private education and consumer loans. Private education loans are non-federal private credit loans made to students or their families; as such, the loans are not issued or guaranteed by the federal government. These loans are used primarily to bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans, or the borrowers' personal resources. Although similar in terms of activities and functions as FFELP loan servicing (e.g., application processing, disbursement processing, payment processing, customer service, statement distribution, and reporting), private education loan servicing activities are not required to comply with provisions of the Higher Education Act and may be more customized to individual client requirements.

The Company has invested and currently plans to continue to invest in modernizing key technologies and services to position its consumer loan servicing business for the long-term, expanding services to include personal loan products and other consumer installment assets. The Company is in the process of a complete modernization of its private education and consumer loan origination and repayment servicing systems. Improvements in systems will allow for diversified products to be both originated and serviced with state-of-the-art application and servicing platforms to drive growth for the Company's client partners. Presenting a very wide market opportunity of new entrants and existing players, consumer lending is currently expected to be a growth area. In both backup servicing and full servicing partnerships, the Company is a valuable resource for consumer lenders and asset holders as it allows for leveraged economies of scale, high compliance, and secure service to client partners.

NDS serviced private education and consumer loans on behalf of 39 third-party servicing customers as of December 31, 2020.

The Company expects that private education loan servicing revenue will increase beginning in the first half of 2021 as a result of the Company being selected to service all of the approximately $10 billion portfolio of private education loans (representing approximately 475,000 borrowers) that Wells Fargo announced in December 2020 it had agreed to sell to investors.

Backup servicing for FFELP, private education, and consumer loans

NDS offers protection against unexpected business failure or any event that stretches a third party service provider's resources beyond its capability to perform essential services through backup servicing. Backup servicing for loan asset owners, investors, financiers, and other stakeholders is a way to safeguard assets and mitigate financial risk, generally in conjunction with a structured long-term financing of the assets (like an asset-backed securitization).

NDS's backup service provides a trigger response plan with pre-built system profiles that remain on standby, ready to be utilized if a contracted asset manager or service provider cannot perform its duties. The Company performs testing and maintenance against the loan transfer process each month with backup clients and certifies compliance. For a monthly fee, these arrangements require a 30 to 90 day notice from a triggering event to transfer the customer's servicing volume to the Company's platform and becoming a full servicing customer. NDS offers backup servicing for FFEL, private education, and consumer loan programs that leverages existing servicing systems and full service experience. NDS provides backup servicing arrangements to assist 17 entities for more than 5.6 million borrowers.

Providing student loan servicing software and other information technology products and services

NDS provides data center services, student loan servicing software for servicing private education and federal loans, guaranty servicing software, and consulting and professional services to support the technology platforms. These proprietary software systems are used internally by the Company and/or licensed to third-party student loan holders and servicers. These software systems have been adapted so they can be offered as hosted servicing software solutions that can be used by third parties for guaranty servicing and to service various types of student loans, including Federal Direct Loan Program and FFEL Program loans. The Company earns a monthly fee from its remote hosting customers for each loan or unique borrower on the Company's platform, with a minimum monthly charge for most contracts. As of December 31, 2020, 6.6 million borrowers were hosted on the Company's hosted servicing software solution platforms, including 4.0 million borrowers that were serviced by three of the four NFP servicers that have contracts to service loans for the Department and 2.3 million borrowers that were serviced by the Great Lakes' former parent company in accordance with a contract that expired in January 2021.

Customer acquisition, management services, and backup servicing for community solar developers

NDS, under the brand Nelnet Renewable Energy, works with solar developers and financiers to provide marketing, sales, and customer engagement services to meet key milestones before solar projects are interconnected to the grid and provide the subsequent operational support for the term of the subscriber agreement, including addressing incoming inquiries, verifying eligibility, billing, payment processing, and reconciliation. The Company earns a one-time fee for subscriber acquisition and a

recurring fee for subscriber management. Additionally, NDS provides backup servicing capabilities to solar developers and financiers, which provides assurances that projects will still be serviced in the event the primary servicer's situation changes.

Providing outsourced services including call center, processing, technology, and marketing services

NDS provides business process outsourcing primarily specializing in contact center management. The contact center solutions and services include taking inbound calls, helping with outreach campaigns and sales, and interacting with customers through multi-channels. Processing services include application processing and verification, payment processing, credit dispute, and account management services. NDS also outsources technology expertise and capacity to supplement development needs in organizations.

Competition

The Company's scalable servicing platform allows it to provide compliant, efficient, and reliable service at a low cost, giving the Company a competitive advantage over others in the industry. The principal competitor for existing and prospective FFELP and private education loan servicing business is Navient Corporation ("Navient"), which in 2018 entered into an agreement with First Data, now part of Fiserv, to provide technology solutions for servicing Navient's federal education loans in addition to the technology role they already played with respect to private education loans. Navient is the largest for-profit provider of servicing functions. In contrast to its competitors, the Company has segmented its private education loan servicing on a distinct platform, created specifically to meet the needs of private education student loan borrowers, their families, the schools they attend, and the lenders who serve them. This ensures access to specialized teams with a dedicated focus on servicing these borrowers.

With the elimination of new loan originations under the FFEL Program, four TIVAS servicers, including Nelnet Servicing and Great Lakes, and four NFPs, are servicers of federally-owned loans. The two other TIVAS servicers are FedLoan Servicing (Pennsylvania Higher Education Assistance Agency ("PHEAA")) and Navient. NDS currently licenses its hosted servicing software to three of the four NFP servicers.

NDS is one of the leaders in the development of servicing software for guaranty agencies, consumer and private education loan programs, the Federal Direct Loan Program, and FFELP student loans. Many student loan lenders and servicers utilize the Company's software either directly or indirectly. NDS believes the investments it has made to scale its systems and to create a secure infrastructure to support the Department's servicing volume and requirements increase its competitive advantage as a long-term partner in the loan servicing market.

Education Technology, Services, and Payment Processing

NBS provides services and technology to administrators, teachers, students, and families of K-12 schools and higher education institutions. The Company's payment processing services and technologies also serve customers outside of education.

The Company's solutions include:

- Tuition payment plans
- Payment processing
- Advancement (giving management)
- Professional development
- School administration
- Financial management
- Enrollment and communications
- Instructional services

The majority of this segment's customers are located in the United States; however, the Company also provides services and technology in Australia, New Zealand, and Southeast Asia, and currently believes there are opportunities to increase its customer base and revenues internationally.

See the MD&A - "Education Technology, Services, and Payment Processing Operating Segment - Results of Operations" for a discussion of the seasonality of the business in this operating segment.

K-12

In the K-12 market, FACTS comprehensive set of solutions includes (i) financial management, (ii) school administration solutions, (iii) advancement, (iv) enrollment and communications; (v) professional development and educational instruction services, and (vi) innovative technology products that aid in teacher and student evaluations. The Company provides services for more than 11,000 K-12 schools and serves over 4 million students and families. The Company's K-12 business generated $153.4 million in revenue for the year ended December 31, 2020.

The Company is the market leader in education financial management services, including actively managed tuition payment plans, financial needs assessment (grant and aid), incidental billing, advanced accounting, and payment forms. K-12 educational institutions contract with the Company to administer tuition payment plans that allow families to make recurring payments generally over six to 12 months. The Company earns tuition payment plan services revenue by collecting a fee from either the institution or the payer to administer the plan. Additionally, the Company may earn revenue for payment processing fees when families make tuition payments. The Company's grant and aid assessment service helps K-12 schools evaluate and determine the amount of financial aid to disburse to the families it serves. The Company earns service revenue by charging a fee for grant and aid applications processed. Under the FACTS brand, the Company provides actively managed tuition payment plans in Australia through Nelnet International.

The Company’s school administration solutions include FACTS Student Information System (“SIS”), Family App, and Parent Alert. FACTS SIS automates the flow of information between school administrators, teachers, and parents and includes administrative processes such as admissions, enrollment, scheduling, cafeteria management, attendance, and grade book management. The Company’s information systems software is sold as a subscription service to schools. The Company also offers a streamlined, social, and fully integrated learning management system to enhance classroom instruction for both teachers and students. FACTS Family App provides families with mobile access to the information they need and Parent Alert allows for instant communication with families when needed. The Company offers the school information system to more than 50 countries globally through Nelnet International.

The combination of the Company’s school administration software and tuition management and grant and aid assessment services has significantly increased the value of the Company’s offerings in this area, allowing the Company to deliver a comprehensive suite of solutions to schools.

The Company's advancement solution, FACTS Giving, is a comprehensive donation platform that streamlines donor communications, organizes donor information, and provides access to data analysis and reporting. Enrollment and communications solutions include School Site and Application and Enrollment. School Site offers website design and Application and Enrollment is a simple, cost effective admissions software.

FACTS Education Solutions provides customized professional development services for teachers and school leaders as well as instructional services for students experiencing academic challenges. These services provide continuous advanced learning and professional development while helping private schools identify and attain equitable participation in federal education programs. FACTS Education Solutions also offers an innovative technology product that aids in both teacher and student evaluation. On December 31, 2020, the Company acquired HigherSchool Instructional Services, a services company that provides supplemental instructional services and educational professional development for approximately 50 K-12 schools in New York City. HigherSchool Instructional Services compliments and will integrate operationally with FACTS Education Solutions.

Higher Education

In the higher education market, the Company (known as Nelnet Campus Commerce) offers solutions including (i) tuition payment plans and (ii) payments technology and processing. The Company provides service for more than 1,200 colleges and universities worldwide and serves over 7 million students and families. The Company’s higher education business generated $126.0 million in revenue for the year ended December 31, 2020.

Higher education institutions contract with the Company to administer tuition payment plans that allow the student and family to make recurring payments on either a semester or annual basis. The Company earns tuition payment plan services revenue by collecting a fee from either the student or family to administer the plan. Additionally, the Company may earn revenue for payment processing fees when families make tuition payments.

The Company's payment technology solutions allow for electronic billing and payment of campus charges. Payment technologies includes cashiering for face-to-face transactions, campus-wide commerce management, and refunds management, among other activities. The Company earns revenue for e-billing, hosting and maintenance, credit card processing fees, and e-payment transaction fees, which are powered by the Company's secure payment processing systems. The Company also offers a product, CampusKey, which provides students with a mobile app to replace their plastic student ID card.

The Company's payment technology and processing solutions are sold as a subscription service to colleges and universities. The systems process payments through the appropriate channels in the banking or credit card networks to make deposits into the client's bank account. The systems can be further deployed to other departments around campus as requested (e.g., application fees, alumni giving, parking, events, etc.).

Nelnet International also offers payments technology and processing solutions to higher education institutions in Australia, New Zealand, and Southeast Asia.

Non-education services

Under the brands PaymentSpring and Aware3, the Company has expanded its customer base to include both education and non-education customers. PaymentSpring offers technology and payment services including electronic transfer and credit card processing, reporting, billing and invoicing, mobile and virtual terminal solutions, and specialized integrations to business software. Aware3 is a mobile first technology focused on increasing engagement, online giving, and communication for church and not-for-profit customers. On December 31, 2020, the Company acquired CD2 LLC ("CD2"). CD2 has been operating since 2010 and includes two divisions, CD2 Learning, which is the brand for corporate sales, and Catholic Faith Technologies, which is the brand for churches, schools, and ministries. CD2 provides a platform technology solution that includes five features: learning management, collaboration/workflow, gamification, customer management/document storage, and employee boarding. The acquisition of CD2 further expands NBS's non-education customer base. For the year ended December 31, 2020, the Company earned $6.2 million in revenue from its non-education services.

Competition

The Company is the largest provider of tuition management and financial needs assessment services to the private and faith-based K-12 market in the United States. Competitors include financial institutions, tuition management providers, financial needs assessment providers, accounting firms, and a myriad of software companies.

In the higher education market, the Company targets business offices at colleges and universities. In this market, the primary competition is from a relatively small number of campus commerce and tuition payment providers, as well as solutions developed in-house by colleges and universities.

The Company's principal competitive advantages are (i) the customer service it provides to institutions and consumers, (ii) the technology provided with the Company's service, and (iii) the Company's ability to integrate its technology with the institution clients and their third party service providers. The Company believes its clients select products primarily based on technology features, functionality, and the ability to integrate with other systems, but price and service also impact the selection process.

Communications

The Company provided communication services through ALLO, a former majority owned subsidiary, until a recapitalization and additional funding for ALLO resulted in a deconsolidation of ALLO from the Company's consolidated financial statements on December 21, 2020. See "Recent Developments - ALLO Recapitalization and Additional Funding" above. The Company continues to hold a significant investment in ALLO. ALLO derives its revenue primarily from the sale of telecommunication services, including internet, telephone, and television services, to business, governmental, and residential customers in Nebraska and Colorado, and specializes in high-speed internet and broadband services available through its all-fiber network. ALLO currently serves or has announced plans to serve 13 communities in Nebraska and two in Colorado. ALLO plans to continue to increase market share and revenue in its existing markets and is currently evaluating opportunities to expand to additional communities.

Asset Generation and Management

AGM includes the acquisition, management, and ownership of the Company's loan assets (excluding loan assets held by Nelnet Bank). Loans consist of federally insured student loans (originated under the FFEL Program), private education loans, and consumer loans. Substantially all of AGM's loan portfolio (97.8 percent as of December 31, 2020) is federally insured. As of December 31, 2020, AGM's loan portfolio was $19.6 billion. The Company generates a substantial portion of its earnings from the spread, referred to as the Company's loan spread, between the yield it receives on its loan portfolio and the associated costs to finance such portfolio. See the MD&A - "Asset Generation and Management Operating Segment - Results of Operations - Loan Spread Analysis," for further details related to the loan spread. The loan assets are held in a series of lending subsidiaries and associated securitization trusts designed specifically for this purpose. In addition to the loan spread earned on its portfolio, all costs and activity associated with managing the portfolio, such as servicing of the assets and debt maintenance, are included in this segment.

AGM's portfolio of federally insured student loans is subject to minimal credit risk, as these loans are guaranteed by the Department at levels ranging from 97 percent to 100 percent. The Higher Education Act regulates every aspect of the federally insured student loan program, including certain communications with borrowers, loan originations, and default aversion. Failure to service a student loan properly could jeopardize the guarantee on federal student loans. In the case of death, disability, or bankruptcy of the borrower, the guarantee covers 100 percent of the loan's principal and accrued interest. FFELP loans are

guaranteed by state agencies or nonprofit companies designated as guarantors, with the Department providing reinsurance to the guarantor. Guarantors are responsible for performing certain functions necessary to ensure the program's soundness and accountability. Generally, the guarantor is responsible for ensuring that loans are serviced in compliance with the requirements of the Higher Education Act. When a borrower defaults on a FFELP loan, AGM submits a claim to the guarantor, who provides reimbursements of principal and accrued interest, subject to the applicable risk share percentage.

AGM’s portfolios of private education and consumer loans are subject to credit risk and defaults may increase above current levels based on numerous factors, including a decline in the economy or an increase in unemployment.

Origination and acquisition

The Reconciliation Act of 2010 discontinued originations of new FFELP loans, effective July 1, 2010. However, the Company believes there may be ongoing opportunities to continue to purchase FFELP loan portfolios from current FFELP participants looking to exit or adjust their FFELP businesses. For example, the Company purchased a total of $1.3 billion of FFELP student loans from various third parties during 2020. However, since all FFELP loans will eventually pay off, a key objective of the Company over the last several years is to reposition itself for the post-FFELP environment. As such, the Company is actively expanding its private education and consumer loan portfolios.

During 2020, the Company purchased $152.0 million of private education loans and $137.0 million of consumer loans.

In December of 2020, Wells Fargo announced the sale of its approximately $10 billion portfolio of private education student loans representing approximately 475,000 borrowers. In conjunction with the sale, the Company was selected as servicer of the portfolio and will begin servicing the portfolio following a series of loan transfers during the first half of 2021. In addition, the Company has entered into agreements to participate in a joint venture to acquire the portfolio. The Company expects to own approximately 8 percent of the interest in the loans and, dependent upon financing, currently expects to invest approximately $100 million as part of the acquisition. In addition, the Company will serve as the sponsor and administrator for loan securitizations on behalf of the purchaser group as the loans are securitized, and provide the required level of risk retention as the loans are permanently financed. This transaction is expected to close during the first half of 2021, with the securitizations occurring subsequent to closing.

AGM's competition for the purchase of FFELP, private education, and consumer loan portfolios includes banks, hedge funds, and other finance companies.

Interest rate risk management

Since the Company generates a significant portion of its earnings from its loan spread, the interest rate sensitivity of the Company's balance sheet is very important to its operations. The current and future interest rate environment can and will affect the Company's interest income and net income. The effects on the Company's results of operations as a result of the changing interest rate environments are further outlined in the MD&A - "Asset Generation and Management Operating Segment - Results of Operations - Loan Spread Analysis" and in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk.”

Nelnet Bank

As discussed under “Recent Developments - Nelnet Bank” above, Nelnet Bank launched operations on November 2, 2020. Nelnet Bank was funded by the Company with an initial capital contribution of $100 million, consisting of $55.9 million of cash and $44.1 million of student loan asset-backed securities. In addition, the Company made a pledged deposit of $40.0 million with Nelnet Bank, as required under an agreement with the FDIC. Nelnet Bank operates as an internet Utah chartered industrial bank franchise focused on the private education loan marketplace, with a home office in Salt Lake City, Utah. Currently, Nelnet Bank originates school refinance or consolidation loans, which are funded by deposits from custodians and commercial and institutional customers. Throughout Nelnet Bank’s three-year de novo period, Nelnet Bank plans to continue to launch products focused on helping students achieve their dreams, with the origination of in-school student loans and expansion of deposit products to consumers over the next year. As of December 31, 2020, Nelnet Bank had $17.5 million in private education loans.

Corporate and Other Activities

Other business activities and operating segments that are not reportable are combined and included in Corporate and Other Activities. Corporate and Other Activities include the following items:

- The operating results of Whitetail Rock Capital Management, LLC ("WRCM"), the Company's SEC-registered investment advisor subsidiary
- Income earned on certain investment activities, including renewable energy (solar) and real estate
- Interest expense incurred on unsecured and certain other corporate related debt transactions
- Other product and service offerings that are not considered reportable operating segments

Corporate and Other Activities also include certain corporate activities and overhead functions related to executive management, internal audit, human resources, accounting, legal, enterprise risk management, information technology, occupancy, and marketing. These costs are allocated to each operating segment based on estimated use of such activities and services.

Whitetail Rock Capital Management, LLC

As of December 31, 2020, WRCM, the Company's SEC-registered investment advisor subsidiary, had $1.87 billion in assets under management for third-party customers, consisting of student loan asset-backed securities and Nelnet stock. WRCM earns annual management fees of 25 basis points for asset-backed securities under management and up to 50 percent of the gains from the sale of securities or securities being called prior to the full contractual maturity for which it provides advisory services. WRCM earns annual management fees of five basis points for Nelnet stock under management. During 2020, WRCM earned $3.6 million in management fees and generated $7.2 million in performance fees. The Company currently anticipates that assets under management will decrease from current levels and that opportunities to earn meaningful performance fees in future periods will be more limited.

Solar, real estate, and other investments

The Company makes investments to further diversify itself both within and outside of its historical core education-related businesses, including investments in renewable energy resources (solar projects), real estate, and early-stage and emerging growth companies. The Company's investments in certain tax-advantaged projects promoting renewable energy resources (solar projects) are designed to generate a return primarily through the realization of federal income tax credits, operating cash flows, and other tax benefits, over specified time periods. The solar projects are currently forecasted to generate more than 214 megawatts of power each year. Recent real estate investments have been focused on the development of commercial properties in the Midwest, and particularly in Lincoln, Nebraska, where the Company is headquartered. These investments include projects for the development of properties in Lincoln's east downtown Telegraph District, where a new facility for the Company's student loan servicing operations is located, and projects in Lincoln's Haymarket District, including the new headquarters of Hudl, an online video analysis and coaching tools software company for athletes of all levels. The Company is also a tenant at Hudl's headquarters. David S. Graff, a member of the Company's board of directors, is a co-founder, the chief executive officer, and a director of Hudl. In addition, the Company has a total equity investment in Hudl of $128.6 million.

Regulation and Supervision

The Company's operating segments and industry partners are heavily regulated by federal and state government regulatory agencies. The following provides a summary of the more significant existing and proposed legislation and regulations affecting the Company. A failure to comply with these laws and regulations could subject the Company to substantial fines, penalties, and remedial and other costs, restrictions on business, and the loss of business. Regulations and supervision can change rapidly, and changes could alter the Company's business plan and increase the Company's operating expenses as new or additional regulatory compliance requirements are addressed.

Loan Servicing and Systems

NDS, which services Federal Direct Loan Program, FFELP, and private education and consumer loans, is subject to federal and state consumer protection, privacy, and related laws and regulations. Some of the more significant federal laws and regulations include:

- The Higher Education Act, which establishes financial responsibility and administrative capability requirements that govern all third-party servicers of federally insured student loans
- The Telephone Consumer Protection Act ("TCPA"), which governs communication methods that may be used to contact customers
- The Truth-In-Lending Act ("TILA") and Regulation Z, which govern disclosures of credit terms to consumer borrowers
- The Fair Credit Reporting Act ("FCRA") and Regulation V, which govern the use and provision of information to consumer reporting agencies

- The Equal Credit Opportunity Act ("ECOA") and Regulation B, which prohibit discrimination on the basis of race, creed, or other prohibited factors in extending credit
- The Servicemembers Civil Relief Act ("SCRA"), which applies to all debts incurred prior to commencement of active military service and limits the amount of interest, including certain fees or charges that are related to the obligation or liability
- The Military Lending Act ("MLA"), which protects active duty members of the military, their spouses, and their dependents from certain lending practices
- The Electronic Funds Transfer Act ("EFTA") and Regulation E, which protect individual consumers engaged in electronic fund transfers ("EFTs")
- The Gramm-Leach-Bliley Act ("GLBA") and Regulation P, which govern a financial institution's treatment of nonpublic personal information about consumers and require that an institution, under certain circumstances, notify consumers about its privacy policies and practices
- The General Data Protection Regulation ("GDPR"), a European Union ("EU") regulation which places specific requirements on businesses that collect and process personal data of individuals residing in the EU, and provides for significant fines and other penalties for non-compliance
- The California Consumer Privacy Act ("CCPA"), which enhances the privacy rights and consumer protection for residents of California
- The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which provides temporary relief measures currently in place through September 30, 2021 for federal student loans held by the Department, during the COVID-19 pandemic
- Laws prohibiting unfair, deceptive, or abusive acts or practices ("UDAAP")
- Various laws, regulations, and standards that govern government contractors

As a student loan servicer for the federal government and for financial institutions, including the Company's FFELP student loan portfolio, the Company is subject to the Higher Education Act ("HEA") and related laws, rules, regulations, and policies. The HEA regulates every aspect of the federally insured student loan program. Failure to comply with the HEA could result in fines, the loss of the insurance and related federal guarantees on affected FFELP loans, expenses required to cure servicing deficiencies, suspension or termination of the right to participate as a FFELP servicer, negative publicity, and potential legal claims. The Company has designed its servicing operations to comply with the HEA, and it regularly monitors the Company's operations to maintain compliance. While the HEA is required to be reviewed and reauthorized by Congress every five years, Congress has not reauthorized the HEA since 2008, choosing to temporarily extend the HEA each year since 2013 while Congress works on the next reauthorization. The Company continuously monitors for potential changes to HEA and evaluates possible impacts to its business operations.

Under the TCPA, plaintiffs may seek actual monetary loss or damages of $500 per violation, and courts may treble the damage award for willful or knowing violations. In addition, TCPA lawsuits have asserted putative class action claims.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") established the Consumer Financial Protection Bureau ("CFPB"), which has broad authority to regulate a wide range of consumer financial products and services. The Company's student loan servicing business is subject to CFPB oversight authority.

In 2015, the CFPB conducted a public inquiry into student loan servicing practices throughout the industry and issued a report discussing public comments submitted in response to the inquiry, and suggesting a framework to improve borrower outcomes and reduce defaults, including the creation of consistent, industry-wide standards for the entire servicing market.

The CFPB has authority to draft new regulations implementing federal consumer financial protection laws, to enforce those laws and regulations, and to conduct examinations of the Company's operations to determine compliance. The CFPB's authority includes the ability to assess financial penalties and fines and provide for restitution to consumers if it determines there have been violations of consumer financial protection laws. The CFPB also provides consumer financial education, tracks consumer complaints, requests data from industry participants, and promotes the availability of financial services to underserved consumers and communities. The CFPB has authority to prevent unfair, deceptive, or abusive acts or practices and to ensure that all consumers have access to fair, transparent, and competitive markets for consumer financial products and services. The CFPB's scrutiny of financial services has impacted industry participants' approach to their services, including how the Company interacts with consumers.

The Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions to remedy violations of state law. Most states also have statutes that prohibit unfair and deceptive practices. To the extent states enact requirements that

differ from federal standards or state officials and courts adopt interpretations of federal consumer laws that differ from those adopted by the CFPB under the Dodd-Frank Act, the Company's ability to offer the same products and services to consumers nationwide may be limited.

As a third-party service provider to financial institutions, the Company is subject to periodic examination by the Federal Financial Institutions Examination Council (“FFIEC”). FFIEC is a formal interagency body of the U.S. government empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Federal Reserve Banks, the FDIC, and the CFPB, and to make recommendations to promote uniformity in the supervision of financial institutions.

Several states have enacted laws regulating and monitoring the activity of student loan servicers. Some of these laws stipulate additional licensing fees which increase the Company’s cost of doing business. Where the Company has obtained licenses, state licensing statutes may impose a variety of requirements and restrictions on the Company. In addition, these statutes may also subject the Company to the supervisory and examination authority of state regulators in certain cases, and the Company will be subject to and experience exams by state regulators. If the Company is found to not have complied with applicable laws, regulations, or requirements, it could: (i) lose one or more of its licenses or authorizations, (ii) become subject to a consent order or administrative enforcement action, (iii) face lawsuits (including class action lawsuits), sanctions, or penalties, or (iv) be in breach of certain contracts, which may void or cancel such contracts. The Company anticipates additional states adopting similar laws.

Education Technology, Services, and Payment Processing

NBS provides tuition management services and school information software for K-12 schools and tuition management services and payment processing solutions for higher education institutions. The Company also provides payment technologies and payment services for software platforms, businesses, and nonprofits beyond the K-12 and higher education space. As a service provider that takes payment instructions from institutions and their constituents and sends them to bank partners, the Company is directly or indirectly subject to a variety of federal and state laws and regulations. The Company's contracts with clients and bank partners require the Company to comply with these laws and regulations.

The Company's payment processing services are subject to the EFTA and Regulation E, which govern automatic deposits to and withdrawals from deposit accounts and customers’ rights and liabilities arising from the use of debit cards and certain other electronic banking services. The Company assists bank partners with fulfilling their compliance obligations pursuant to these requirements.

The Company's payment processing services are also subject to the National Automated Clearing House Association (“NACHA”) requirements, which include operating rules and sound risk management procedures to govern the use of the Automated Clearing House (“ACH”) Network. These rules are used to ensure that the ACH Network is efficient, reliable, and secure for its members. Because the ACH Network uses a batch process, the importance of proper submissions by NACHA members is magnified. The Company is also impacted by laws and regulations that affect the bankcard industry. The Company is registered with Visa, MasterCard, American Express, and the Discover Network as a service provider and is subject to their respective rules.

The Company's higher education institution clients are subject to the Family Educational Rights and Privacy Act (“FERPA”), which protects the privacy of student education records. These clients disclose certain non-directory information concerning their students to the Company, including contact information, student identification numbers, and the amount of students’ credit balances pursuant to one or more exceptions under FERPA. Additionally, as the Company is indirectly subject to FERPA, it may not permit the transfer of any personally identifiable information to another party other than in a manner in which an educational institution may properly disclose it. While the Company believes that it has adequate policies and procedures in place to safeguard the privacy of such information, a breach of this prohibition could result in a five-year suspension of the Company's access to the related client’s records. The Company may also be subject to similar state laws and regulations that restrict higher education institutions from disclosing certain personally identifiable student information.

Some of the Company's K-12 and higher education institution clients choose to charge convenience fees to students, parents, or other payers who make online payments using a credit or debit card. Laws and regulations related to such fees vary from state to state and certain states have laws that to varying degrees prohibit the imposition of a surcharge on a cardholder who elects to use a credit or debit card in lieu of cash, check, or other means.

The Company's contracts with higher education institution clients also require the Company to comply with regulations promulgated by the Department regarding the handling of student financial aid funds received by institutions on behalf of their students under Title IV of the Higher Education Act. These regulations are designed to ensure students have convenient access

to their Title IV funds, do not incur unreasonable fees, and are not led to believe they must open a financial account to receive such funds.

Asset Generation and Management

The Dodd-Frank Act created a comprehensive regulatory framework for derivatives transactions, with regulatory authority allocated among the Commodity Futures Trading Commission ("CFTC"), other prudential regulators, and the SEC. This framework, among other things, subjects certain swap participants to capital and margin requirements, recordkeeping, and business conduct standards and imposes registration and regulation of swap dealers and major swap participants. Even where a securitization trust qualifies for an exemption, many of the Company's derivative counterparties are subject to capital, margin, and business conduct requirements and therefore the Company may be impacted. Where securitization trusts do not qualify for an exemption, the Company may be unable to enter into new swaps to hedge interest rate risk or the costs associated with such swaps may increase. With respect to existing securitization trusts, an inability to amend, novate, or otherwise materially modify existing swap contracts could result in a downgrade of outstanding asset-backed securities. As a result, the Company's business, ability to access the capital markets for financing, and costs may be impacted by these regulations.

Nelnet Bank

Nelnet Bank, chartered in November 2020, is a Utah Industrial Bank that is regulated by the FDIC and the UDFI.

Nelnet Bank, which originates private education loans, is subject to federal and state consumer protection, privacy, and related laws and regulations. In addition to having to comply with the majority of laws and regulations addressed in the Loan Servicing and Systems section, there are additional laws and regulations that Nelnet Bank must comply with. Some of the more significant laws and regulations applicable to Nelnet Bank include:

- Regulation W and Federal Reserve Act Sections 23A and 23B - Designed to prevent losses to a bank resulting from affiliate engagement and transfer of a bank's federal deposit insurance safety net to an affiliate
- Community Reinvestment Act - Encourages depository institutions to help meet the credit needs of the communities in which they operate
- Federal Trade Commission ("FTC") Act - Prevents unfair or deceptive acts or practices (UDAP) and ensures consumer privacy (including the Telephone Sales Rule, FTC Guides Concerning the Use of Endorsements and Testimonials in Advertising, and FTC Policy Statement Regarding Advertising Substantiation)
- Regulation O - Places limits and conditions on credit extensions that a bank can offer to its executive officers, principal shareholders, directors, and related interests
- Right to Financial Privacy Act - Establishes specific procedures that government authorities must follow when requesting a customer's financial records from a bank or other financial institution

Regulation D, the Truth in Savings Act (reserve requirements), and Regulation DD (disclosure of deposit terms to customers) will be applicable to Nelnet Bank once consumer deposit products are launched, which is tentatively scheduled for the fourth quarter of 2021.

Corporate

Governmental bodies in the United States and abroad have adopted, or are considering the adoption of, laws and regulations restricting the transfer and requiring the safeguarding of nonpublic personal information. For example, in the United States, the Company and its financial institution clients are, respectively, subject to the FTC's and the federal banking regulators' privacy and information safeguarding requirements under the GLBA. The GLBA requires financial institutions to periodically disclose their privacy policies and practices relating to sharing such information and enables customers to opt out of the Company's ability to share information with unaffiliated third parties under certain circumstances. Other federal and state laws and regulations impact the Company's ability to share certain information with affiliates and non-affiliates for marketing and/or non-marketing purposes, or to contact customers with marketing offers. The GLBA also requires financial institutions to implement a comprehensive information security program that includes administrative, technical, and physical safeguards to ensure the security and confidentiality of customer records and information. These security and privacy policies and procedures for the protection of personal and confidential information are in effect across all businesses and geographic locations. Federal law also makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means. Data privacy and data protection are areas of increasing state legislative focus. For example, the CCPA, which became effective on January 1, 2020, applies to for-profit businesses that conduct business in California and meet certain revenue or data collection thresholds. The CCPA gives consumers the right to request disclosure of information collected about them, and whether that information has been sold or shared with others, the right to

request deletion of personal information (subject to certain exceptions), the right to opt out of the sale of the consumer's personal information, and the right not to be discriminated against for exercising these rights. The CCPA contains several exemptions, including an exemption applicable to information that is collected, processed, sold, or disclosed pursuant to the GLBA. In addition, the California Privacy Rights and Enforcement Act of 2020, which amends and expands upon the CCPA, will become effective on January 1, 2023. Further, similar laws may be adopted by other states where the Company does business. The federal government may also pass data privacy or data protection legislation. In addition, in the EU, privacy law is now governed by the GDPR, which is directly binding and applicable for each EU member state from May 25, 2018. The GDPR contains enhanced compliance obligations and increased penalties for non-compliance compared to the prior law governing data privacy in the EU.

Intellectual Property

The Company owns numerous trademarks and service marks ("Marks") to identify its various products and services. As of December 31, 2020, the Company had 64 registered Marks. The Company actively asserts its rights to these Marks when it believes infringement may exist. The Company believes its Marks have developed and continue to develop strong brand-name recognition in the industry and the consumer marketplace. Each of the Marks has, upon registration, an indefinite duration so long as the Company continues to use the Mark on or in connection with such goods or services as the Mark identifies. In order to protect the indefinite duration, the Company makes filings to continue registration of the Marks. The Company owns one patent application that has been published, but has not yet been issued, and has also actively asserted its rights thereunder in situations where the Company believes its claims may be infringed upon. The Company owns many copyright protected works, including its various computer system codes and displays, websites, and marketing materials. The Company also has trade secret rights to many of its processes and strategies and its software product designs. The Company's software products are protected by both registered and common law copyrights, as well as strict confidentiality and ownership provisions placed in license agreements, which restrict the ability to copy, distribute, or improperly disclose the software products. The Company also has adopted internal procedures designed to protect the Company's intellectual property.

The Company seeks federal and/or state protection of intellectual property when deemed appropriate, including patent, trademark/service mark, and copyright. The decision whether to seek such protection may depend on the perceived value of the intellectual property, the likelihood of securing protection, the cost of securing and maintaining that protection, and the potential for infringement. The Company's employees are trained in the fundamentals of intellectual property, intellectual property protection, and infringement issues. The Company's employees are also required to sign agreements requiring, among other things, confidentiality of trade secrets, assignment of inventions, and non-solicitation of other employees post-termination. Consultants, suppliers, and other business partners are also required to sign nondisclosure agreements to protect the Company's proprietary rights.

Human Capital Resources

The Company's employees (referred to by the Company as associates) are critical to its success, and the executive team puts significant focus on human capital resources. In addition, the executive team regularly updates the Company's board of directors and its committees on the operation and status of human capital trends and activities. Key areas of focus for the Company include:

Headcount data

Total associate headcount by reportable segment as of December 31, 2020 follows:

	Number	Percent of total
NDS	4,314	69.6 %
NBS	1,195	19.3
Nelnet Bank	16	0.3
AGM	11	0.2
Corporate and other	663	10.6
	6,199	100.0 %

None of the Company's associates are covered by collective bargaining agreements. The Company is not involved in any material disputes with any of its associates, and the Company believes that relations with its associates are good.

Employee recruitment, engagement, and retention

The Company works diligently to attract the best talent from a diverse range of sources in order to meet the current and future demands of its businesses, and has established relationships with trade schools, universities, professional associations, and industry groups to proactively attract talent. In 2020, the Company hired approximately 1,900 new associates.

In 2020, the Company conducted an associate engagement survey using a leading outside firm that specializes in employee engagement. Ninety-four percent of the Company's associates participated in the survey, 14 points above the survey provider's industry benchmark. There were many questions, but the overarching goal of the survey was to determine overall associate engagement through understanding how associates feel about working for the Company and if associates would recommend the Company as a great place to work. The results of that survey were an overall engagement score of 79 out of 100, which was 5 points above the survey provider's industry benchmark. The Company's management team has collected all the feedback, and is focusing on making associate-suggested changes to become an even better place to work.

The Company believes its positive associate engagement has resulted in higher levels of associate retention. For 2020, associate voluntary turnover was approximately 20 percent, an 8 percentage point decrease from 2019. The average associate has over 6 years of service.

Diversity and inclusion

The Company embraces diversity among its associates, including their unique backgrounds, experiences, and talents, and the Company strives to cultivate a culture and vision that supports and enhances its ability to recruit, develop, and retain diverse talent at every level. The Company demonstrates its commitment to diversity, equity, and inclusion at the highest levels of the Company. An equal number of the Company's independent directors are women and men.

As of December 31, 2020, the Company's workforce was approximately 57 percent women. People of color, as defined by the U.S. Equal Employment Opportunity Commission's EEO-1 race and ethnicity categories for the U.S., represented approximately 20 percent of the Company's workforce (based on associate self-identification). The Company is making progress in the number of women and people of color working in leadership positions (defined by the Company as an associate with one or more direct report) across the organization. As of December 31, 2020, women and people of color held 50 percent and 8 percent of leadership positions in the Company, respectively. The Company has acknowledged that people of color are underrepresented in leadership positions at Nelnet, and is committed to have its workforce reflect the diversity in its communities.

As part of its diversity and inclusion focus in 2020, the Company made an unwavering commitment to Black lives matter and to stand in support of all people of color and be a part of the long-term solution to systemic racism and inequality in the world. Accordingly, the Company deepened its support of organizations advancing racial and socioeconomic equality and social justice, and in 2020 the Company created the Service, Not Silence fundraising and volunteer campaign. Through this fundraiser, associates could donate to local and national organizations advancing these issues, with donations matched by the Nelnet Foundation 3:1. The campaign raised over $1 million. The Company also revised its scholarship program for the children of Nelnet associates to better recognize minority and low-income students.

To further Nelnet's objective of creating an inspiring work environment and furthering associate development, the Company developed and launched the Nelnet Diversity, Equity, and Inclusion Council (the "Council"), sponsored by the Chief Executive Officer and the Executive Director of People Services. This Council of 25 members represents locations, functions, and business segments across the entire Company. Its top priorities include:

- Implementing a comprehensive diversity and inclusion learning and development plan to build awareness and drive inclusive behaviors;
- Developing the Company's diversity pipeline through recruiting, hiring, developing, mentoring, and retaining diverse top talent; and
- Promoting a work environment that enables associates to feel safe to express their ideas and perspectives and feel they belong.

During 2020, the Council partnered with Nelnet University to launch a robust mentoring program. The program is available to all associates, prioritizing mentorships for associates from underrepresented racial and ethnic groups. Associates participating in this program are partnered with tenured Nelnet leaders for guidance, support, and coaching. The Council has also provided training sessions for all associates on cultural competence and unconscious bias. In addition, the Company has changed new

hire recruiting methods and strategies to increase pools of minority, women, veteran, and disabled candidates, and has created other programs to increase diversity throughout the Company focused on race and gender.

Talent, development, and training

The Company's talent strategy is focused on attracting the best talent from a diverse range of sources, recognizing and rewarding their performance, and continually developing, engaging, and retaining them.

The Company is committed to the continued development of its people. Strategic talent reviews and succession planning occur on a planned cadence annually across all business areas. The executive team convenes meetings with senior leadership and the board of directors to review top enterprise talent. The Company continues to provide opportunities for associates to grow their careers internally, with over half of open management positions filled internally during 2020.

The Company provides a variety of professional, technical, and leadership training courses to help its associates grow in their current roles and build new skills. The Company emphasizes individual development planning as part of its annual goal setting process, and offers mentoring programs, along with change management and project management upskilling opportunities. The Company has leadership development resources for all leaders across the organization and continues to build tools for leaders to develop their teams on the job and in roles to create new opportunities to learn and grow.

Training is provided in a number of formats to accommodate the learner's style, location, and technological knowledge and access, including instructor-led courses and hundreds of online courses in the Company's learning management system. The Company also offers tuition assistance to associates for degree programs, non-degree seeking individual classes, or certificate programs that are related to areas of business at Nelnet. During 2020, the Company paid over $400,000 in tuition assistance for its associates.

Competitive pay, benefits, wellness, and safety

The general compensation philosophy of the Company, as an organization that values the long-term success of its shareholders, customers, and associates, is that the Company will pay fair, competitive, and equitable compensation that is designed to encourage focus on the long-term performance objectives of the Company and is differentiated based on both the individual's performance and the performance of their respective business segment. In carrying out this philosophy, the Company structures its overall compensation framework with the general objectives of encouraging ownership, savings, wellness, productivity, and innovation. In addition, total compensation is intended to be market competitive compared to select industry surveys, internally consistent, and aligned with the philosophy of a performance-based organization. The Company provides a comprehensive benefits package, opportunities for retirement savings, and a robust wellness program. The holistic wellness program focuses on four pillars: personal, professional, physical, and financial well-being.

In response to the COVID-19 pandemic, the Company has implemented and continues to implement safety measures in all its facilities. The Company has implemented adjustments to its operations designed to keep associates safe and comply with federal and local guidelines, including those regarding social distancing. As of March 2020, the majority of associates were working and continue to work from home.

Culture, values, and ethics

The Company believes acting ethically and responsibly is the right thing to do, and embraces core values of open, honest communication in work environments. The Company also believes that it must do its part to improve the world for current and future generations, and as part of this philosophy the Company contributes time, talent, and resources to strengthen the communities where the Company does business. The Company's associates participate in many initiatives focused on supporting their communities both financially and with their time.

Ethics are deeply embedded in the Company's values and business processes. The Company has a Code of Ethics and Conduct that all associates are required to read and acknowledge. The Company regularly re-enforces its commitment to ethics and integrity in associate communications, in its everyday actions, and in processes and controls. As a part of the Company's on-going efforts to ensure its associates conduct business with the highest levels of ethics and integrity, the Company has compliance training programs. The Company also maintains an Ask Ethics email through which associates can raise concerns they may have about business behavior they do not feel comfortable discussing personally with managers or human resources personnel. In addition, the Company maintains a separate anonymous portal for any associate concerns about the Company's financial reporting, internal controls, and related matters.

Available Information

The Company's internet website address is www.nelnet.com, and the Company's investor relations website address is www.nelnetinvestors.com. Copies of the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports are available on the Company's investor relations website free of charge as soon as reasonably practicable after such reports are filed with or furnished to the SEC. The Company routinely posts important information for investors on its investor relations website.

The Company has adopted a Code of Ethics and Conduct that applies to directors, officers, and employees, including the Company's principal executive officer and its principal financial and accounting officer, and has posted such Code of Ethics and Conduct on its investor relations website. Amendments to and waivers granted with respect to the Company's Code of Ethics and Conduct relating to its executive officers and directors, which are required to be disclosed pursuant to applicable securities laws and stock exchange rules and regulations, will also be posted on its investor relations website. The Company's Corporate Governance Guidelines, Audit Committee Charter, People Development and Compensation Committee Charter, Nominating and Corporate Governance Committee Charter, Risk and Finance Committee Charter, and Compliance Committee Charter are also posted on its investor relations website.

Information on the Company's websites is not incorporated by reference into this report and should not be considered part of this report.

ITEM 1A. RISK FACTORS

We operate our businesses in a highly competitive and regulated environment. We are subject to risks including, but not limited to, strategic, market, liquidity, credit, regulatory, technology, operational, security, and other business risks such as reputation damage related to negative publicity and dependencies on key personnel, customers, vendors, and systems. This section discusses material risk factors that could adversely affect our financial results and condition and the value of, and return on, an investment in us. Although this section attempts to highlight key risk factors, other risks may emerge at any time and we cannot predict all risks or estimate the extent to which they may affect us. These risk factors should be read in conjunction with the other information included in this report.

Loan Portfolio

Our loan portfolio is subject to certain risks related to interest rates, and the derivatives we use to manage interest rate risks, prepayment risk, and credit risk, each of which could reduce the expected cash flows and earnings on our portfolio.

Interest rate risk - basis and repricing risk

We are exposed to interest rate risk in the form of basis risk and repricing risk because the interest rate characteristics of our loan assets do not always match the interest rate characteristics of the funding for those assets.

We fund the majority of our FFELP student loan assets with one-month or three-month LIBOR indexed floating rate securities. Meanwhile, the interest earned on our FFELP student loan assets is indexed to one-month LIBOR, three-month commercial paper, and Treasury bill rates. The differing interest rate characteristics of our loan assets versus the liabilities funding these assets result in basis risk, which impacts the excess spread earned on our loans. We also face repricing risk due to the timing of the interest rate resets on our liabilities, which may occur as infrequently as once a quarter, in contrast to the timing of the interest rate resets on our assets, which generally occur daily. In a declining interest rate environment, this may cause our variable student loan spread to compress, while in a rising interest rate environment, it may cause the variable spread to increase.

As of December 31, 2020, we had $17.8 billion, $0.7 billion, and $0.6 billion of FFELP loans indexed to the one-month LIBOR, three-month commercial paper, and three-month Treasury bill rate, respectively, all of which reset daily, and $6.5 billion of debt indexed to three-month LIBOR, which resets quarterly, and $10.7 billion of debt indexed to one-month LIBOR, which resets monthly. While these indices are all short term in nature with rate movements that are highly correlated over a longer period of time, the indices' historically high level of correlation may be disrupted in the future due to capital market dislocations or other factors not within our control. In such circumstances, our earnings could be adversely affected to a material extent.

We have entered into basis swaps to hedge our basis and repricing risk, under which we receive three-month LIBOR set discretely in advance and pay one-month LIBOR plus or minus a spread as defined in the agreements (the "1:3 Basis Swaps").

Interest rate risk - loss of floor income

FFELP loans originated prior to April 1, 2006 generally earn interest at the higher of the borrower rate, which is fixed over a period of time, or a floating rate based on the Special Allowance Payments ("SAP") formula set by the Department. The SAP rate is based on an applicable index plus a fixed spread that depends on loan type, origination date, and repayment status. We generally finance our student loan portfolio with variable rate debt. In low and/or certain declining interest rate environments, when the fixed borrower rate is higher than the SAP rate, these student loans earn at a fixed rate while the interest on the variable rate debt typically continues to reflect the low and/or declining interest rates. In these interest rate environments, we may earn additional spread income that we refer to as floor income.

Depending on the type of loan and when it was originated, the borrower rate is either fixed to term or is reset to an annual rate each July 1. As a result, for loans where the borrower rate is fixed to term, we may earn floor income for an extended period of time, which we refer to as fixed rate floor income, and for those loans where the borrower rate is reset annually on July 1, we may earn floor income to the next reset date, which we refer to as variable rate floor income.

For the year ended December 31, 2020, we earned $116.8 million of fixed rate floor income, which reflects $6.7 million of net settlements paid related to derivatives used to hedge loans earning fixed rate floor income. Absent the use of derivative instruments, a rise in interest rates will reduce the amount of floor income received and this will have an impact on earnings due to interest margin compression caused by increased financing costs, until such time as the federally insured loans earn interest at a variable rate in accordance with their SAP formulas. In higher interest rate environments, where the interest rate rises above the borrower rate and fixed rate loans effectively convert to variable rate loans, the impact of the rate fluctuations is reduced.

Interest rate risk - use of derivatives

We utilize derivative instruments to manage interest rate sensitivity. See note 6 of the notes to the consolidated financial statements included in this report for additional information on derivatives used by us to manage interest rate risk. Our derivative instruments are intended as economic hedges but do not qualify for hedge accounting; consequently, the change in fair value, called the “mark-to-market,” of these derivative instruments is included in our operating results. Changes or shifts in the forward yield curve can and have significantly impacted the valuation of our derivatives. Accordingly, changes or shifts in the forward yield curve will impact our results of operations.

Developing an effective strategy for dealing with movements in interest rates is complex, and no strategy can completely insulate us from risks associated with such fluctuations. Because many of our derivatives are not balance guaranteed to a particular pool of student loans and we may not elect to fully hedge our risk on a notional and/or duration basis, we are subject to the risk of being under or over hedged, which could result in material losses. In addition, our interest rate risk management activities could expose us to substantial mark-to-market losses if interest rates move in a materially different way than was expected based on the environment when the derivatives were entered into. As a result, our economic hedging activities may not effectively manage our interest rate sensitivity or have the desired beneficial impact on our results of operations or financial condition.

Since June 10, 2013, the CFTC has required over-the-counter derivative transactions to be executed through an exchange or central clearinghouse. Clearing is a process by which a third-party, the clearinghouse, steps in between the original counterparties and guarantees the performance of both, by requiring that each post substantial amounts of liquid collateral on an initial (initial margin) and mark-to-market (variation margin) basis to cover the clearinghouse's potential future exposure in the event of default. The clearing requirements require us to post substantial amounts of liquid collateral when executing new derivative instruments, which could negatively impact our liquidity and capital resources and may prevent or limit us from utilizing derivative instruments to manage interest rate sensitivity and risks.

Interest rate movements have an impact on the amount of payments we are required to settle with our clearinghouse on a daily basis. We attempt to manage market risk associated with interest rates by establishing and monitoring limits as to the types and degree of risk that may be undertaken. However, if interest rates move materially and negatively impact the fair value of our derivative portfolio, the replacement of LIBOR as a benchmark rate as discussed below has significant adverse impacts on our derivatives, or if we enter into additional derivatives in which the fair value of such derivatives becomes negative, we could be required to pay a significant amount of variation margin to our clearinghouse. These payments, if significant, could negatively impact our liquidity and capital resources.

Based on our interest rate swaps outstanding as of December 31, 2020, if the forward interest rate curve was 50 basis points lower for the remaining duration of these derivatives, we would have been required to pay approximately $64.4 million in additional variation margin. In addition, if the forward basis curve between one-month and three-month LIBOR experienced a

ten basis point reduction in spread for the remaining duration of our 1:3 Basis Swaps (in which we pay one-month LIBOR and receive three-month LIBOR), we would have been required to pay approximately $19.1 million in additional variation margin.

In addition, some of our variable rate debt is floored at zero percent, while the floating side of our fixed rate derivatives hedging the debt are not floored. If one-month LIBOR were to fall below zero percent, we may experience losses. The scope of these losses would depend on three factors - the notional amount of the fixed rate derivative portfolio, the extent to which one-month LIBOR is below zero percent, and the amount of time it remained there.

Interest rate risk - replacement of LIBOR as a benchmark rate

The London Interbank Offered Rate ("LIBOR") is a widely accepted interest rate benchmark referenced in financial contracts globally and is used to determine interest rates on commercial and consumer loans, bonds, derivatives, and numerous other financial instruments. As of December 31, 2020, the interest earned on a principal amount of $17.8 billion in our FFELP student loan asset portfolio was indexed to one-month LIBOR, and the interest paid on a principal amount of $17.1 billion of our FFELP student loan asset-backed debt securities was indexed to one-month or three-month LIBOR. In addition, the majority of our derivative financial instrument transactions used to manage interest rate risks are indexed to LIBOR.

In July 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop compelling banks to submit LIBOR rates after 2021. Accordingly, there is significant uncertainty regarding the availability of LIBOR as a benchmark rate after 2021. In April 2018, the Federal Reserve Bank of New York commenced publication of three reference rates based on overnight United States Treasury repurchase agreement transactions, including the Secured Overnight Financing Rate ("SOFR"), which has been recommended as an alternative to United States dollar LIBOR by the Alternative Reference Rates Committee. Uncertainty exists as to the transition process and broad acceptance of SOFR as the primary alternative to LIBOR, including what effect it would have on the value of LIBOR-based securities, financial contracts, and variable rate loans. Although the indentures for student loan asset-backed debt securities issued in our most recent LIBOR-indexed securitization transactions include new interest rate determination fallback provisions emerging in the market for new issuances of LIBOR-indexed debt securities, many of the contracts for our existing LIBOR-indexed assets, liabilities, and derivative instruments from historical transactions do not include provisions that contemplated the possibility of a permanent discontinuation of LIBOR and clearly specified a method for transitioning from LIBOR to an alternative benchmark rate, and it is not yet known how the market in general, specific counterparties in particular, the courts, or regulators will address the significant complexities and uncertainties involved in a transition away from LIBOR to an alternative benchmark rate. Specifically, the Department has not yet indicated any market transition away from the current LIBOR framework for paying special allowance payments to holders of FFELP assets. As a result, we cannot predict the impact that a transition from LIBOR to an alternative benchmark rate would have on our existing LIBOR-indexed assets, liabilities, and derivative instruments, but such impact could have material adverse effects on the value, performance, and related cash flows of such LIBOR-indexed items, including our funding costs, net interest income, loan and other asset values, and asset-liability management strategies. In particular, any such transition could:

- adversely affect the interest rates paid or received on, the income and expenses associated with, and the pricing and value of our LIBOR-based assets and liabilities, which include the majority of our FFELP student loan assets and FFELP student loan asset-backed debt securities issued to fund those assets, as well as the majority of our derivative financial instruments we use to manage LIBOR-based interest rate risks associated with such FFELP student loan-related assets and liabilities;

- result in uncertainty or differences in the calculation of the applicable interest rate or payment amounts on our LIBOR-based assets and liabilities depending on the terms of the governing instruments, which in turn could result in disputes, litigation, or other actions with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR-based securities and contracts, and the potential renegotiation of previous contracts;

- make future asset-backed securitizations more difficult to complete or more expensive until LIBOR or alternative benchmark rate uncertainties are resolved; and

- result in basis risk if the alternative benchmark rate on our loan assets does not match the alternative benchmark rate for the funding for those assets.

In addition, a transition away from LIBOR to an alternative benchmark rate or rates may impact our existing transaction data, systems, operations, pricing, and risk management processes, and require significant efforts to transition to or develop appropriate systems and analytics to reflect a new benchmark rate environment. There can be no assurance that such efforts will successfully mitigate the financial and operational risks associated with a transition away from LIBOR.

Prepayment risk

Higher rates of prepayments of student loans, including consolidations by the Department through the Federal Direct Loan Program or private refinancing programs, would reduce our interest income.

Pursuant to the Higher Education Act, borrowers may prepay loans made under the FFEL Program at any time without penalty. Prepayments may result from consolidations of student loans by the Department through the Federal Direct Loan Program or by a lending institution through a private education or unsecured consumer loan, which historically tend to occur more frequently in low interest rate environments; from borrower defaults, which will result in the receipt of a guaranty payment; and from voluntary full or partial prepayments; among other things.

Legislative and executive action risk exists as Congress and the President evaluate economic stimulus packages and proposals to reauthorize the Higher Education Act. If the federal government and the Department initiate additional loan forgiveness or cancellation, other repayment options or plans, or consolidation loan programs, such initiatives could further increase prepayments and reduce interest income, and could also reduce servicing fees. Future laws, executive actions, or other policy statements may encourage or force consolidation, create additional income-based repayment or debt forgiveness programs, create broad debt cancellation programs, or establish other policies and programs that impact prepayments on education loans. Even if a broad debt cancellation program only applied to student loans held by the Department, such program could result in a significant increase in consolidations of FFELP loans to Federal Direct Loan Program loans and a corresponding increase in prepayments with respect to our FFELP loan portfolio. Some variability in prepayment levels is expected, although extraordinary or extended increases in prepayment rates could have a materially adverse effect on our revenues, cash flows, profitability, and business outlook, and, as a result, could materially, adversely affect our business, financial condition, and results of operations.

We cannot predict how or what programs or policies will be impacted by any actions that the Administration, Congress, or the federal government may take.

Credit risk

Future losses due to defaults on loans held by us present credit risk which could adversely affect our earnings. Our estimated allowance for loan losses is based on periodic evaluations of the credit risk in our loan portfolios, including the consideration of the following factors (as applicable), for each of our loan portfolios: loans in repayment versus those in nonpaying status; delinquency status; type of private education or consumer loan program; trends in defaults in the portfolio based on internal and industry data; past experience; trends in federally insured student loan claims rejected for payment by guarantors; changes to federal student loan programs; current macroeconomic factors, including unemployment rates, gross domestic product, and consumer price index; and other relevant qualitative factors.

The vast majority (97.8 percent) of our student loan portfolio is federally guaranteed. The federal government currently guarantees 97 percent of the principal and interest on federally insured student loans disbursed on and after July 1, 2006 (and 98 percent for those loans disbursed on and after October 1, 1993 and prior to July 1, 2006), which limits our loss exposure on the outstanding balance of our federally insured portfolio. Federally insured student loans disbursed prior to October 1, 1993 are fully insured for both principal and interest. Our private education and consumer loans are unsecured, with neither a government nor a private insurance guarantee. Accordingly, we bear the full risk of loss on these loans if the borrower and co-borrower, if applicable, default. We are actively expanding our acquisition of private education and consumer loan portfolios, which increases our exposure to credit risk.

On January 1, 2020, we adopted Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments — Credit Losses*, which utilizes an "expected loss" model for recognizing credit losses referred to as the Current Expected Credit Loss ("CECL") model. This differs significantly from the "incurred loss" model (the model used by us to recognize credit losses for all periods prior to January 1, 2020), which delayed recognition until it was probable a loss had been incurred, and the adoption of the CECL model on January 1, 2020 resulted in an increase to our allowance for loan losses of $91.0 million. See note 3 of the notes to consolidated financial statements included in this report for further details on the impact on our consolidated financial statements from the adoption of the CECL accounting standard.

If future defaults on loans held by us are higher than anticipated, which could result from a variety of factors such as downturns in the economy, regulatory or operational changes, and other unforeseen future trends, or actual performance is significantly worse than currently estimated, our estimate of the allowance for loan losses and the related provision for loan losses in our statements of income would be materially affected.

Our loan portfolio and other assets and operations could suffer adverse consequences to the extent that natural disasters, widespread health crises similar to the COVID-19 pandemic discussed further below, terrorist activities, or international hostilities affect the financial markets or the economy in general or in any particular region.

Natural disasters, widespread health crises similar to the COVID-19 pandemic discussed further below, terrorist activities, or international hostilities affecting the financial markets or the economy in general or in any particular region could lead, for example, to an increase in loan delinquencies, borrower bankruptcies, or defaults that could result in higher levels of nonperforming assets, net charge-offs, and provisions for credit losses, as well as have adverse effects on our other assets and business operations. Our ability to mitigate the adverse consequences of these occurrences is in part dependent on the quality of our resiliency planning, and our ability, if any, to anticipate the nature of any such event that occurs. The adverse impact of natural disasters, widespread health crises, terrorist activities, or international hostilities also could be increased to the extent that there is a lack of preparedness on the part of national or regional emergency responders or on the part of other organizations and businesses that we transact with, particularly those that we depend upon, but have no control over. Additionally, the force and frequency of natural disasters are increasing as the climate changes.

Liquidity and Funding

The current maturities of our loan warehouse financing facilities do not match the maturities of the related funded loans, and we may not be able to modify and/or find alternative funding related to the loan collateral in these facilities prior to their expiration.

The majority of our portfolio of student loans is funded through asset-backed securitizations that are structured to substantially match the maturities of the funded assets, and there are minimal liquidity issues related to these facilities. We also have loans funded in shorter term warehouse facilities. The current maturities of the warehouse facilities do not match the maturity of the related funded assets. Therefore, we will need to modify and/or find alternative funding related to the loan collateral in these facilities prior to their expiration.

We have two FFELP warehouse facilities as described in note 5 of the notes to consolidated financial statements included in this report. The FFELP warehouse facilities have revolving financing structures supported by liquidity provisions, which expire on February 26, 2021 and in May 2021, respectively. In the event we are unable to renew the liquidity provisions for a facility, the facility would become a term facility at a stepped-up cost, with no additional student loans being eligible for financing, and we would be required to refinance the existing loans in the facility by the final maturity dates in February 2023 and May 2022, respectively. The FFELP warehouse facilities also contain financial covenants relating to levels of our consolidated net worth, ratio of recourse indebtedness to adjusted EBITDA, and unencumbered cash. Any noncompliance with these covenants could result in a requirement for the immediate repayment of any outstanding borrowings under the facilities. As of December 31, 2020, $252.2 million was outstanding under the FFELP warehouse facilities and $21.2 million was advanced as equity support.

We also have a consumer loan warehouse facility that has an aggregate maximum financing amount available of $100.0 million, liquidity provisions to April 23, 2021, and a final maturity date of April 23, 2022. As of December 31, 2020, $25.8 million was outstanding and $11.5 million was advanced as equity support under this warehouse facility. In addition, we have a private education loan warehouse facility that has an aggregate maximum financing amount available of $175.0 million, liquidity provisions through February 13, 2022, and a final maturity date of February 13, 2023. As of December 31, 2020, $150.4 million was outstanding and $16.4 million was advanced as equity support under this warehouse facility.

If we are unable to obtain cost-effective funding alternatives for the loans in the warehouse facilities prior to the facilities' maturities, our cost of funds could increase, adversely affecting our results of operations. If we cannot find funding alternatives, we would lose our collateral, including the loan assets and cash advances, related to these facilities.

Operations

Risks associated with our operations, as further discussed below, include those related to the importance of maintaining scale by retaining existing customers and attracting new business opportunities, our information technology systems and potential security and privacy breaches, and our ability to manage performance related to regulatory requirements.

Our largest fee-based customer, the Department of Education, represented 27 percent of our revenue in 2020. Failure to extend the Department contracts or obtain new Department contracts in the Department's NextGen or ISS procurement processes, our inability to consistently surpass competitor performance metrics, or unfavorable contract modifications or interpretations, could significantly lower servicing revenue and hinder future service opportunities.

Our subsidiaries Nelnet Servicing, LLC (“Nelnet Servicing”) and Great Lakes Educational Loan Services, Inc. (“Great Lakes”) are two of four large private sector companies that have student loan servicing contracts awarded by the Department in June

2009 to provide additional servicing capacity for loans owned by the Department. The Department also contracts with four not-for-profit entities to service student loans. As of December 31, 2020, Nelnet Servicing was servicing $191.7 billion of student loans for 5.6 million borrowers under its contract, and Great Lakes was servicing $251.6 billion of student loans for 7.6 million borrowers under its contract. For the year ended December 31, 2020, we recognized $326.7 million in revenue from the Department under these contracts, which represented 27 percent of our revenue.

The current servicing contracts with the Department are currently scheduled to expire on June 14, 2021, but provide the potential for an additional six-month extension at the Department's discretion through December 14, 2021. The Consolidated Appropriations Act, 2021, signed into law on December 27, 2020, provides that the Department may extend the period of performance for the servicing contracts scheduled to expire on December 14, 2021 for up to two additional years to December 14, 2023.

The Department is conducting a contract procurement process entitled Next Generation Financial Services Environment ("NextGen") for a new framework for the servicing of all student loans owned by the Department. The Department has also issued a new federal loan servicing solicitation for an Interim Servicing Solution ("ISS"), which solicitation is currently suspended. For additional information on the NextGen and ISS procurement processes, see Part I, Item 1, "Loan Servicing and Systems - Servicing federally-owned student loans for the Department."

In the event that our servicing contracts are not extended beyond the current expiration date or we are not chosen as a subsequent servicer, loan servicing revenue would decrease significantly. There are significant risks to us and uncertainties regarding the current Department contracts and potential future Department contracts, including the uncertain nature of the Department's awards of new NextGen contracts to other service providers and the pending and uncertain nature of other components of the NextGen contract procurement process and the ISS contract procurement process, which could be subject to potential delays, cancellations, or material changes to the structure of the contract procurement process; the possibility that new contract awards and evaluations of proposals may be challenged by various interested parties and may not be finalized or implemented for an extended period of time or at all; risks that we may not be successful in obtaining any new contracts with the Department; and risks and uncertainties as to the terms and requirements under a potential new contract or contracts with the Department. We cannot predict the timing, nature, or ultimate outcome of the Department's NextGen contract procurement process or the ISS solicitation.

New loan volume is currently allocated among the eight servicers based on certain performance metrics established by the Department and compared among all loan servicers in this group. The amount of future allocations of new loan volume could be negatively impacted if we are unable to consistently surpass comparable competitor and/or other performance metrics.

In the event the current or any future Department servicing contracts become subject to unfavorable modifications or interpretations by the Department, loan servicing revenue could decrease significantly, performance penalties could be assessed, and/or operating costs to perform the contracts could increase significantly.

Additionally, we are partially dependent on the existing Department contracts to broaden servicing operations with the Department, other federal and state agencies, and commercial clients. The size and importance of these contracts provide us the scale and infrastructure needed to profitably expand into new business opportunities. Failure to extend the Department contracts beyond the current expiration date, or obtain new Department contracts, could significantly hinder future opportunities, as well as result in potential restructuring charges that may be necessary to re-align our cost structure with our servicing operations.

The COVID-19 pandemic has adversely impacted our results of operations, and is expected to continue to adversely impact our results of operations, as well as adversely impact our businesses, financial condition, and/or cash flows.

The COVID-19 pandemic has caused significant disruption to the U.S. and world economies, including significantly higher unemployment and underemployment, significantly lower interest rates, and extreme volatility in the U.S. and world markets. These effects have adversely impacted our results of operations and, if these effects result in sustained economic stress or recession, they could have a material adverse impact on us in a number of ways.

COVID-19 has materially disrupted business operations, resulting in significantly higher levels of unemployment or underemployment. As a result, many individual student and consumer borrowers have experienced financial hardship, making it difficult, if not impossible, to meet loan payment obligations without temporary assistance, and we expect that more borrowers will be similarly affected the longer the COVID-19 pandemic continues. We are monitoring key metrics of financial hardship, including changes in weekly unemployment claims, enrollment in auto-debit payments, requests for new forbearances, enrollment in hardship payment plans, and early delinquency metrics.

We consider the characteristics of our loan portfolios and their expected behavior in forecasted economic scenarios. We update our evaluation of current and forecasted economic conditions each reporting period and adjust our allowance for loan losses as

appropriate. If future economic conditions as a result of COVID-19 are significantly worse than what was assumed as a part of these assessments, specifically related to the severity and length of the downturn and the timing and extent of subsequent recovery, it could result in additional allowance for loan losses and impairment charges being recorded in future periods.

Our net interest income and profitability have been and could further be negatively affected by volatility in interest rates caused by uncertainties stemming from COVID-19. Higher income volatility from changes in interest rates and spreads to benchmark indices has caused and could cause a loss of net interest income and adverse changes in current fair value measurements of our assets and liabilities. Fluctuations in interest rates have impacted and will continue to impact both the level of income and expense recorded on most of our assets and liabilities and the value of all interest-earning assets and interest-bearing liabilities, which in turn could have a material adverse effect on our net income, operating results, or financial condition.

The majority of our employees continue to work from home. We have never had to run our operations to such extent remotely for an extended period of time, and it is possible we will encounter challenges to running our businesses. For example, COVID-19 has presented potential risks to staffing, such as stress on our workforce as a result of homeschooling, caring for themselves and loved ones, and potential burnout, and it is possible that key employees or a significant number of employees may be affected by the virus. In addition, our operations rely on the efficient and secure collection, processing, storage, and transmission of personal, confidential, and other information in a significant number of customer transactions on a continuous basis through our computer systems and networks and those of our third-party service providers. Unanticipated issues arising from handling personal, confidential, and other information in a work-from-home environment could lead to greater risks for us, including cybersecurity and privacy risks.

Beginning in March 2020, schools largely moved to on-line classes for their students. Although many schools moved to on-campus learning beginning with the 2020/2021 academic year, it is uncertain if, and the extent to which, they will have to move back to on-line classes during the academic term if the COVID-19 pandemic increases in severity. The COVID-19 pandemic has and may continue to impact demand for our education technologies, services, and payment processing products and services.

Under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) signed into law on March 27, 2020, federal student loan payments and interest accruals were suspended on all loans owned by the Department. The benefits of the law were applied retroactively to March 13, 2020, when the President declared a state of emergency related to COVID-19, and these federal student loan borrower relief provisions have been extended through September 30, 2021. Beginning March 13, 2020, we received less servicing revenue per borrower from the Department based on the borrower forbearance status than what was earned on such accounts prior to these provisions. As a result of the extension of these CARES Act provisions through September 30, 2021, we currently anticipate Department servicing revenue will be lower in 2021 from recent historical periods due to the lower rates. In addition, revenue from the Department for originating consolidation loans was adversely impacted as a result of borrowers receiving relief on their existing loans, thus not initiating a consolidation. We currently anticipate this revenue will continue to be negatively impacted while student loan payments and interest accruals are suspended.

During 2020, FFELP, private education, and consumer loan servicing revenue was adversely impacted by the COVID-19 pandemic, due to reduced or eliminated delinquency outreach to borrowers, holds on claim filings, and reduced or eliminated late fees processing. In addition, origination fee revenue was negatively impacted as borrowers are less likely to refinance their loans when they are receiving certain relief measures from their current lender. We currently anticipate this trend will continue in future periods that are impacted by the COVID-19 pandemic, with the magnitude based on the extent to which existing or additional borrower relief policies and activities are implemented or extended by servicing customers. For additional information on the impacts of COVID-19 on our results of operations, see Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Overview - Impacts of COVID-19 Pandemic.”

If new legislative or regulatory student loan borrower relief measures similar to such provisions of the CARES Act were to become effective, the levels and timing of future servicing revenues could continue to be impacted in a similar manner through the extended period of time that such provisions or measures are in effect.

Although the CARES Act does not apply to our FFELP, private education, or consumer loans, several states have announced various initiatives to suspend payment obligations for private education loan borrowers in those states, and we continue to support these initiatives and our FFELP, private education, and consumer loan borrowers. Due to uncertainties regarding, among other things, the duration of the COVID-19 pandemic and any new legislation, regulations, guidance, or widely accepted practices with respect to relief to loan borrowers, we are not able to estimate the ultimate impact that debt relief measures will have on our results of operations.

The CARES Act and other COVID-19-related borrower relief measures have resulted in, and may continue to result in, certain processing and other changes within our loan servicing operations, including the processing of automatic forbearances, special

payment instructions, and special credit reporting. Such changes involve additional regulatory and other complexities, uncertainties, and matters of interpretation, and have resulted in litigation. In addition, such COVID-19 regulatory measures and associated operational changes increase the risk that noncompliance with applicable laws, regulations, and Consumer Financial Protection Bureau guidance could result in penalties, litigation, reputation damage, and a loss of customers.

Legislative risk exists as Congress evaluates additional COVID-19 related economic stimulus packages. If the federal government initiates additional loan forgiveness, other repayment options or plans, or consolidation loan programs, such initiatives could increase prepayments and reduce interest income, and could also reduce servicing fees.

We currently believe our liquidity and capital resources position is strong, and we expect to be able to fund our business operations for the foreseeable future. We also currently plan to continue making regular quarterly dividend payments on our Class A and Class B common stock, subject to future earnings, capital requirements, financial condition, and other factors. However, if circumstances surrounding COVID-19 continue to change in significantly adverse ways and/or if the pandemic continues for an extended period of time, our liquidity and capital resources position could be materially and adversely affected, which could adversely impact our businesses, cash flows (including forecasted cash flows from our asset-backed securitizations), and overall financial condition, and could also result in a reduction, suspension, or discontinuation of quarterly dividend payments on our Class A and Class B common stock.

The extent to which the COVID-19 pandemic impacts our businesses, results of operations, financial condition, and/or cash flows will depend on future developments, which are highly uncertain and largely beyond our control, including, among others: the scope, severity, and duration of the pandemic; the number of our employees, borrowers, customers, and vendors adversely affected by the pandemic; the impact of the pandemic on schools, student enrollment, and the need for student and consumer loans; the broader public health and economic dislocations resulting from the pandemic; the actions taken by governmental authorities to limit the public health, financial, and economic impacts of the pandemic; any further legislative or regulatory changes that suspend or reduce payments or cancel or discharge obligations for student or consumer loan borrowers; any reputational damage related to the broader reception and perception of our response to the pandemic; and the impact of the pandemic on local, U.S., and world economies. However, as with many other businesses, the impact of the COVID-19 pandemic, or any other pandemic, on our businesses could be material and adverse. To the extent that the COVID-19 pandemic continues to adversely affect the U.S. and world economies and/or adversely affects our businesses, results of operations, financial condition, and/or cash flows, it may also have the effect of increasing the likelihood and/or magnitude of other risks described in this report.

A failure of our operating systems or infrastructure could disrupt our businesses, cause significant losses, result in regulatory action, and damage our reputation.

We operate many different businesses in diverse markets and depend on the efficient and uninterrupted operation of our computer network systems, software, datacenters, cloud services providers, telecommunications systems, and the rest of our operating systems and infrastructure to process and monitor large numbers of daily transactions in compliance with contractual, legal, regulatory, and our own standards. Such systems and infrastructure could be disrupted because of a cyberattack, spikes in transaction volume, power outages, telecommunications failures, degradation or loss of internet or website availability, natural disasters, political or social unrest, and terrorist acts. A significant adverse incident could damage our reputation and credibility, lead to customer dissatisfaction and loss of customers or revenue, and result in regulatory action, in addition to increased costs to service our customers and protect our network. Such event also could result in large expenditures to repair or replace the damaged properties, networks, or information systems or to protect them from similar events in the future. System redundancy may be ineffective or inadequate, and our business continuity plans may not be sufficient for all eventualities. Any significant loss of customers or revenue, or significant increase in costs of serving those customers, could adversely affect our growth, financial condition, and results of operations.

Operating system and infrastructure risks continue to increase in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to support and process customer transactions, the increased number and complexity of transactions being processed, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, nation state threat actors, and other external parties. In addition, to access our services and products, our customers may use personal smartphones, tablet PCs, and other mobile devices that are beyond our control systems.

Malicious and abusive activities, such as the dissemination of computer viruses, worms, and other destructive or disruptive software, internal and external threats, computer hackings, social engineering, process breakdowns, denial of service attacks, ransomware or ransom demands to not expose vulnerabilities in systems, and other malicious activities have become more common. These activities could have adverse consequences on our network and our customers, including degradation of service, excessive call volume, and damage to our or our customers' equipment and data. Although to date we have not experienced a material loss relating to cyberattacks or system outage, there can be no assurance that we will not suffer such

losses in the future or that there is not a current threat that remains undetected at this time. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, and the size and scale of our services.

We could also incur losses resulting from the risk of unauthorized access to our computer systems, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and compliance requirements, and failures to properly execute business continuation and disaster recovery plans. In the event of a breakdown in the internal control system, improper operation of systems, or unauthorized employee actions, we could suffer financial loss, potential legal actions, fines, or civil monetary penalties that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation, and customer attrition due to potential negative publicity and damage to our reputation.

As a result of the above risks, we continue to develop and enhance our training, controls, processes, and practices designed to protect, monitor, and restore our systems, computers, software, data, and networks from attack, damage, or unauthorized access, and this remains a priority for us, each of our business segments, and our Board of Directors. Even though we maintain technology and telecommunication, professional services, media, network security, privacy, injury, and liability insurance coverage to offset costs that may be incurred as a result of a cyberattack, information security breach, or extended system outage, this insurance coverage may not cover all costs of such incidents.

A security breach of our information technology systems could result in the disclosure of confidential customer and other information, significant financial losses and legal exposure, and damage to our reputation.

Our operations rely on the secure processing, storage and transmission of personal, confidential and other sensitive information in our information technology systems, including customer, personnel, and vendor data. Although we devote significant resources to maintain and regularly upgrade our systems and processes that are designed to protect the security of our systems, software and networks and to protect the confidentiality, integrity and availability of information belonging to us and our customers, we experience increasingly numerous and more sophisticated attacks on our systems, and our cybersecurity measures may not be entirely effective.

We may not be able to anticipate or to implement effective preventive measures against all types of potential security breaches, because the techniques used change frequently, generally increase in sophistication, often are not recognized until launched, sometimes go undetected even when successful, and result in cybersecurity attacks originating from a wide variety of sources, including organized crime, hackers, terrorists, activists, hostile foreign governments, and other external parties. Those parties may also attempt to fraudulently induce employees, customers, or other users of our systems to disclose sensitive information to gain access to our data or that of our customers, such as through “phishing” schemes. These risks may increase in the future as we continue to increase our mobile and internet-based product offerings and expand our internal usage of web-based products and applications. In addition, our customers often use their own devices, such as computers, smart phones, and tablet computers, to make payments and manage their accounts. We have limited ability to assure the safety and security of our customers’ transactions to the extent they are using their own devices, which could be subject to similar threats. A penetration or circumvention of our information security systems, or the intentional or unintentional disclosure, alteration or destruction by an authorized user of confidential information necessary for our operations, could result in serious negative consequences for us. These consequences may include violations of applicable privacy and other laws; financial loss to us or to our customers; loss of confidence in our cybersecurity measures; customer dissatisfaction; significant litigation exposure; regulatory fines, penalties or intervention; reimbursement or other compensatory costs; additional compliance costs; significant disruption of our business operations; and harm to our reputation. Although to date we have not experienced a material loss relating to information security breaches, there can be no assurance that we will not suffer such losses in the future or that there is not a current threat that remains undetected at this time.

In addition, we routinely transmit, receive, and process large volumes of personal, confidential and proprietary information through third parties. Although we work to ensure that third parties with which we do business maintain information security systems and processes, those measures may not be entirely effective, and an information security breach of a third-party system may not be revealed to us in a timely manner, which could compromise our ability to respond effectively. An interception, misuse or mishandling of personal, confidential or proprietary information being processed, sent to or received from a third party could result in material adverse legal liability, regulatory actions, disruptions, and reputational harm with respect to our businesses.

We must adapt to rapid technological change. If we are unable to take advantage of technological developments or our software products experience quality problems and development delays, we may experience a decline in the demand for our products and services.

Our long-term operating results depend substantially upon our ability to continually enhance, develop, introduce, and market new products and services. We must continually and cost-effectively maintain and improve our information technology systems and infrastructure in order to successfully deliver competitive and cost effective products and services to our customers. The widespread adoption of new technologies and market demands could require substantial expenditures to enhance system infrastructure and existing products and services. If we fail to enhance and scale our systems and operational infrastructure or products and services, our operating segments may lose their competitive advantage and this could adversely affect financial and operating results.

Our products and services are based on sophisticated software and computing systems that often encounter development delays, and the underlying software may contain undetected bugs or other defects that interfere with its intended operation. Quality problems with our software products and errors or delays in our processing of electronic transactions could result in additional development costs, diversion of technical and other resources from our other development efforts, loss of credibility with current or potential clients, harm to our reputation, or exposure to liability claims.

We rely on third parties for a wide array of services for our customers, and to meet our contractual obligations. The failure of a third party with which we work could adversely affect our business performance and reputation.

We rely on third parties for a wide array of critical operational services, technology, datacenter hosting facilities, cloud computing platforms, and software. We also rely upon data from external sources to maintain our proprietary databases, including data from customers, business partners, and various government sources.

Our third-party service providers may be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, cyberattacks, telecommunications failures, acts of terrorism, and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism, and similar misconduct, as well as local administrative actions, changes to legal or permitting requirements, and litigation to stop, limit or delay operations. If a third-party service provider experiences an outage, or our services are disrupted, we may temporarily lose the ability to conduct certain business activities, which could impact our ability to serve our customers and meet our contractual, legal or regulatory compliance obligations. Our businesses would also be harmed if our customers and potential customers believe our services are unreliable. Even though we have selected the third parties with which we do business carefully and have disaster recovery and business continuity arrangements, our services could be interrupted. Some of our third-party service providers may engage vendors of their own as they provide services or technology solutions for our operations, which introduces the same risks that these “fourth parties” could be the source of operational failures.

Third parties that facilitate our business activities, including exchanges, clearinghouses, payment networks, or financial intermediaries, could also be sources of operational risks to our businesses, including with respect to breakdowns or failures of their systems, misconduct by their employees, or cyberattacks that could affect their ability to deliver a product or service to us or result in the loss or compromise of our information or the information of our customers. Our ability to implement backup systems or other safeguards with respect to third-party systems is limited. Furthermore, an attack on, or failure of, a third-party system may not be revealed to us in a timely manner, which could compromise our ability to respond effectively.

We must satisfy certain requirements necessary to maintain the federal guarantees of our federally insured loans and the federally insured loans that we service for third parties, and we may incur penalties or lose our guarantees if we fail to meet these requirements.

As of December 31, 2020, we serviced $30.8 billion of FFELP loans that maintained a federal guarantee, of which $16.3 billion and $14.5 billion were owned by us and third-party entities, respectively. We must meet various requirements in order to maintain the federal guarantee on federally insured loans, which is conditional based on compliance with origination, servicing, and collection policies set by the Department and guaranty agencies. If we misinterpret Department guidance, or incorrectly apply the Higher Education Act, the Department could determine that we are not in compliance. Federally insured loans that are not originated, disbursed, or serviced in accordance with the Department's and guaranty agency regulations may risk partial or complete loss of the guarantee. If we experience a high rate of servicing deficiencies (including any deficiencies resulting from the conversion of loans from one servicing platform to another, errors in the loan origination process, establishment of the borrower's repayment status, and due diligence or claim filing processes), it could result in the loan guarantee being revoked or denied. In most cases we have the opportunity to cure these deficiencies by following a prescribed cure process which usually involves obtaining the borrower's reaffirmation of the debt. However, not all deficiencies can be cured.

A guaranty agency may also assess an interest penalty upon claim payment if the deficiency does not result in a loan rejection. These interest penalties are not subject to cure provisions and are typically related to isolated instances of due diligence deficiencies. Additionally, we may become ineligible for special allowance payment benefits from the time of the first deficiency leading to the loan rejection through the date that the loan is cured.

As FFELP loan holders, servicers, and guaranty agencies exit the loan program and consolidation within the industry takes place, this increases the complexity of servicing and claim filing due to the amount of loan servicing and loan guaranty transfers and the opportunity for errors at the time a claim is filed.

Failure to comply with federal and guarantor regulations may result in fines, penalties, the loss of the insurance and related federal guarantees on affected FFELP loans, the loss of special allowance payment benefits, expenses required to cure servicing deficiencies, suspension or termination of the right to participate as a FFELP servicer, negative publicity, and potential legal claims, including potential claims by our servicing customers if they lose the federal guarantee on loans that we service for them. If we are subjected to significant fines, or loss of insurance or guarantees on a material number of FFELP loans, or if we lose our ability to service FFELP loans, it could have a material, negative impact on our business, financial condition, or results of operations.

Our servicing contracts with the Department of Education expose us to additional risks inherent in government contracts and our third-party FFELP loan servicing business is subject to additional risks inherent in government programs.

The Federal government could engage in a prolonged debate linking the federal deficit, debt ceiling, government shutdown, and other budget issues. If U.S. lawmakers in the future fail to reach agreement on these issues, the federal government could stop or delay payment on its obligations. Further, legislation to address the federal deficit and spending could impose proposals that would adversely affect the FFEL and Federal Direct Loan Programs' servicing businesses.

We contract with the Department to administer loans held by the Department in both the FFEL and Federal Direct Loan Programs, we own a portfolio of FFELP loans, and we service our FFELP loans and loans for third parties. These loan programs are authorized by the Higher Education Act and are subject to periodic reauthorization and changes to the programs by the Administration and U.S. Congress. Any changes, including the potential for borrowers to refinance loans via Direct Consolidation Loans, or broad loan forgiveness, could have a material impact to our cash flows from servicing, interest income, and operating margins. For example, a broad student loan debt cancellation program by the government could result in a significant decrease in our Department servicing revenues and our revenues for servicing FFELP loans for third parties, and even if a broad debt cancellation program only applied to student loans held by the Department, such program could result in a significant increase in consolidations of FFELP loans held by third parties to Federal Direct Loan Program loans, and thus an associated decrease in our third-party FFELP loan servicing revenues.

Government entities in the United States often reserve the right to audit contract costs and conduct inquiries and investigations of business practices. These entities also conduct reviews and investigations and make inquiries regarding systems, including systems of third parties, used in connection with the performance of the contracts. Negative findings from audits, investigations, or inquiries could affect the contractor's future revenues and profitability. If improper or illegal activities are found in the course of government audits or investigations, we could become subject to various civil and criminal penalties, including those under the civil U.S. False Claims Act. Additionally, we may be subject to administrative sanctions, which may include termination or non-renewal of contracts, forfeiture of profits, suspension of payments, fines and suspensions, or debarment from doing business with other agencies of that government. Due to the inherent limitations of internal controls, it may not be possible to detect or prevent all improper or illegal activities.

The Government could change governmental policies, programs, regulatory environments, spending sentiment, and many other factors and conditions, some of which could adversely impact our business, financial condition, and results of operations. We cannot predict how or what programs or policies will be impacted by the federal government. The conditions described above could impact not only our contracts with the Department, but also other existing or future contracts with government or commercial entities.

Our ability to continue to grow and maintain our contracts with commercial businesses and government agencies is partly dependent on our ability to maintain compliance with various laws, regulations, and industry standards applicable to those contracts.

We are subject to various laws, regulations, and industry standards related to our commercial and government contracts. In most cases, these contracts are subject to termination rights, audits, and investigations. The laws and regulations that impact our operating segments are outlined in Part I, Item 1, "Regulation and Supervision." Additionally, our contracts with the federal government require that we maintain internal controls in accordance with the National Institute of Standards and Technologies

("NIST") and our operating segments that utilize payment cards are subject to the Payment Card Industry Data Security Standards ("PCI DSS"). If we are found to be in noncompliance with the contract provisions or applicable laws, regulations, or standards, or the contracted party exercises its termination or other rights for that or other reasons, our reputation could be negatively affected, and our ability to compete for new contracts or maintain existing contracts could diminish. If this were to occur, our results of operations from existing contracts and future opportunities for new contracts could be negatively affected.

We could face significant legal and reputational harm if we fail to safeguard the privacy of personal information.

We are subject to complex and evolving laws and regulations, both inside and outside of the United States, governing the privacy and protection of personal information of individuals. The protected individuals can include our customers, employees, and the customers and employees of our clients, vendors, counterparties, and other third parties. Ensuring the collection, use, transfer, and storage of personal information complies with applicable laws and regulations in relevant jurisdictions can increase operating costs, impact the development of new products or services, and reduce operational efficiency. Any mishandling or misuse of the personal information of customers, employees, or others by us or a third party affiliate could expose us to litigation or regulatory fines, penalties, or other sanctions. Additional risks could arise if we or an affiliated third party do not provide adequate disclosure or transparency to our customers about the personal information collected from them and its use; fail to receive, document, and honor the privacy preferences expressed by customers; fail to protect personal information from unauthorized disclosure; or fail to maintain proper training on privacy practices for all employees or third parties who have access to personal data. Concerns regarding the effectiveness of our measures to safeguard personal information and abide by privacy preferences, or even the perception that those measures are inadequate, could cause the loss of existing or potential customers and thereby reduce our revenue. In addition, any failure or perceived failure to comply with applicable privacy or data protection laws and regulations could result in requirements to modify or cease certain operations or practices, and/or significant liabilities, regulatory fines, penalties, and other sanctions. The regulatory framework for privacy issues is evolving and is likely to continue doing so for the foreseeable future, which creates uncertainty. Because the interpretation and application of privacy and data protection laws and privacy standards are still uncertain, it is possible that these laws or privacy standards may be interpreted and applied in a manner that is inconsistent with our practices. Any inability to adequately address privacy concerns, even if unfounded, or to comply with applicable privacy or data protection laws, regulations, and privacy standards, could result in additional cost and liability for us, damage our reputation, and harm our business.

Nelnet Bank's operations may not achieve expected market penetration and business plan results.

On November 2, 2020, Nelnet Bank, our banking subsidiary, launched operations. Nelnet Bank operates as an internet Utah-chartered industrial bank franchise focused on the private education loan marketplace, and its bank charter allows us to maintain our other diversified business offerings. Nelnet Bank was funded by us with an initial capital contribution of $100.0 million, consisting of $55.9 million of cash and $44.1 million of student loan asset-backed securities. In addition, we made a pledged deposit of $40.0 million with Nelnet Bank, as required under an agreement with the Federal Deposit Insurance Corporation ("FDIC").

The regulatory landscape surrounding industrial banks continues to be scrutinized. Nelnet Bank will monitor the regulatory environment and any related changes that may impact the charter or its operations. Nelnet Bank has established a 3-year business plan, which requires ongoing monitoring to ensure alignment to financial and asset targets as well as other commitments. Failure to meet these targets and commitments could jeopardize the Nelnet Bank charter.

Our failure to successfully manage business and certain asset acquisitions and other investments could have a material adverse effect on our business, financial condition, and/or results of operations.

We have expanded our services and products through business acquisitions and we may acquire other new businesses, products, and services, or enhance existing businesses, products, and services, or make other investments to further diversify our businesses both within and outside of our historical education-related businesses, through acquisitions of other companies, product lines, technologies, and personnel, or through investments in new asset classes. Any acquisition or investment is subject to a number of risks. Such risks may include diversion of management time and resources, disruption of our ongoing businesses, difficulties in integrating acquisitions (including potential delays or errors in converting loan servicing portfolio acquisitions to our servicing platform), loss of key employees, degradation of services, difficulty expanding information technology systems and other business processes to incorporate the acquired businesses, extensive regulatory requirements, dilution to existing shareholders if our common stock is issued in consideration for an acquisition or investment, incurring or assuming indebtedness or other liabilities in connection with an acquisition, unexpected declines in real estate values or the failure to realize expected benefits from real estate development projects, lack of familiarity with new markets, and difficulties in supporting new product lines. Our failure to successfully manage acquisitions or investments, or successfully integrate acquisitions, could have a material adverse effect on our business, financial condition, and/or results of operations.

Correspondingly, our expectations as to the accretive nature of the acquisitions or investments could be inaccurate.

Our significant investments in ALLO and Hudl are subject to a number of risks, including macroeconomic conditions, competition, political and regulatory requirements, technology advancements, cybersecurity threats, retention of key personnel, and other risks. ALLO derives its revenue primarily from the sale of telecommunication services, including internet, telephone, and television services, to business, governmental, and residential customers in Nebraska and Colorado, and specializes in high-speed internet and broadband services available through its all-fiber network. Telecommunications businesses are highly competitive and subject to extensive federal, state, and local regulations. Additionally, our investment in ALLO is dependent on ALLO maintaining and expanding its infrastructure and ability to continue to increase market share in existing and new markets.

Hudl is a leading sports performance analysis company and their software provides more than 4.3 million coaches, athletes, trainers and analysts across 30+ sports the insights to be more competitive. The Hudl business is subject to global market conditions, new competition, advancements in technology, and continued demand for their products and services. The COVID-19 pandemic was significantly disruptive to the Hudl business, and this impact could continue for the duration of the pandemic.

The operating results of these companies could impact the valuation of these investments on our financial statements and we may not be able to fully monetize these investments without a liquidation event.

Regulatory and Legal

Federal and state laws and regulations can restrict our businesses and result in increased compliance expenses, and noncompliance with these laws and regulations could result in penalties, litigation, reputation damage, and a loss of customers.

Our operating segments are heavily regulated by federal and state government regulatory agencies. See Part I, Item 1, "Regulation and Supervision." The laws and regulations enforced by these agencies are proposed or enacted to protect consumers and the financial industry as a whole, not necessarily us, our operating segments, or our shareholders. We have procedures and controls in place to monitor compliance with numerous federal and state laws and regulations. However, because these laws and regulations are complex, differ between jurisdictions, and are often subject to interpretation, or as a result of unintended errors, we may, from time to time, inadvertently be in non-compliance with these laws and regulations. Compliance with these laws and regulations is expensive and requires the time and attention of management. These costs divert capital and focus away from efforts intended to grow our business. If we do not successfully comply with laws, regulations, or policies, we could incur fines or penalties, lose existing or new customer contracts or other business, and suffer damage to our reputation. Changes in these laws and regulations can significantly alter our business environment, limit business operations, and increase costs of doing business, and we cannot predict the impact such changes would have on our profitability.

The Consumer Financial Protection Bureau (CFPB) has the authority to supervise and examine large nonbank student loan servicers, including us. If in the course of such an examination the CFPB were to determine that we were not in compliance with applicable laws, regulations, and CFPB guidance, it is possible that this could result in material adverse consequences, including, without limitation, settlements, fines, penalties, public enforcement action, adverse regulatory actions, changes in our business practices, or other actions. The CFPB has also issued student loan servicing rules since its inception, and continues to review servicing areas where new guidance or rules may be issued in the future.

There continues to be uncertainty regarding how the CFPB's recommendations, strategies, and priorities will impact our businesses and our results of operations going forward. Actions by the CFPB could result in requirements to alter our services, causing them to be less attractive or effective and impair our ability to offer them profitably. In the event that the CFPB changes regulations adopted in the past by other regulators, or modifies past regulatory guidance, our compliance costs and litigation exposure could increase.

Several states have enacted laws regulating and monitoring the activity of student loan servicers. Some of these laws stipulate additional licensing fees which increase our cost of doing business. Where we have obtained licenses, state licensing statutes may impose a variety of requirements and restrictions on us. In addition, these statutes may also subject us to the supervisory and examination authority of state regulators in certain cases, and we will be subject to and experience exams by state regulators. If we are found to not have complied with applicable laws, regulations, or requirements, we could: (i) lose one or more of our licenses or authorizations, (ii) become subject to a consent order or administrative enforcement action, (iii) face lawsuits (including class action lawsuits), sanctions, or penalties, or (iv) be in breach of certain contracts, which may void or cancel such contracts. We anticipate additional states adopting similar laws.

As a result of the Reconciliation Act of 2010, our existing FFELP loan portfolio will continue to decline over time.

The Reconciliation Act of 2010 discontinued new loan originations under the FFEL Program effective July 1, 2010, and requires all new federal loan originations be made through the Federal Direct Loan Program. Although the new law did not alter or affect the terms and conditions of existing FFELP loans, interest income related to existing FFELP loans will decline over time as existing FFELP loans are paid down, refinanced, or repaid by guaranty agencies after default. We currently believe that in the short-term we will not be able to invest the excess cash generated from the FFELP loan portfolio into assets that immediately generate the rates of return historically realized from that portfolio. If we are unable to grow or develop new revenue streams, our consolidated revenue and operating margin will decrease as a result of the decline in FFELP loan volume outstanding.

Exposure related to certain tax issues could decrease our net income.

Federal and state income tax laws and regulations are often complex and require interpretation. From time to time, we engage in transactions in which the tax consequences may be subject to uncertainty. Significant judgment is required in assessing and estimating the tax consequences of these transactions. We prepare and file tax returns based on the interpretation of tax laws and regulations. In the normal course of business, our tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments by these taxing authorities. In accordance with authoritative accounting guidance, we establish reserves for tax contingencies related to deductions and credits that we may be unable to sustain. Differences between the reserves for tax contingencies and the amounts ultimately owed are recorded in the period they become known. Adjustments to our reserves could have a material effect on our financial statements.

We may also be impacted by changes in tax laws, including tax rate changes, new tax laws, and subsequent interpretations of tax laws by federal and state tax authorities. For example, any future tax legislation increasing the corporate federal income tax rate and/or limiting deductions could have a negative impact on the Company’s financial results. In addition, several states are in a deficit position due to the pandemic. Accordingly, states may look to expand their taxable base, alter their tax calculation, or increase tax rates, which could result in an additional cost to the Company.

In addition to corporate tax matters, as both a lender and servicer of student loans, we are required to report student loan interest received and cancellation of indebtedness to individuals and the Internal Revenue Service on an annual basis. These informational forms assist individuals in complying with their federal and state income tax obligations. The statutory and regulatory guidance regarding the calculations, recipients, and timing are complex and we know that interpretations of these rules vary across the industry. The complexity and volume associated with these informational forms creates a risk of error which could result in penalties or damage to our reputation.

We invest in certain tax-advantaged projects promoting renewable energy resources (solar projects). Our investments in these projects are designed to generate a return primarily through the realization of federal income tax credits, operating cash flows, and other tax benefits, over specified time periods. Our investments in these projects may not generate returns as anticipated and may have an adverse impact on our financial results. We are subject to the risk that tax credits recorded currently and previously, which remain subject to recapture by taxing authorities based on compliance features required to be met at the project level, will fail to meet certain government compliance requirements and will not be able to be realized. The possible inability to realize these tax credits and other tax benefits can have a negative impact on our financial results. The risk of not being able to realize the tax credits and other tax benefits depends on many factors outside of our control, including changes in the applicable tax code and the ability of the projects to continue operation.

Principal Shareholder and Related Party Transactions

Our Executive Chairman beneficially owns 82.3 percent of the voting rights of our shareholders and effectively has control over all of our matters.

Michael S. Dunlap, our Executive Chairman and a principal shareholder, beneficially owns 82.3 percent of the voting rights of our shareholders. Accordingly, each member of the Board of Directors and each member of management has been elected or effectively appointed by Mr. Dunlap and can be removed by Mr. Dunlap. As a result, Mr. Dunlap, as Executive Chairman and controlling shareholder, has control over all of our matters and has the ability to take actions that benefit him, but may not benefit other minority shareholders, and may otherwise exercise his control in a manner with which other minority shareholders may not agree or which they may not consider to be in their best interests.

Our contractual arrangements and transactions with Union Bank and Trust Company ("Union Bank"), which is under common control with us, present conflicts of interest and pose risks to our shareholders that the terms may not be as favorable to us as we could receive from unrelated third parties.

Union Bank is controlled by Farmers & Merchants Investment Inc. ("F&M"), which owns 81.5 percent of Union Bank's common stock and 15.5 percent of Union Bank's non-voting non-convertible preferred stock. Certain grantor retained annuity trusts established by Mr. Dunlap, a significant shareholder, as well as Executive Chairman, and a member of our Board of Directors, and his spouse own a total of 50.4 percent of F&M’s outstanding voting common stock, and a certain grantor retained annuity trust established by Mr. Dunlap’s sister, Angela L. Muhleisen, owns 49.2 percent of F&M’s outstanding voting common stock. In addition, Mr. Dunlap and his family and Ms. Muhleisen and her family own a total of 8.9 percent and 7.9 percent, respectively, of F&M’s outstanding non-voting preferred stock, which amounts are convertible into shares of F&M common stock which would currently represent an additional 3.0 percent and 2.8 percent, respectively, of F&M’s outstanding common stock on an as converted basis. Mr. Dunlap serves as a Director and Chairman of F&M, and as a Director of Union Bank. Ms. Muhleisen serves as a Director and Chief Executive Officer of F&M and as a Director, Chairperson, President, and Chief Executive Officer of Union Bank. Union Bank is deemed to have beneficial ownership of a significant number of shares of Nelnet because it serves in a capacity of trustee or account manager for various trusts and accounts holding shares of Nelnet, and may share voting and/or investment power with respect to such shares. As of December 31, 2020, Union Bank was deemed to beneficially own 10.1 percent of the voting rights of our outstanding common stock, and Mr. Dunlap and Ms. Muhleisen beneficially owned 82.3 percent and 12.1 percent, respectively, of the voting rights of our outstanding common stock (with certain shares deemed under applicable SEC rules to be beneficially owned by both Mr. Dunlap and Ms. Muhleisen).

We have entered into certain contractual arrangements with Union Bank, including loan purchases, loan servicing, loan participations, banking and lending services, 529 Plan administration services, lease arrangements, trustee services, and various other investment and advisory services. The net aggregate impact on our consolidated statements of income for the years ended December 31, 2020, 2019, and 2018 related to the transactions with Union Bank was income (before income taxes) of $15.4 million, $9.7 million, and $9.2 million, respectively. See note 21 of the notes to consolidated financial statements included in this report for additional information related to the transactions between us and Union Bank.

We intend to maintain our relationship with Union Bank, which our management believes provides certain benefits to us. Those benefits include Union Bank's knowledge of and experience in the FFELP industry, its willingness to provide services, and at times liquidity and capital resources, on an expedient basis, and the proximity of Union Bank to our corporate headquarters located in Lincoln, Nebraska.

The majority of the transactions and arrangements with Union Bank are not offered to unrelated third parties or subject to competitive bids. Accordingly, these transactions and arrangements not only present conflicts of interest, but also pose the risk to our shareholders that the terms of such transactions and arrangements may not be as favorable to us as we could receive from unrelated third parties. Moreover, we may have and/or may enter into contracts and business transactions with related parties that benefit Mr. Dunlap and his sister, as well as other related parties, that may not benefit us and/or our minority shareholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Company has no unresolved comments from the staff of the Securities and Exchange Commission regarding its periodic or current reports under the Securities Exchange Act of 1934.

ITEM 2. PROPERTIES

The Company's headquarters are located in Lincoln, Nebraska. The Company owns or leases office space facilities primarily in Nebraska, Wisconsin, and Colorado.

The Company believes its existing office space facilities and equipment, which are used by all reportable segments, are in good operating condition and are suitable for the conduct of its business.

ITEM 3. LEGAL PROCEEDINGS

Note 23, “Legal Proceedings,” of the notes to consolidated financial statements included in this report is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II.

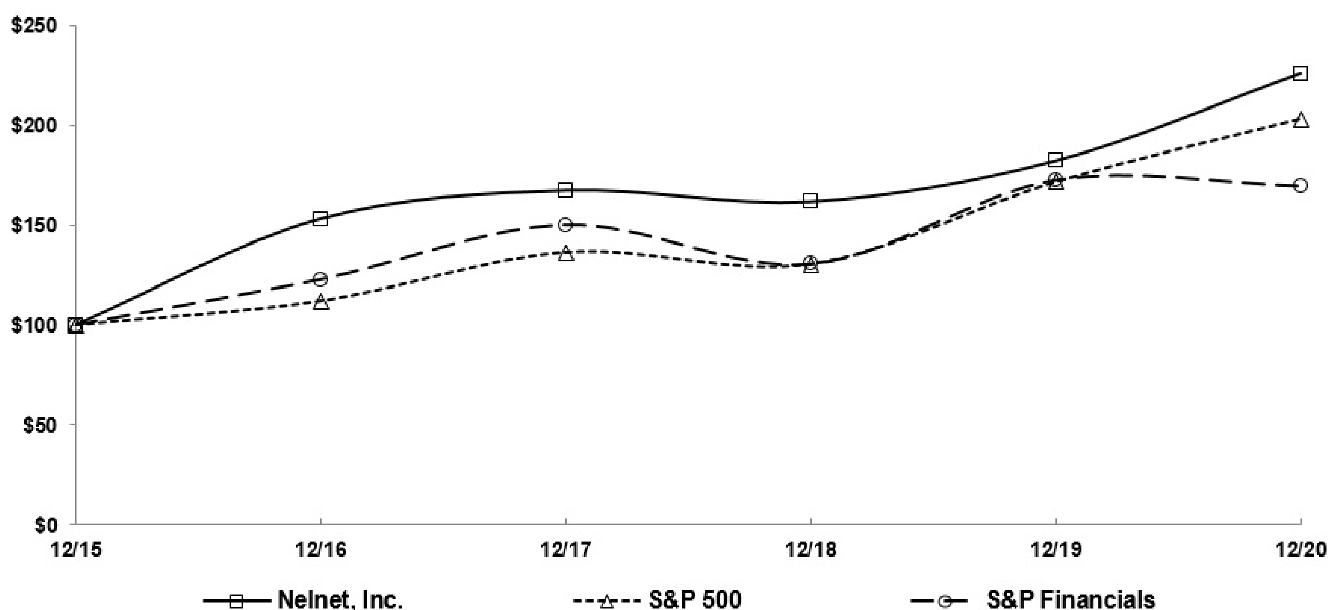
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's Class A common stock is listed and traded on the New York Stock Exchange under the symbol "NNI," while its Class B common stock is not publicly traded. The number of holders of record of the Company's Class A common stock and Class B common stock as of January 31, 2021 was 1,400 and 76, respectively. The record holders of the Class B common stock are Michael S. Dunlap, Shelby J. Butterfield, various members of the Dunlap and Butterfield families, and various other estate planning trusts established by and/or entities controlled by them. Because many shares of the Company's Class A common stock are held by brokers and other institutions on behalf of shareholders, the Company is unable to estimate the total number of beneficial owners represented by these record holders.

The Company paid quarterly cash dividends on its Class A and Class B common stock during the years ended December 31, 2019 and 2020 in amounts totaling $0.74 per share and $0.82 per share, respectively. The Company currently plans to continue making comparable regular quarterly dividend payments, subject to future earnings, capital requirements, financial condition, and other factors.

Performance Graph

The following graph compares the change in the cumulative total shareholder return on the Company's Class A common stock to that of the cumulative return of the S&P 500 Index and the S&P 500 Financials Index. The graph assumes that the value of an investment in the Company's Class A common stock and each index was $100 on December 31, 2015 and that all dividends, if applicable, were reinvested. The performance shown in the graph represents past performance and should not be considered an indication of future performance.



Company/Index	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Nelnet, Inc.	$ 100.00	$ 153.11	$ 167.30	$ 161.71	$ 182.14	$ 225.93
S&P 500	100.00	111.96	136.40	130.42	171.49	203.04
S&P 500 Financials	100.00	122.80	150.04	130.49	172.41	169.49

The preceding information under the caption "Performance Graph" shall be deemed to be "furnished" but not "filed" with the Securities and Exchange Commission.

Stock Repurchases

The following table summarizes the repurchases of Class A common stock during the fourth quarter of 2020 by the Company or any "affiliated purchaser" of the Company, as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934.

Period	Total number of shares purchased (a)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (b)	Maximum number of shares that may yet be purchased under the plans or programs (b)
October 1 - October 31, 2020	72	$ 66.88	—	3,246,732
November 1 - November 30, 2020	—	—	—	3,246,732
December 1 - December 31, 2020	3,008	69.34	—	3,246,732
Total	3,080	$ 69.28	—	

(a) The total number of shares consist of shares owned and tendered by employees to satisfy tax withholding obligations upon the vesting of restricted shares. Unless otherwise indicated, shares owned and tendered by employees to satisfy tax withholding obligations were purchased at the closing price of the Company's shares on the date of vesting.

(b) On May 8, 2019, the Company announced that its Board of Directors authorized a new stock repurchase program to repurchase up to a total of five million shares of the Company's Class A common stock during the three-year period ending May 7, 2022.

Equity Compensation Plans

For information regarding the securities authorized for issuance under the Company's equity compensation plans, see Part III, Item 12 of this report.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data previously required by Item 301 of Regulation S-K has been omitted pursuant to SEC Release No. 33-10890; 34-90459, and the resulting amendments to Item 301 of Regulation S-K effective February 10, 2021.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Management's Discussion and Analysis of Financial Condition and Results of Operations is for the years ended December 31, 2020 and 2019. All dollars are in thousands, except share data, unless otherwise noted.)

The following discussion and analysis provides information that the Company's management believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition of the Company. The discussion and analysis should be read in conjunction with the Company's consolidated financial statements and related notes included in this report. This discussion and analysis contains forward-looking statements subject to various risks and uncertainties and should be read in conjunction with the disclosures and information contained in "Forward-Looking and Cautionary Statements" and Item 1A "Risk Factors" included in this report.

A discussion related to the results of operations and changes in financial condition for the year ended December 31, 2020 compared to the year ended December 31, 2019 is presented below. A discussion related to the results of operations and changes in financial condition for the year ended December 31, 2019 compared to the year ended December 31, 2018 can be found in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2019 Annual Report on Form 10-K, which was filed with the United States Securities and Exchange Commission on February 27, 2020.

OVERVIEW

The Company is a diverse company with a purpose to serve others and a vision to make customers' dreams possible by delivering customer focused products and services. The largest operating businesses engage in loan servicing and education technology, services, and payment processing, and the Company also has a significant investment in communications. A significant portion of the Company's revenue is net interest income earned on a portfolio of federally insured student loans. The Company also makes investments to further diversify both within and outside of its historical core education-related businesses, including, but not limited to, investments in real estate, early-stage and emerging growth companies, and renewable energy.

GAAP Net Income and Non-GAAP Net Income, Excluding Adjustments

The Company prepares its financial statements and presents its financial results in accordance with GAAP. However, it also provides additional non-GAAP financial information related to specific items management believes to be important in the evaluation of its operating results and performance. A reconciliation of the Company's GAAP net income to net income, excluding derivative market value adjustments, and a discussion of why the Company believes providing this additional information is useful to investors, is provided below.

	Year ended December 31,	
	2020	**2019**
GAAP net income attributable to Nelnet, Inc.	$ 352,443	141,803
Realized and unrealized derivative market value adjustments	28,144	76,195
Tax effect (a)	(6,755)	(18,287)
Net income attributable to Nelnet, Inc., excluding derivative market value adjustments (b)	$ 373,832	199,711
Earnings per share:		
GAAP net income attributable to Nelnet, Inc.	$ 9.02	3.54
Realized and unrealized derivative market value adjustments	0.72	1.90
Tax effect (a)	(0.17)	(0.45)
Net income attributable to Nelnet, Inc., excluding derivative market value adjustments (b)	$ 9.57	4.99

(a) The tax effects are calculated by multiplying the realized and unrealized derivative market value adjustments by the applicable statutory income tax rate.

(b) "Derivative market value adjustments" includes both the realized portion of gains and losses (corresponding to variation margin received or paid on derivative instruments that are settled daily at a central clearinghouse) and the unrealized portion of gains and losses that are caused by changes in fair values of derivatives which do not qualify for "hedge treatment" under GAAP. "Derivative market value adjustments" does not include "derivative settlements" that represent the cash paid or received during the current period to settle with derivative instrument counterparties the economic effect of the Company's derivative instruments based on their contractual terms.

The accounting for derivatives requires that changes in the fair value of derivative instruments be recognized currently in earnings, with no fair value adjustment of the hedged item, unless specific hedge accounting criteria is met. Management has structured all of the Company’s derivative transactions with the intent that each is economically effective; however, the Company’s derivative instruments do not qualify for hedge accounting. As a result, the change in fair value of derivative instruments is reported in current period earnings with no consideration for the corresponding change in fair value of the hedged item. Under GAAP, the cumulative net realized and unrealized gain or loss caused by changes in fair values of derivatives in which the Company plans to hold to maturity will equal zero over the life of the contract. However, the net realized and unrealized gain or loss during any given reporting period fluctuates significantly from period to period.

The Company believes these point-in-time estimates of asset and liability values related to its derivative instruments that are subject to interest rate fluctuations are subject to volatility mostly due to timing and market factors beyond the control of management, and affect the period-to-period comparability of the results of operations. Accordingly, the Company’s management utilizes operating results excluding these items for comparability purposes when making decisions regarding the Company’s performance and in presentations with credit rating agencies, lenders, and investors. Consequently, the Company reports this non-GAAP information because the Company believes that it provides additional information regarding operational and performance indicators that are closely assessed by management. There is no comprehensive, authoritative guidance for the presentation of such non-GAAP information, which is only meant to supplement GAAP results by providing additional information that management utilizes to assess performance.

GAAP net income increased for the year ended December 31, 2020 compared to the same period in 2019 primarily due to the following factors:

- The recognition of a $258.6 million ($196.5 million after tax) gain from the deconsolidation of ALLO Communications LLC (“ALLO”) from the Company’s consolidated financial statements;
- The recognition of a $51.0 million ($38.8 million after tax) gain to adjust the carrying value of the Company's investment in Hudl to reflect Hudl's May 2020 equity raise transaction value;
- A decrease of $48.1 million ($36.5 million after tax) in net losses related to changes in the fair values of derivative instruments that do not qualify for hedge accounting in 2020 as compared to 2019;
- An increase of $30.2 million ($23.0 million after tax) in loan spread on the Company’s loan portfolio and related derivative settlements in 2020 as compared to 2019, primarily from an increase in fixed rate floor income;
- The recognition of $16.7 million ($12.7 million after tax) of expenses during 2019 to extinguish notes payable in certain asset-backed securitizations prior to the notes' contractual maturities; and

- An increase of $15.8 million ($12.0 million after tax) in gains from the sale of consumer loans in 2020 as compared to 2019.

These factors were partially offset by the following items:

- An increase of $35.2 million ($26.8 million after tax) in non-cash losses related to the Company’s solar investments in 2020 as compared to 2019;
- The recognition of $24.7 million ($18.8 million after tax) of net provision and impairment charges in 2020 related to the Company's beneficial interest in consumer loan securitizations and certain venture capital investments, respectively, due to adverse economic conditions resulting from the COVID-19 pandemic;
- An increase of $24.4 million ($18.5 million after tax) in the provision for loan losses in 2020 as compared to 2019. The provision for loan losses in 2020 was negatively impacted due to the COVID-19 pandemic;
- A decrease of $20.4 million ($15.5 million after tax) in net income due to the decrease in the average balance of loans in 2020 as compared to 2019 as a result of the amortization of the FFELP loan portfolio; and
- A decrease of $18.2 million in net income from the Company's Loan Servicing and Systems operating segment in 2020 as compared to 2019 due to a decrease in revenue as a result of the COVID-19 pandemic and incurring additional costs to meet increased service and security standards under the Department servicing contracts.

Operating Results

The Company earns net interest income on its loan portfolio, consisting primarily of FFELP loans in its Asset Generation and Management ("AGM") operating segment. This segment is expected to generate a stable net interest margin and significant amounts of cash as the FFELP portfolio amortizes. As of December 31, 2020, AGM had a $19.6 billion loan portfolio that management anticipates will amortize over the next approximately 20 years and has a weighted average remaining life of 9.8 years. The Company actively works to maximize the amount and timing of cash flows generated by its FFELP portfolio and seeks to acquire additional loan assets to leverage its servicing scale and expertise to generate incremental earnings and cash flow. However, due to the continued amortization of the Company’s FFELP loan portfolio, over time, the Company's net income generated by the AGM segment will continue to decrease. The Company currently believes that in the short-term it will most likely not be able to invest the excess cash generated from the FFELP loan portfolio into assets that immediately generate the rates of return historically realized from that portfolio.

In addition, the Company earns fee-based revenue through the following reportable operating segments:

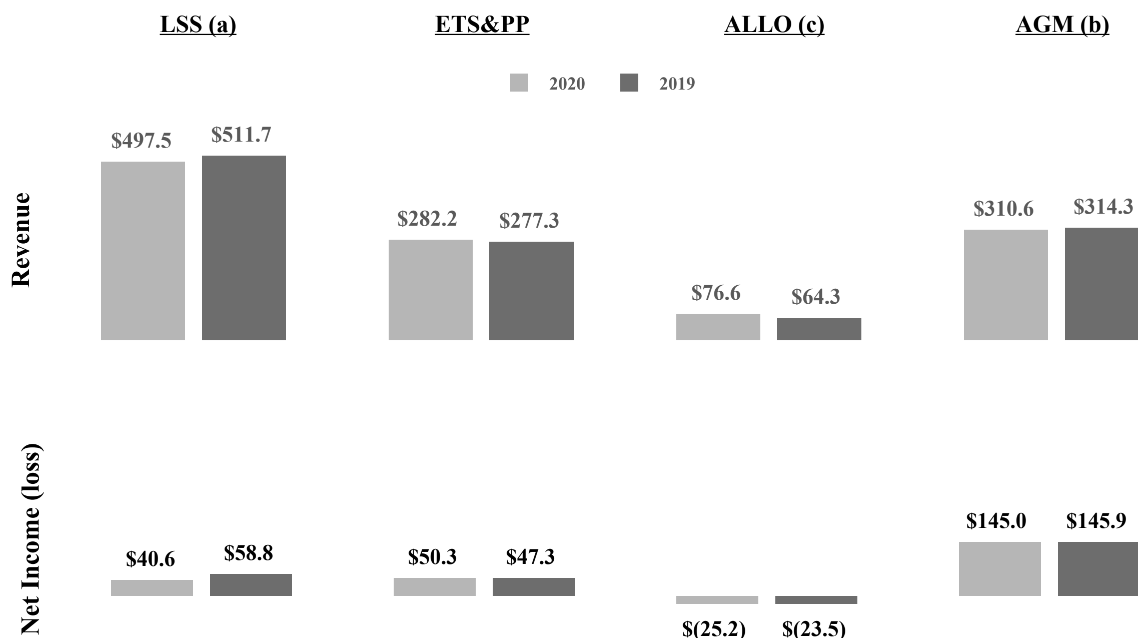
- Loan Servicing and Systems ("LSS") - referred to as Nelnet Diversified Services ("NDS")
- Education Technology, Services, and Payment Processing ("ETS&PP") - referred to as Nelnet Business Services ("NBS")

Further, the Company earned communications revenue through ALLO, formerly a majority owned subsidiary of the Company prior to a recapitalization of ALLO resulting in the deconsolidation of ALLO from the Company’s financial statements on December 21, 2020. The recapitalization of ALLO is not considered a strategic shift in the Company’s involvement with ALLO, and ALLO’s results of operations, prior to the deconsolidation, are presented by the Company as a reportable operating segment.

On November 2, 2020, the Company obtained final approval from the Federal Deposit Insurance Corporation ("FDIC") for federal deposit insurance and for a bank charter from the Utah Department of Financial Institutions ("UDFI") in connection with the establishment of Nelnet Bank, and Nelnet Bank launched operations. Nelnet Bank operates as an internet Utah-chartered industrial bank franchise focused on the private education loan marketplace, with a home office in Salt Lake City, Utah. Nelnet Bank’s operations are presented by the Company as a reportable operating segment.

Other business activities and operating segments that are not reportable are combined and included in Corporate and Other Activities ("Corporate"). Corporate and Other Activities also includes income earned on certain investments and interest expense incurred on unsecured and other corporate related debt transactions. In addition, the Corporate segment includes direct incremental costs associated with Nelnet Bank prior to the UDFI’s approval for its bank charter and certain shared service and support costs incurred by the Company that will not be reflected in Nelnet Bank’s operating results through 2023 (the bank’s de novo period). Such Nelnet Bank-related costs included in the Corporate segment totaled $5.9 million (pre-tax) and $1.7 million (pre-tax) in 2020 and 2019, respectively.

The information below provides the operating results for each reportable operating segment (excluding Nelnet Bank) for the years ended December 31, 2020 and 2019 (dollars in millions). See "Results of Operations" for each such reportable operating segment under this Item 7 for additional detail.



(a) Revenue includes intersegment revenue.

(b) Total revenue includes "net interest income" and "total other income/expense" from the Company's segment statements of income, excluding the impact from changes in fair values of derivatives. Net income excludes changes in fair values of derivatives, net of tax. For information regarding the exclusion of the impact from changes in fair values of derivatives, see "GAAP Net Income and Non-GAAP Net Income, Excluding Adjustments" above.

(c) On December 21, 2020, the Company deconsolidated ALLO from the Company's consolidated financial statements. Accordingly, the 2020 operating results for the Communications operating segment in the table above are for the period January 1, 2020 through December 21, 2020.

Certain events and transactions from 2020, which have impacted, will impact, or could impact the operating results of the Company, are discussed below.

Recapitalization and Additional Funding for ALLO

On October 1, 2020, the Company entered into various agreements with SDC Allo Holdings, LLC ("SDC"), a third party global digital infrastructure investor, and ALLO, then a majority owned communications subsidiary of the Company, to recapitalize and provide additional funding for ALLO. On October 15, 2020, ALLO received proceeds of $197.0 million from SDC for the issuance of membership units of ALLO, and redeemed $160.0 million of non-voting preferred membership units of ALLO held by the Company. As a result of the receipt of required regulatory approvals on December 21, 2020, SDC, the Company, and members of ALLO's management own approximately 48 percent, 45 percent, and 7 percent, respectively, of the outstanding voting membership interests of ALLO, and the Company deconsolidated ALLO from the Company's consolidated financial statements.

Upon the deconsolidation of ALLO, the Company recorded its 45 percent voting membership interests in ALLO at fair value, and accounts for such investment under the Hypothetical Liquidation at Book Value ("HLBV") method of accounting. In addition, the Company recorded its remaining non-voting preferred membership units in ALLO at fair value, and accounts for such investment as a separate equity investment. As a result of the deconsolidation of ALLO, the Company recognized a gain of $258.6 million in the fourth quarter of 2020.

On January 19, 2021, ALLO closed on certain private debt financing facilities from unrelated third-party lenders providing for aggregate financing of up to $230.0 million. With proceeds from this transaction, ALLO redeemed a portion of its non-voting preferred membership units held by the Company in exchange for an aggregate redemption price payment to the Company of $100.0 million.

The agreements among the Company, SDC, and ALLO provide that they will use commercially reasonable efforts (which expressly excludes requiring ALLO to raise any additional equity financing or sell any assets) to cause ALLO to redeem, on or before April 2024, the remaining non-voting preferred membership units of ALLO held by the Company, plus the amount of accrued and unpaid preferred return on such units. As of January 19, 2021, the outstanding preferred membership units of ALLO held by the Company was $129.7 million. The preferred membership units earn a preferred annual return of 6.25 percent.

As discussed above, subsequent to the recapitalization and deconsolidation of ALLO, the Company will account for its investment in ALLO under the HLBV method of accounting. The HLBV method of accounting is used by the Company for equity method investments when the liquidation rights and priorities as defined by an equity investment agreement differ from what is reflected by the underlying percentage ownership or voting interests. The Company applies the HLBV method using a balance sheet approach. A calculation is prepared at each balance sheet date to determine the amount that the Company would receive if an equity investment entity were to liquidate its net assets and distribute that cash to the investors based on the contractually defined liquidation priorities. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period, after adjusting for capital contributions and distributions, is the Company's share of the earnings or losses from the equity investment for the period. Because the Company will be able to utilize certain tax losses related to ALLO's operations, the equity investment agreements for the Company have liquidation rights and priorities that are sufficiently different from the voting membership interests percentages such that the HLBV method of accounting was deemed appropriate. Accordingly, the recognition of earnings or losses during any reporting period related to the Company's equity investment in ALLO may or may not reflect its voting membership interests percentage and could vary substantially from those calculated based on the Company's voting membership interests in ALLO.

Assuming ALLO continues its planned growth in existing and new communities, it will continue to invest substantial amounts in property and equipment to build the network and connect customers. The resulting recognition of depreciation and development costs could result in net operating losses by ALLO under generally accepted accounting principles. Applying the HLBV method of accounting, the Company will recognize a significant portion of ALLO's anticipated losses over the next several years.

For additional information, see note 2, "Recent Developments - ALLO Recapitalization," of the notes to consolidated financial statements included in this report.

Impacts of COVID-19 Pandemic

Beginning in March 2020, the coronavirus 2019 or COVID-19 ("COVID-19") pandemic resulted in many businesses and schools closing or reducing hours throughout the U.S. to combat the spread of COVID-19, and states and local jurisdictions implementing various containment efforts, including lockdowns on non-essential business and other business restrictions, stay-at-home orders, and shelter-in-place orders. The COVID-19 pandemic has caused significant disruption to the U.S. and world economies, including significantly higher unemployment and underemployment, significantly lower interest rates, and extreme volatility in the U.S. and world markets. As a result of the COVID-19 outbreak and federal, state, and local government responses to COVID-19, the Company has experienced and may in the future experience various disruptions and impacts to the Company's businesses and results of operations. The following provides a summary of how COVID-19 has impacted and may impact the Company's business and operating results.

<u>Corporate</u>

The Company has implemented adjustments to its operations designed to keep employees safe and comply with federal, state, and local guidelines, including those regarding social distancing. As of March 25, 2020, the majority of our associates were working and continue to work from home. Substantially all Company associates working from home are able to connect to their work environment virtually and continue to serve our customers.

The Company has investments in real estate, early-stage and emerging growth companies (venture capital investments), and renewable energy (solar). The Company identified several venture capital investments that were negatively impacted by the distressed economic conditions resulting from the COVID-19 pandemic and recognized impairment charges on such investments of $7.8 million (pre-tax) during the first quarter of 2020.

<u>Loan Servicing and Systems</u>

The CARES Act, which was signed into law on March 27, 2020, among other things, provides broad relief for federal student loan borrowers. Under the CARES Act, federal student loan payments and interest accruals were suspended for all borrowers that have loans owned by the Department. The benefits of the law were applied retroactively to March 13, 2020, when the President declared a state of emergency related to COVID-19, and these federal student loan borrower relief provisions have

been extended through September 30, 2021. Beginning March 13, 2020, the Company received less servicing revenue per borrower from the Department based on the borrower forbearance status through September 30, 2020 than what was earned on such accounts prior to these provisions, and the Department further reduced the monthly rate paid to its servicers for those in a forbearance status for the period from October 1, 2020 through September 30, 2021 from $2.19 per borrower to $2.05 per borrower. As a result of the extension of these CARES Act provisions through September 30, 2021, the Company currently anticipates Department servicing revenue will be lower in 2021 from recent historical periods due to the lower rates. The Company currently anticipates revenue per borrower will return to pre-COVID levels when borrowers begin to re-enter repayment in the fourth quarter of 2021. While federal student loan payments are suspended, the Company's operating expenses have been and will continue to be lower due to a significant reduction of borrower statement printing and postage costs. In addition, revenue from the Department for originating consolidation loans was adversely impacted as a result of borrowers receiving relief on their existing loans, thus not initiating a consolidation. The Company currently anticipates this revenue will continue to be negatively impacted while student loan payments and interest accruals are suspended.

During 2020, FFELP, private education, and consumer loan servicing revenue was adversely impacted by the COVID-19 pandemic due to reduced or eliminated delinquency outreach to borrowers, holds on claim filings, and reduced or eliminated late fees processing. In addition, origination fee revenue was negatively impacted as borrowers are less likely to refinance their loans when they are receiving certain relief measures from their current lender. The Company currently anticipates this trend will continue in future periods that are impacted by the COVID-19 pandemic, with the magnitude based on the extent to which existing or additional borrower relief policies and activities are implemented or extended by servicing customers.

If the student loan borrower relief provisions of the CARES Act were potentially extended past September 30, 2021 and/or new legislative or regulatory student loan borrower relief measures similar to such provisions of the CARES Act were to become effective, the levels and timing of future servicing revenues could continue to be impacted in a similar manner through the extended period of time that such provisions or measures are in effect.

Due to decreased servicing and transaction activity as a result of suspended payments under the CARES Act as discussed above, the Company has been able to transition associates to help state agencies process unemployment claims and conduct certain health contact tracing support activities. Revenue earned on these temporary contracts for the year ended December 31, 2020 was $21.9 million. These contracts were awarded to the Company as a result of the Company's technology, security, compliance, and other capabilities needed to conduct such activities.

Education Technology, Services, and Payment Processing

This segment has been and will continue to be impacted by COVID-19 through lower interest rate levels, which reduce earnings for this business compared to recent historical results as the tuition funds held in custody for schools produce less interest earnings. If interest rates remain at current levels, the Company anticipates this segment will earn minimal interest income in future periods. In addition, as a result of COVID-19, demand for certain of the Company's products and services has been negatively impacted. The Company currently anticipates this trend will continue through the 2020-2021 academic year and could extend longer as a result of trends and shifts in the industry that could be long term as a result of the COVID-19 pandemic.

Communications

As a result of COVID-19, ALLO experienced increased demand from new and existing residential customers to support connectivity needs primarily for work and learn from home applications. Along with offering 60 days free for eligible customers, ALLO partnered with school districts to provide more connectivity to students, often at discounted rates.

In view of the importance of ALLO's technicians being able to connect new customers while maintaining social distance and protecting community and associate health and safety, ALLO adjusted operational procedures by implementing associate health checks, following CDC and local health official safety protocols, facilitating customer screening, and adjusting the installation process to limit the time in the home or business as much as possible.

Asset Generation and Management

AGM's results were adversely impacted during the first quarter of 2020 as a result of COVID-19 due to:

- An incremental increase in the provision for loan losses of $63.0 million (pre-tax) resulting from an increase in expected life of loan defaults due to the COVID-19 pandemic.
- A $26.3 million (pre-tax) provision charge recognized on the Company's beneficial interest in consumer loan securitizations. The Company's estimate of future cash flows from the beneficial interest in consumer loan

securitizations was lower than originally anticipated due to the expectation of increased consumer loan defaults within such securitizations due to the distressed economic conditions resulting from the COVID-19 pandemic.

As economic factors improved in the third and fourth quarters of 2020, a portion of the charges noted above were reversed.

The CARES Act, among other things, provides broad relief, effective March 13, 2020, for borrowers that have student loans owned by the Department. This relief package excluded FFELP, private education, and consumer loans. Although the Company's loans are excluded from the provisions of the CARES Act, the Company is providing relief for its borrowers.

For the Company's federally insured and private education loans, effective March 13, 2020 through June 30, 2020, the Company proactively applied a 90 day natural disaster forbearance to any loan that was 31-269 days past due (for federally insured loans) and 80 days past due (for private education loans), and to any current loan upon request. Beginning July 1, 2020, the Company discontinued proactively applying 90 day natural disaster forbearances on past due loans. However, the Company will continue to apply a natural disaster forbearance in 90 day increments to any federally insured and private education loan upon request through September 30, 2021. As of December 31, 2020, federally insured and private education loans in forbearance were $2.0 billion (or 10.3% of the portfolio) and $2.4 million (or 0.7% of the portfolio), respectively. The amount of federally insured and private education loans in forbearance hit their peak in May 2020 at $6.0 billion and $38.6 million, respectively. The Company anticipates that loans in forbearance will continue to decline in 2021, absent any intervening policy change, when borrowers are currently scheduled to exit forbearance. Despite the COVID-19 pandemic, a large portion of borrowers continue to make payments according to their payment plans.

In addition, for both federally insured and private education loans, effective March 13, 2020, borrower late fees have been waived.

For the majority of the Company's consumer loans, borrowers are generally being offered, upon request and/or documented evidence of financial distress, up to a two-month deferral of payments, with an option of additional deferrals if the COVID-19 pandemic continues. In addition, effective March 13, 2020, the majority of fees (non-sufficient funds, late charges, check fees) and credit bureau reporting have been suspended. The specific relief terms on the Company's consumer loan portfolio vary depending on the loan program and servicer of such loans.

The Company will continue to review whether additional and/or extended borrower relief policies and activities are needed.

The Company is not contractually committed to acquire FFELP, private education, or consumer loans, so the Company has been and will continue to be selective as to which, if any, loans it purchases during the current period of economic uncertainty.

Other Risks and Uncertainties

The COVID-19 pandemic is unprecedented and continues to evolve. The extent to which COVID-19 may impact the Company's businesses depends on future developments, which are highly uncertain, subject to various risks, and cannot be predicted with confidence, such as the ultimate spread, severity, and duration of the pandemic, travel restrictions, stay-at-home or other similar orders and social distancing in the United States and other countries, business and/or school closures and disruptions, and the effectiveness of actions taken in the United States and other countries to contain and treat the virus. For additional information on the risks and uncertainties regarding the impacts of COVID-19, see Part I, Item 1A. "Risk Factors - The COVID-19 pandemic has adversely impacted our results of operations, and is expected to continue to adversely impact our results of operations, as well as adversely impact our businesses, financial condition, and/or cash flows" in this report.

Investment in Agile Sports Technologies, Inc. (doing business as "Hudl")

On May 20, 2020, the Company made an additional equity investment of approximately $26.0 million in Hudl, as one of the participants in an equity raise completed by Hudl. As a result of Hudl's equity raise, the Company recognized a $51.0 million (pre-tax) gain during the second quarter of 2020 to adjust its carrying value to reflect the May 20, 2020 transaction value.

Department of Education Servicing Contracts and Procurements for New Contracts

Nelnet Servicing, a subsidiary of the Company, earns loan servicing revenue from a servicing contract with the Department. Revenue earned by Nelnet Servicing related to this contract was $146.8 million and $158.0 million for the years ended December 31, 2020 and 2019, respectively. In addition, Great Lakes, which was acquired by the Company on February 7, 2018, also earns loan servicing revenue from a similar servicing contract with the Department. Revenue earned by Great Lakes related to this contract was $179.9 million and $185.7 million for the years ended December 31, 2020 and 2019, respectively.

Nelnet Servicing and Great Lakes' servicing contracts with the Department are currently scheduled to expire on June 14, 2021, but provide the potential for an additional six-month extension at the Department's discretion through December 14, 2021. The

Department is conducting a contract procurement process for a new framework for the servicing of all student loans owned by the Department. For information regarding recent developments related to and the current status of these servicing contracts, and the Department's procurement processes for new servicing contracts, see note 17 of the notes to consolidated financial statements included in this report.

Adoption of New Accounting Standard for Credit Losses

On January 1, 2020, the Company adopted ASU No. 2016-13*, Financial Instruments – Credit Losses* ("ASC 326"), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for financial assets measured at amortized cost at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The new guidance primarily impacted the allowance for loan losses related to the Company's loan portfolio. Upon adoption, the Company recorded an increase to the allowance for loan losses of $91.0 million, which included a reclassification of the non-accretable discount balance and premiums related to loans purchased with evidence of credit deterioration, and decreased retained earnings, net of tax, by $18.9 million. Results for reporting periods beginning after January 1, 2020 are presented under ASC 326 (recognizing estimated credit losses expected to occur over the asset's remaining life) while prior period amounts continue to be reported in accordance with previously applicable GAAP (recognizing estimated credit losses using an incurred loss model); therefore, the comparative information for 2019 is not comparable to the information presented for 2020.

Solar Investments

During the last three years, the Company has invested $148.6 million in tax equity investments in renewable energy solar partnerships to support the development and operations of solar projects throughout the country. The projects are currently forecasted to generate more than 214 megawatts of power each year. These investments provide a federal income tax credit under the Internal Revenue Code, currently at 26 percent (for projects commencing construction in 2020-2022) and 30 percent (for projects commencing construction prior to 2020) of the eligible project cost, with the tax credit available when the project is placed-in-service. The Company is then allowed to reduce its tax estimates paid to the U.S. Treasury based on the credits earned. In addition to the credits, the Company structures the investments to receive quarterly distributions of cash from the operating earnings of the solar project for a period of at least five years (so the tax credits are not recaptured). After that period, the contractual agreements typically provide for the Company's interest in the projects to be purchased in an exit at the fair market value of the discounted forecasted future cash flows allocable to the Company. Given the expected timing of cash flows, experience the Company has in underwriting these assets, and beneficial impact to the climate, the Company believes these investments are a great fit within its capital deployment initiatives.

These investments are structured such that a significant proportion of the cash distributions and tax items (including the income tax credit) are allocated back to the Company within the first eighteen months of the investment capital contribution, in order to achieve a target after tax return. The cash distributions to the Company are then structured to flatten until exit, typically between years five and six. Given the unique arrangement in which investors share in the profits and losses of the solar investment with cash and tax benefit allocations among the partners changing over the life of the project, the accounting guidance calls for the use of the Hypothetical Liquidation at Book Value ("HLBV") method, which can result in non-linear GAAP income/loss allocation results. Under this method, a balance sheet approach is utilized to determine what each investor would hypothetically receive at each balance sheet date under the liquidation provisions of the contractual agreements, assuming the net assets of the funding structures were liquidated at their recorded amounts determined in accordance with GAAP. As the investor receives a majority of this return through the income tax credit and higher cash distributions at the beginning of the investment, as of the first period of the hypothetical liquidation, the investor's remaining net claim on assets is relatively low compared to the initial cash contributed. This difference between the initial cash contributions and the first period's ending net claim on assets through the hypothetical liquidation causes significant GAAP losses on the investment to be recognized through the income statement within the initial periods of the investment. After the carrying value of the investment on the balance sheet is written down to the hypothetical liquidation amount, subsequent year's earnings are expected to align with and reflect the operating profits or losses of the investment. The Company realizes that application of the HLBV method to its solar investments has a variable impact on its periodic earnings that in the early years is not reflective of the expected long-term economics of the investments. Given the significant amount of investments made in the last couple of years and the associated ramp-up period, the negative impact to earnings in 2020 was significant as the Company recognized a $37.4 million pre-tax loss from these investments under the HLBV method. However, as these investments mature and perform as forecasted, the Company expects to recoup that loss and realize additional income between now and the sale of each of its interests, likely 60 to 72 months from the date the project is placed in service. Thus, the Company expects the economic gain from these investments to be realized in its future earnings, but, due to the hypothetical liquidation valuations as of the balance sheet dates

during the intended investment horizon, the HLBV method results in some volatility in the Company’s consolidated periodic earnings results.

Private Loan Servicing and Acquisition

In December of 2020, Wells Fargo announced the sale of its approximately $10 billion portfolio of private education student loans representing approximately 475,000 borrowers. In conjunction with the sale, the Company was selected as servicer of the portfolio and will begin servicing the portfolio following a series of loan transfers during the first half of 2021. In addition, the Company has entered into agreements to participate in a joint venture to acquire the portfolio. The Company expects to own approximately 8 percent of the interest in the loans and, dependent upon financing, currently expects to invest approximately $100 million as part of the acquisition. In addition, the Company will serve as the sponsor and administrator for loan securitizations on behalf of the purchaser group as the loans are securitized, and provide the required level of risk retention as the loans are permanently financed. This transaction is expected to close during the first half of 2021, with the securitizations occurring subsequent to closing.

Liquidity and Capital Resources

- As of December 31, 2020, the Company had cash and cash equivalents of $121.2 million. In addition, the Company had a portfolio of available-for-sale investments, consisting primarily of student loan asset-backed securities, with a fair value of $348.6 million as of December 31, 2020. As of December 31, 2020, the Company has participated $118.6 million of these securities, and such participation is reflected as debt on the Company's consolidated balance sheet.

- The Company has historically generated positive cash flow from operations. For the year ended December 31, 2020, the Company’s net cash provided by operating activities was $212.8 million.

- The Company has a $455.0 million unsecured line of credit with a maturity date of December 16, 2024. As of December 31, 2020, the unsecured line of credit had $120.0 million outstanding. Subsequent to December 31, 2020, the Company paid down the full balance outstanding on the line of credit, and as of February 25, 2021, $455.0 million was available for future use. The line of credit provides that the Company may increase the aggregate financing commitments, through the existing lenders and/or through new lenders, up to a total of $550.0 million, subject to certain conditions.

- On November 2, 2020, Nelnet Bank launched operations. Nelnet Bank was funded by the Company with an initial capital contribution of $100.0 million, consisting of $55.9 million of cash and $44.1 million of student loan asset-backed securities. In addition, the Company made a pledged deposit of $40.0 million with Nelnet Bank, as required under an agreement with the FDIC.

- The majority of the Company’s portfolio of student loans is funded in asset-backed securitizations that will generate significant earnings and cash flow over the life of these transactions. As of December 31, 2020, the Company currently expects future undiscounted cash flows from its securitization portfolio to be approximately $2.30 billion, of which approximately $1.51 billion will be generated over the next five years.

- The Company has a stock repurchase program to purchase up to a total of five million shares of the Company’s Class A common stock during the three-year period ending May 7, 2022. During 2020, the Company repurchased a total of 1,594,394 shares of stock for $73.4 million ($46.01 per share). As of December 31, 2020, 3,246,732 shares remained authorized for repurchase under the Company's stock repurchase program.

- During 2020, the Company paid cash dividends totaling $31.8 million ($0.82 per share).

The Company intends to use its strong liquidity position to capitalize on market opportunities, including FFELP, private education, and consumer loan acquisitions; strategic acquisitions and investments; and capital management initiatives, including stock repurchases, debt repurchases, and dividend distributions. The timing and size of these opportunities will vary and will have a direct impact on the Company’s cash and investment balances.

CONSOLIDATED RESULTS OF OPERATIONS

An analysis of the Company's operating results for the year ended December 31, 2020 compared to 2019 is provided below.

The Company’s operating results are primarily driven by the performance of its existing loan portfolio and the revenues generated by its fee-based businesses and the costs to provide such services. The performance of the Company’s portfolio is driven by net interest income (which includes financing costs) and losses related to credit quality of the assets, along with the cost to administer and service the assets and related debt.

The Company operates as distinct reportable operating segments as described above. For a reconciliation of the reportable segment operating results to the consolidated results of operations, see note 15 of the notes to consolidated financial statements included in this report. Since the Company monitors and assesses its operations and results based on these segments, the discussion following the consolidated results of operations is presented on a reportable segment basis (except that Nelnet Bank's results of operations are not discussed since such operations were launched in November 2020 and were not material to the Company's 2020 consolidated results of operations).

	Year ended December 31,		
	2020	2019	Additional information
Loan interest	$ 595,113	914,256	Decrease was due primarily to decreases in the gross yield earned on loans and the average balance of loans, partially offset by an increase in gross fixed rate floor income due to lower interest rates in 2020 as compared to 2019.
Investment interest	24,543	34,421	Includes income from unrestricted interest-earning deposits and investments and funds in asset-backed securitizations. Decrease was due to a decrease in interest rates.
Total interest income	619,656	948,677	
Interest expense	330,071	699,327	Decrease was due primarily to a decrease in cost of funds and a decrease in the average balance of debt outstanding.
Net interest income	289,585	249,350	See table below for additional analysis.
Less provision for loan losses	63,360	39,000	Increase was due to provision expense recognized in the first quarter of 2020 as a result of an increase in expected defaults due to the COVID-19 pandemic and an increased provision for loan losses on loans acquired in 2020 to reflect life of loan expected losses as compared to loans acquired in 2019 for which the provision for loan losses was recognized based upon an incurred loss methodology. See AGM operating segment - results of operations.
Net interest income after provision for loan losses	226,225	210,350	
Other income/expense:			
LSS revenue	451,561	455,255	See LSS operating segment - results of operations.
ETS&PP revenue	282,196	277,331	See ETS&PP operating segment - results of operations.
Communications revenue	76,643	64,269	See Communications operating segment - results of operations.
Other	57,561	47,918	See table below for components of "other income."
Gain on sale of loans	33,023	17,261	Gain on sale of loans is from the sale of consumer loans.
Gain from deconsolidation of ALLO	258,588	—	On December 21, 2020, the Company deconsolidated ALLO from the Company's consolidated financial statements as a result of ALLO's recapitalization. See "Overview - Recapitalization and Additional Funding for ALLO" above for additional information.
Impairment expense and provision for beneficial interests	(24,723)	—	During the first quarter of 2020, the Company recognized a provision expense of $26.3 million and an impairment charge of $7.8 million related to beneficial interest in consumer loan securitization investments and several venture capital investments, respectively. Such charges were the result of impacts from the COVID-19 pandemic. During the fourth quarter of 2020, the Company reversed $9.7 million of the provision related to beneficial interest in consumer loan securitization investments due to improved economic conditions.
Derivative settlements, net	3,679	45,406	The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. Derivative settlements for each applicable period should be evaluated with the Company's net interest income. See table below for additional analysis.
Derivative market value adjustments, net	(28,144)	(76,195)	Includes the realized and unrealized gains and losses that are caused by changes in fair values of derivatives which do not qualify for "hedge treatment" under GAAP. The majority of the derivative market value adjustments were related to the changes in fair value of the Company's floor income interest rate swaps. Such changes reflect that a decrease in the forward yield curve during a reporting period results in a decrease in the fair value of the Company's floor income interest rate swaps, and an increase in the forward yield curve during a reporting period results in an increase in the fair value of the Company's floor income interest rate swaps.
Total other income/expense	1,110,384	831,245	
Cost of services:			
Cost to provide education technology, services, and payment processing services	82,206	81,603	Represents primarily direct costs to provide payment processing services in the ETS&PP operating segment.
Cost to provide communications services	22,812	20,423	Represents costs of services primarily associated with television programming costs in the Communications operating segment.
Total cost of services	105,018	102,026	
Operating expenses:			
Salaries and benefits	501,832	463,503	Increase was due to (i) increases in personnel in the LSS and corporate operating segments to meet increased service and security standards under the Department servicing contracts; (ii) increases in personnel in the LSS operating segment to develop a new private education and consumer loan servicing system; and (iii) increases in personnel to support the growth in the customer base and the development of new technologies in the ETS&PP operating segment. In addition, on October 1, 2020 (prior to the deconsolidation of ALLO), ALLO recognized compensation expense of $9.3 million related to the modification of certain equity awards previously granted to members of ALLO's management.

Depreciation and amortization	118,699	105,049	Increase was primarily due to additional depreciation expense in the corporate operating segment due to recent infrastructure capital expenditures to support the Company's operating segments, as well as an increase in depreciation expense at ALLO as it continues to develop its network in existing and new markets..
Other expenses	160,574	194,272	Other expenses includes expenses necessary for operations, such as postage and distribution, consulting and professional fees, occupancy, communications, and certain information technology-related costs. Decrease was due to (i) cost savings in the LSS segment from an increase in the adoption of electronic borrower statements and correspondence and a decrease in printing and postage while loan payments are suspended as a result of COVID-19 borrower relief efforts; (ii) reduction of travel expenses and the cancellation of on-site conferences in the ETS&PP segment; and (iii) a decrease in servicing fees paid by the AGM segment to third parties. In addition, the AGM segment recognized $16.7 million of expense during 2019 to extinguish asset-backed notes from certain securitizations prior to their contractual maturity. See each individual operating segment results of operations discussion for additional information.
Total operating expenses	781,105	762,824	
Income before income taxes	450,486	176,745	
Income tax expense	100,860	35,451	The effective tax rate was 22.3% and 20.0% for 2020 and 2019, respectively. The increase in the effective tax rate in 2020 as compared to 2019 was due to the recognition of normal tax credit amounts relative to a much higher pre-tax book income in 2020. The Company expects its future effective tax rate will range between 21 and 24 percent.
Net income	349,626	141,294	
Net loss attributable to noncontrolling interests	2,817	509	
Net income attributable to Nelnet, Inc.	$ 352,443	141,803	
Additional information:			
Net income attributable to Nelnet, Inc.	$ 352,443	141,803	See "Overview - GAAP Net Income and Non-GAAP Net Income, Excluding Adjustments" above for additional information about non-GAAP net income, excluding derivative market value adjustments.
Derivative market value adjustments, net	28,144	76,195	
Tax effect	(6,755)	(18,287)	
Net income attributable to Nelnet, Inc., excluding derivative market value adjustments	$ 373,832	199,711	

The following table summarizes the components of "net interest income" and "derivative settlements, net."

Derivative settlements represent the cash paid or received during the current period to settle with derivative instrument counterparties the economic effect of the Company's derivative instruments based on their contractual terms. Derivative accounting requires that net settlements with respect to derivatives that do not qualify for "hedge treatment" under GAAP be recorded in a separate income statement line item below net interest income. The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. As such, management believes derivative settlements for each applicable period should be evaluated with the Company's net interest income as presented in the table below. Net interest income (net of settlements on derivatives) is a non-GAAP financial measure, and the Company reports this non-GAAP information because the Company believes that it provides additional information regarding operational and performance indicators that are closely assessed by management. There is no comprehensive, authoritative guidance for the presentation of such non-GAAP information, which is only meant to supplement GAAP results by providing additional information that management utilizes to assess performance. See note 6 of the notes to consolidated financial statements included in this report for additional information on the Company's derivative instruments, including the net settlement activity recognized by the Company for each type of derivative for the 2020 and 2019 periods presented in the table under the caption "Consolidated Financial Statement Impact Related to Derivatives - Statements of Income" in note 6 and in the table below.

	Year ended December 31,		
	2020	2019	Additional information
Variable loan interest margin	$ 144,871	174,954	Represents the yield the Company receives on its loan portfolio less the cost of funding these loans. Variable loan spread is also impacted by the amortization/ accretion of loan premiums and discounts and the 1.05% per year consolidation loan rebate fee paid to the Department. See AGM operating segment - results of operations.
Settlements on associated derivatives	10,378	5,214	Represents the net settlements received related to the Company's 1:3 basis swaps.
Variable loan interest margin, net of settlements on derivatives	155,249	180,168	
Fixed rate floor income	123,460	49,677	The Company has a portfolio of student loans that are earning interest at a fixed borrower rate which exceeds the statutorily defined variable lender rates, generating fixed rate floor income. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk" for additional information.
Settlements on associated derivatives	(6,699)	40,192	Represents the net settlements (paid) received related to the Company's floor income interest rate swaps.
Fixed rate floor income, net of settlements on derivatives	116,761	89,869	
Investment interest	24,543	34,421	
Corporate debt interest expense	(3,289)	(9,702)	Includes interest expense on the Junior Subordinated Hybrid Securities, unsecured line of credit, and the asset-backed securities participation agreement. Decrease was due to a decrease in interest rates and in the average balance outstanding on the Company's unsecured line of credit, partially offset by interest expense incurred on the asset-backed securities participation agreement that was executed in May of 2020.
Net interest income (net of settlements on derivatives)	$ 293,264	294,756	

The following table summarizes the components of "other income."

	Year ended December 31,	
	2020	2019
Gain on remeasurement of HUDL investment (a)	$ 51,018	—
Investment advisory services (b)	10,875	2,941
Management fee revenue (c)	9,421	9,736
Borrower late fee income (d)	5,194	12,884
Income/gains from investments, net	2,205	8,356
Loss from solar investments (e)	(37,423)	(2,220)
Other	16,271	16,221
Other income	$ 57,561	47,918

(a) During the second quarter of 2020, the Company recognized a $51.0 million (pre-tax) gain to adjust the carrying value of its investment in Hudl to reflect Hudl's May 2020 equity raise transaction value.

(b) The Company provides investment advisory services through Whitetail Rock Capital Management, LLC ("WRCM"), the Company's SEC-registered investment advisor subsidiary, under various arrangements. WRCM earns annual fees of 25 basis points on the majority of the outstanding balance of asset-backed securities under management and up to 50 percent of the gains from the sale of asset-backed securities or asset-backed securities being called prior to the full contractual maturity for which it provides advisory services. As of December 31, 2020, the outstanding balance of asset-backed securities under management subject to these arrangements was $1.4 billion. In addition, WRCM earns annual management fees of five basis points for certain other investments under management. The increase in advisory fees in 2020 as compared to 2019 was the result of an increase in assets under management and performance fees earned. The Company currently anticipates that assets under management will decrease from current levels and that opportunities to earn meaningful performance fees in future periods will be more limited.

(c) Represents revenue earned from providing administrative support and marketing services primarily to Great Lakes' former parent company in accordance with a contract that expired in January 2021.

(d) Represents borrower late fees earned by the AGM operating segment. The decrease in borrower late fees in 2020 as compared to 2019 was due to the Company suspending borrower late fees effective March 13, 2020 to provide borrowers relief as a result of the COVID-19 pandemic.

(e) Represents the Company's share of income or loss from solar investments accounted for using the Hypothetical Liquidation at Book Value ("HLBV") method of accounting. For the majority of the Company's solar investments, the HLBV method of accounting results in accelerated losses in the initial years of investment.

LOAN SERVICING AND SYSTEMS OPERATING SEGMENT – RESULTS OF OPERATIONS

Loan Servicing Volumes

	As of								
	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Servicing volume (dollars in millions):									
Nelnet:									
Government	$ 179,507	183,093	181,682	184,399	183,790	185,477	185,315	189,932	191,678
FFELP	36,748	35,917	35,003	33,981	33,185	32,326	31,392	31,122	30,763
Private and consumer	15,666	16,065	16,025	16,286	16,033	16,364	16,223	16,267	16,226
Great Lakes:									
Government	232,694	237,050	236,500	240,268	239,980	243,205	243,609	249,723	251,570
Total	$ 464,615	472,125	469,210	474,934	472,988	477,372	476,539	487,044	490,237
Number of servicing borrowers:									
Nelnet:									
Government	5,771,923	5,708,582	5,592,989	5,635,653	5,574,001	5,498,872	5,496,662	5,604,685	5,645,946
FFELP	1,709,853	1,650,785	1,588,530	1,529,392	1,478,703	1,423,286	1,370,007	1,332,908	1,300,677
Private and consumer	696,933	699,768	693,410	701,299	682,836	670,702	653,281	649,258	636,136
Great Lakes:									
Government	7,458,684	7,385,284	7,300,691	7,430,165	7,396,657	7,344,509	7,346,691	7,542,679	7,605,984
Total	15,637,393	15,444,419	15,175,620	15,296,509	15,132,197	14,937,369	14,866,641	15,129,530	15,188,743
Number of remote hosted borrowers:	6,393,151	6,332,261	6,211,132	6,457,296	6,433,324	6,354,158	6,264,559	6,251,598	6,555,841

Nelnet Servicing and Great Lakes' servicing contracts with the Department are currently scheduled to expire on June 14, 2021, but provide the potential for an additional six-month extension at the Department's discretion through December 14, 2021. The Consolidated Appropriations Act, 2021, signed into law on December 27, 2020, provides that the Department may extend the period of performance for the servicing contracts scheduled to expire on December 14, 2021 for up to two additional years to December 14, 2023. The Department is conducting a contract procurement process for a new framework for the servicing of all student loans owned by the Department. See note 17 of the notes to consolidated financial statements included in this report for additional information.

The Department currently allocates new loan volume among its servicers based on certain performance metrics that measure the satisfaction among separate customer groups, including borrowers and Department personnel who work with the servicers, and that measure the success of keeping borrowers in an on-time repayment status and helping borrowers avoid default. Under the most recently publicly announced performance metric measurements used by the Department for the quarterly periods January 1, 2020 through June 30, 2020, Great Lakes' and Nelnet Servicing's overall rankings among the nine then-current servicers for the Department at that time were first and tied for fifth, respectively. Based on these results, Great Lakes' and Nelnet Servicing's allocation of new student loan servicing volumes for the period September 1, 2020 through February 28, 2021 are 20 percent and 10 percent, respectively.

In October 2020, the Department communicated to its servicers that a not-for-profit servicer requested to end its contract with the Department. Effective October 23, 2020, the percent of allocated new student loan servicing volume that previously was awarded to this servicer will be split among the remaining servicers, resulting in Great Lakes' allocation to increase by two percent and each remaining servicer to obtain an additional one percent allocation.

Summary and Comparison of Operating Results

	Year ended December 31,		
	2020	2019	Additional information
Net interest income	$ 315	1,916	Decrease was due to lower interest rates in 2020 as compared to 2019.
Loan servicing and systems revenue	451,561	455,255	See table below for additional analysis.
Intersegment servicing revenue	36,520	46,751	Represents revenue earned by the LSS operating segment as a result of servicing loans for the AGM and Nelnet Bank operating segments. Decrease in 2020 compared to 2019 was due to the impact of borrower relief policies implemented by AGM in response to the COVID-19 pandemic and the expected amortization of AGM's FFELP portfolio. FFELP intersegment servicing revenue will continue to decrease as AGM's FFELP portfolio pays off.
Other income	9,421	9,736	Represents revenue earned from providing administrative support and marketing services primarily to Great Lakes' former parent company in accordance with a contract that expired in January 2021.
Total other income	497,502	511,742	
Salaries and benefits	285,526	276,136	Increase was due to an increase in headcount to provide enhanced service levels to borrowers under the Department servicing contracts, and to develop a new private education and consumer loan servicing system.
Depreciation and amortization	37,610	34,755	Increase was due to capital expenditures to support the recent extension of the government servicing contracts.
Other expenses	57,420	71,064	Decrease was due to cost savings as a result of the impact of the COVID-19 pandemic and the resulting CARES Act, primarily associated with the fact that while student loan payments are suspended there is a significant reduction of borrower statement printing and postage costs. See "Overview - Impacts of COVID-19 Pandemic - Loan Servicing and Systems" above for additional information. Decrease was also due to cost savings from an increase in the adoption of electronic borrower statements and correspondence, and a decrease in expenses related to travel and the provision for servicing losses.
Intersegment expenses	63,886	54,325	Intersegment expenses represent costs for certain corporate activities and services that are allocated to each operating segment based on estimated use of such activities and services. Increase in 2020 as compared to 2019 was due to an increase in security service levels related to the Department servicing contracts.
Total operating expenses	444,442	436,280	
Income before income taxes	53,375	77,378	
Income tax expense	(12,810)	(18,571)	Reflects income tax expense at an effective tax rate of 24%.
Net income	40,565	58,807	
Before tax operating margin	10.7 %	15.1 %	Before tax operating margin is a measure of before tax operating profitability as a percentage of revenue, and for the LSS segment is calculated as income before income taxes divided by the total of loan servicing and systems revenue, intersegment servicing revenue, and other income revenue. The Company uses this metric to monitor and assess the segment's performance, manage operating costs, identify and evaluate business trends affecting the segment, and make strategic decisions, and believes that it facilitates an understanding of the operating performance of the segment and provides a meaningful comparison of the results of operations between periods. The LSS segment incurred additional costs during 2020 to meet increased service and security standards under the Department servicing contracts. In addition, servicing revenue in 2020 has been negatively impacted as a result of the COVID-19 pandemic. As a result, the segment's net income and operating margin decreased in 2020 as compared to 2019.

Loan servicing and systems revenue

	Year ended December 31,		
	2020	2019	Additional information
Government servicing - Nelnet	$ 146,798	157,991	Represents revenue from Nelnet Servicing's Department servicing contract. Decrease in 2020 compared to 2019 was due to a decrease in revenue from the administration of the Total and Permanent Disability (TPD) Discharge program, decrease in fees earned from the Department for originating consolidation loans, and decrease in revenue earned per borrower as a result of certain provisions included in the CARES Act. See "Overview - Impacts of COVID-19 Pandemic - Loan Servicing and Systems" above for additional information.
Government servicing - Great Lakes	179,872	185,656	Represents revenue from the Great Lakes' Department servicing contract. Decrease in 2020 compared to 2019 was due to a decrease in fees earned from the Department for originating consolidation loans and decrease in revenue earned per borrower as a result of certain provisions included in the CARES Act. See "Overview - Impacts of COVID-19 Pandemic - Loan Servicing and Systems" above for additional information.
Private education and consumer loan servicing	32,492	36,788	Decrease was due to a decrease in the number of borrowers serviced, a decrease in origination fees, and the impact of borrower relief policies implemented by private lenders in response to the COVID-19 pandemic. See "Overview - Impacts of COVID-19 Pandemic - Loan Servicing and Systems" above for additional information. The Company expects that private education loan servicing revenue will increase beginning in the first half of 2021 as a result of the Company being selected to service all of the approximately $10 billion portfolio of private education loans that Wells Fargo announced in December 2020 it had agreed to sell to investors.
FFELP servicing	20,183	25,043	Decrease was due to a decrease in the number of borrowers serviced and the impact of borrower relief policies implemented by lenders in response to the COVID-19 pandemic. See "Overview - Impacts of COVID-19 Pandemic - Loan Servicing and Systems" above for additional information. Over time, FFELP servicing revenue will continue to decrease as third-party customers' FFELP portfolios pay off.
Software services	41,999	41,077	Increase in 2020 compared to 2019 was due to increased contract programming revenue for services provided related to hosted FFELP guarantee activities and an increase in remote hosted borrowers. These items were partially offset due to the negative impact in 2020 of COVID-19 forbearances on loans serviced by the Company's Direct Servicing hosted clients. The Company’s remote hosted servicing and system support contract with Great Lakes’ former parent, representing 2.3 million borrowers, expired in January 2021. Revenue recognized from providing these services during 2020 was $16.3 million.
Outsourced services and other	30,217	8,700	The majority of this revenue relates to providing contact center and back office operational outsourcing activities. Increase in 2020 compared to 2019 was due to providing temporary outsourcing services to state agencies to process unemployment claims and conduct certain health contact tracing support activities. Revenue from providing these temporary services was $21.9 million in 2020. See "Overview - Impacts of COVID-19 Pandemic - Loan Servicing and Systems" above for additional information.
Loan servicing and systems revenue	$ 451,561	455,255	

EDUCATION TECHNOLOGY, SERVICES, AND PAYMENT PROCESSING OPERATING SEGMENT – RESULTS OF OPERATIONS

This segment of the Company's business is subject to seasonal fluctuations which correspond, or are related to, the traditional school year. Tuition management revenue is recognized over the course of the academic term, but the peak operational activities take place in summer and early fall. Higher amounts of revenue are typically recognized during the first quarter due to fees related to grant and aid applications as well as online applications and enrollment services. The Company's operating expenses do not follow the seasonality of the revenues. This is primarily due to generally fixed year-round personnel costs and seasonal marketing costs. Based on the timing of revenue recognition and when expenses are incurred, revenue and pre-tax operating margin are higher in the first quarter as compared to the remainder of the year.

On December 31, 2020, the Company acquired HigherSchool Instructional Services, a services company that provides supplemental instructional services and educational professional development for K-12 schools in New York City, and CD2 LLC, a platform technology solution that includes learning management, collaboration/workflow, gamification, customer management/document storage, and employee boarding. The results of HigherSchool Instructional Services and CD2 LLC will be reported in the Company's consolidated financial statements from the date of acquisition.

Summary and Comparison of Operating Results

	Year ended December 31,		
	2020	2019	Additional information
Net interest income	$ 2,982	9,198	Represents interest income on tuition funds held in custody for schools. Decrease was due to a decrease in interest rates in 2020 as compared with 2019. If interest rates remain at current levels, the Company anticipates this segment will earn minimal interest income in future periods.
Education technology, services, and payment processing revenue	282,196	277,331	See table below for additional information.
Intersegment revenue	20	—	
Other income	373	259	
Total other income	282,589	277,590	
Cost to provide education technology, services, and payment processing services	82,206	81,603	See table below for additional information.
Salaries and benefits	98,847	94,666	Increase in 2020 compared to 2019 was due to an increase in headcount to support the growth of the customer base and investment in the development of new technologies.
Depreciation and amortization	9,459	12,820	Represents primarily amortization of intangible assets from prior business acquisitions. Amortization of intangible assets related to business acquisitions was $8.7 million and $12.1 million for 2020 and 2019, respectively.
Other expenses	14,566	22,027	Decrease in 2020 compared to 2019 was due to a reduction of travel expenses and the cancellation of on-site conferences as a result of the COVID-19 pandemic.
Intersegment expenses, net	14,293	13,405	Intersegment expenses represent costs for certain corporate activities and services that are allocated to each operating segment based on estimated use of such activities and services.
Total operating expenses	137,165	142,918	
Income before income taxes	66,200	62,267	
Income tax expense	(15,888)	(14,944)	Represents income tax expense at an effective tax rate of 24%.
Net income	$ 50,312	47,323	

Education technology, services, and payment processing revenue

The following table provides disaggregated revenue by service offering and before tax operating margin for each reporting period.

	Year ended December 31,		
	2020	2019	Additional information
Tuition payment plan services	$ 100,674	106,682	Decrease in 2020 compared to 2019 was due to the COVID-19 pandemic. Revenue recognized during the first six months of 2020 was primarily related to payment plans for the 2019-2020 academic year for K-12 schools and the spring and summer 2020 semester for institutions of higher education. As a result, fees for the majority of payment plans for these periods were received and were based on school enrollments prior to the conditions arising from the COVID-19 pandemic. Revenue recognized during the second six months of 2020 was related to the 2020-2021 academic year and was negatively impacted due to the COVID-19 pandemic.
Payment processing	114,304	110,848	Increase in 2020 compared to 2019 was due to an increase in payments volume from new school customers, partially offset by the decline in payment volume for certain of the Company's existing customers as a result of the COVID-19 pandemic.
Education technology and services	65,885	58,578	Increase in 2020 compared to 2019 was due to an increase from FACTS Student Information System ("SIS") software subscriptions, online application and enrollment services, and financial needs assessment services as a result of an increase in the number of students and customers using these products.
Other	1,333	1,223	
Education technology, services, and payment processing revenue	282,196	277,331	
Cost to provide education technology, services, and payment processing services	82,206	81,603	Costs primarily relate to payment processing revenue and such costs decrease/increase in relationship to payment revenue.
Net revenue	$ 199,990	195,728	
Before tax operating margin	33.1 %	31.8 %	Before tax operating margin is a measure of before tax operating profitability as a percentage of revenue, and for the ETS&PP segment is calculated as income before income taxes divided by net revenue. The Company uses this metric to monitor and assess the segment's performance, manage operating costs, identify and evaluate business trends affecting the segment, and make strategic decisions, and believes that it facilitates an understanding of the operating performance of the segment and provides a meaningful comparison of the results of operations between periods.

COMMUNICATIONS OPERATING SEGMENT - RESULTS OF OPERATIONS

On December 21, 2020, the Company deconsolidated ALLO from the Company's consolidated financial statements. See note 2, "Recent Developments - ALLO Recapitalization," of the notes to consolidated financial statements included in this report for additional information. Accordingly, the operating results for the Communications operating segment for 2020 are from January 1, 2020 through December 21, 2020.

Summary and Comparison of Operating Results

	Period from January 1 to December 21, 2020	Year ended December 31, 2019	Additional information
Net interest income	$ 2	3	
Communications revenue	76,643	64,269	Communications revenue is derived primarily from the sale of pure fiber optic services to residential and business customers in Nebraska and Colorado, including internet, television, and telephone services. Increase was due to additional residential households and businesses served as a result of the completion of the Lincoln, Nebraska network build out in 2019 and continued maturity of ALLO's existing markets. See additional financial and operating data for ALLO in the tables below.
Other income	1,561	1,509	
Total other income	78,204	65,778	
Cost to provide communications services	22,812	20,423	Cost of services are primarily associated with television programming costs. Other costs include connectivity, franchise, and other regulatory costs directly related to providing internet and voice services.
Salaries and benefits	30,935	21,004	On October 1, 2020 (prior to the deconsolidation of ALLO), ALLO recognized compensation expense of $9.3 million related to the modification of certain ALLO equity awards previously granted to members of ALLO's management.
Depreciation and amortization	42,588	37,173	Depreciation reflects the allocation of the costs of ALLO's property and equipment over the period in which such assets are used. A significant amount of property and equipment purchases have been made to support ALLO's network expansion, which has increased depreciation expense in 2020 as compared to 2019. Amortization reflects the allocation of costs related to intangible assets recorded at fair value as of the date the Company acquired ALLO in 2015 over their estimated useful lives.
Other expenses	13,327	15,165	Other expenses includes selling, general, and administrative expenses necessary for operations, such as advertising, occupancy, professional services, construction materials, and personal property taxes. Decrease in 2020 as compared to 2019 was due to a reduction in certain construction costs and travel expenses as a result of the COVID-19 pandemic.
Intersegment expenses	1,732	2,962	Intersegment expenses represent costs for certain corporate activities and services that are allocated to each operating segment based on estimated use of such activities and services.
Total operating expenses	88,582	76,304	
Loss before income taxes	(33,188)	(30,946)	
Income tax benefit	7,965	7,427	Represents income tax benefit at an effective tax rate of 24%.
Net loss	$ (25,223)	(23,519)	As ALLO grows in current and new markets, it incurs large upfront capital expenditures and associated depreciation and upfront customer acquisition costs. Management uses EBITDA to compare ALLO's performance to that of its competitors and to eliminate certain non-cash and non-operating items in order to consistently measure performance from period to period. See additional information below.
Additional Information:			
Net loss	$ (25,223)	(23,519)	
Net interest income	(2)	(3)	
Income tax benefit	(7,965)	(7,427)	
Depreciation and amortization	42,588	37,173	
Earnings before interest, income taxes, depreciation, and amortization (EBITDA)	$ 9,398	6,224	For additional information regarding this non-GAAP measure, see the table below.

Certain financial and operating data for ALLO is summarized in the tables below.

	Period from January 1 to December 21, 2020		Year ended December 31, 2019	
Residential revenue	$ 58,029	75.7 %	$ 48,344	75.2 %
Business revenue	18,038	23.5	15,689	24.4
Other revenue	576	0.8	236	0.4
Communications revenue	$ 76,643	100.0 %	$ 64,269	100.0 %
Internet	$ 48,362	63.1 %	$ 38,239	59.5 %
Television	17,091	22.3	16,196	25.2
Telephone	11,037	14.4	9,705	15.1
Other	153	0.2	129	0.2
Communications revenue	$ 76,643	100.0 %	$ 64,269	100.0 %
Net loss	$ (25,223)		$ (23,519)	
EBITDA (a)	9,398		6,224	
Capital expenditures	47,957		44,988	

	As of								
	December 21, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Residential customer information:									
Households served	59,274	56,787	53,067	49,684	47,744	45,228	42,760	40,338	37,351
Households passed (b)	149,622	147,087	144,869	143,505	140,986	137,269	132,984	127,253	122,396
Households served/passed	39.6 %	38.6 %	36.6 %	34.6 %	33.9 %	32.9 %	32.2 %	31.7 %	30.5 %
Total households in current markets	171,121	171,121	171,121	171,121	160,884	159,974	159,974	152,840	152,840

(a) Earnings before interest, income taxes, depreciation, and amortization ("EBITDA") is a supplemental non-GAAP performance measure that is frequently used in capital-intensive industries such as telecommunications. ALLO's management uses EBITDA to compare ALLO's performance to that of its competitors and to eliminate certain non-cash and non-operating items in order to consistently measure performance from period to period. EBITDA excludes interest and income taxes because these items are associated with a company's particular capitalization and tax structures. EBITDA also excludes depreciation and amortization expense because these non-cash expenses primarily reflect the impact of historical capital investments, as opposed to the cash impacts of capital expenditures made in recent periods, which may be evaluated through cash flow measures. The Company reports EBITDA for ALLO because the Company believes that it provides useful additional information for investors regarding a key metric used by management to assess ALLO's performance. There are limitations to using EBITDA as a performance measure, including the difficulty associated with comparing companies that use similar performance measures whose calculations may differ from ALLO's calculations. In addition, EBITDA should not be considered a substitute for other measures of financial performance, such as net income or any other performance measures derived in accordance with GAAP. A reconciliation of EBITDA from net income (loss) under GAAP is presented under "Summary and Comparison of Operating Results" in the table above.

(b) Represents the number of single residence homes, apartments, and condominiums that ALLO already serves and those in which ALLO has the capacity to connect to its network distribution system without further material extensions to the transmission lines, but have not been connected.

ASSET GENERATION AND MANAGEMENT OPERATING SEGMENT – RESULTS OF OPERATIONS

Loan Portfolio

As of December 31, 2020, the AGM operating segment had a $19.6 billion loan portfolio, consisting primarily of federally insured loans, that management anticipates will amortize over the next approximately 20 years and has a weighted average remaining life of 9.8 years. For a summary of the Company's loan portfolio as of December 31, 2020 and 2019, see note 4 of the notes to consolidated financial statements included in this report.

Loan Activity

The following table sets forth the activity of AGM's loan portfolio:

	Year ended December 31,	
	2020	2019
Beginning balance	$ 20,798,719	22,520,498
Loan acquisitions:		
Federally insured student loans	1,327,690	1,530,294
Private education loans	152,048	71,543
Consumer loans	136,985	405,726
Total loan acquisitions	1,616,723	2,007,563
Repayments, claims, capitalized interest, and other	(1,999,095)	(2,511,641)
Consolidation loans lost to external parties	(672,211)	(990,720)
Consumer loans sold	(185,028)	(226,981)
Ending balance	$ 19,559,108	20,798,719

The Company has also purchased partial ownership in certain federally insured and consumer loan securitizations. As of the latest remittance reports filed by the various trusts prior to December 31, 2020, the Company's ownership correlates to approximately $500 million and $280 million of federally insured and consumer loans, respectively, included in these securitizations.

Allowance for Loan Losses and Loan Delinquencies

On January 1, 2020, the Company adopted ASU No. 2016-13*, Financial Instruments – Credit Losses* ("ASC 326"), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology.

The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for financial assets measured at amortized cost at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

Upon adoption, the Company recorded an increase to the allowance for loan losses of $91.0 million, which included a reclassification of the non-accretable discount balance and premiums related to loans purchased with evidence of credit deterioration, and decreased retained earnings, net of tax, by $18.9 million. Results for reporting periods beginning after January 1, 2020 are presented under ASC 326 (recognizing estimated credit losses expected to occur over the asset's remaining life) while prior period amounts continue to be reported in accordance with previously applicable GAAP (recognizing estimated credit losses using an incurred loss model); therefore, the comparative information for 2019 is not comparable to the information presented for 2020.

Management has determined that each of AGM's federally insured, private education, and consumer loan portfolios meet the definition of a portfolio segment, which is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses.

AGM's total allowance for loan losses of $175.4 million at December 31, 2020 represents reserves equal to 0.7% of AGM's federally insured loans (or 26.3% of the risk sharing component of the loans that is not covered by the federal guaranty), 6.1% of AGM's private education loans, and 24.9% of AGM's consumer loans.

For a summary of the Company's activity in the allowance for loan losses for 2020 and 2019, and a summary of the Company's loan status and delinquency amounts as of December 31, 2020 and 2019, see note 4 of the notes to consolidated financial statements included in this report.

Loan Spread Analysis

The following table analyzes the loan spread on AGM's portfolio of loans, which represents the spread between the yield earned on loan assets and the costs of the liabilities and derivative instruments used to fund the assets. The spread amounts included in the following table are calculated by using the notional dollar values found in the table under the caption "Net interest income after provision for loan losses, net of settlements on derivatives" below, divided by the average balance of loans or debt outstanding.

	Year ended December 31,	
	2020	2019
Variable loan yield, gross	3.17 %	4.80 %
Consolidation rebate fees	(0.84)	(0.83)
Discount accretion, net of premium and deferred origination costs amortization	0.01	0.02
Variable loan yield, net	2.34	3.99
Loan cost of funds - interest expense	(1.64)	(3.25)
Loan cost of funds - derivative settlements (a) (b)	0.05	0.03
Variable loan spread	0.75	0.77
Fixed rate floor income, gross	0.61	0.22
Fixed rate floor income - derivative settlements (a) (c)	(0.03)	0.19
Fixed rate floor income, net of settlements on derivatives	0.58	0.41
Core loan spread	1.33 %	1.18 %
Average balance of AGM's loans	$ 20,163,876	21,698,094
Average balance of AGM's debt outstanding	19,964,813	21,259,309

(a) Derivative settlements represent the cash paid or received during the current period to settle with derivative instrument counterparties the economic effect of the Company's derivative instruments based on their contractual terms. Derivative accounting requires that net settlements with respect to derivatives that do not qualify for "hedge treatment" under GAAP be recorded in a separate income statement line item below net interest income. The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. As such, management believes derivative settlements for each applicable period should be evaluated with the Company's net interest income (loan spread) as presented in this table. The Company reports this non-GAAP information because it believes that it provides additional information regarding operational and performance indicators that are closely assessed by management. There is no comprehensive, authoritative guidance for the presentation of such non-GAAP information, which is only meant to supplement GAAP results by providing additional information that management utilizes to assess performance. See note 6 of the notes to consolidated financial statements included in this report for additional information on the Company's derivative instruments, including the net settlement activity recognized by the Company for each type of derivative for the 2020 and 2019 periods presented in the table under the caption "Consolidated Financial Statement Impact Related to Derivatives - Statements of Income" in note 6 and in this table.

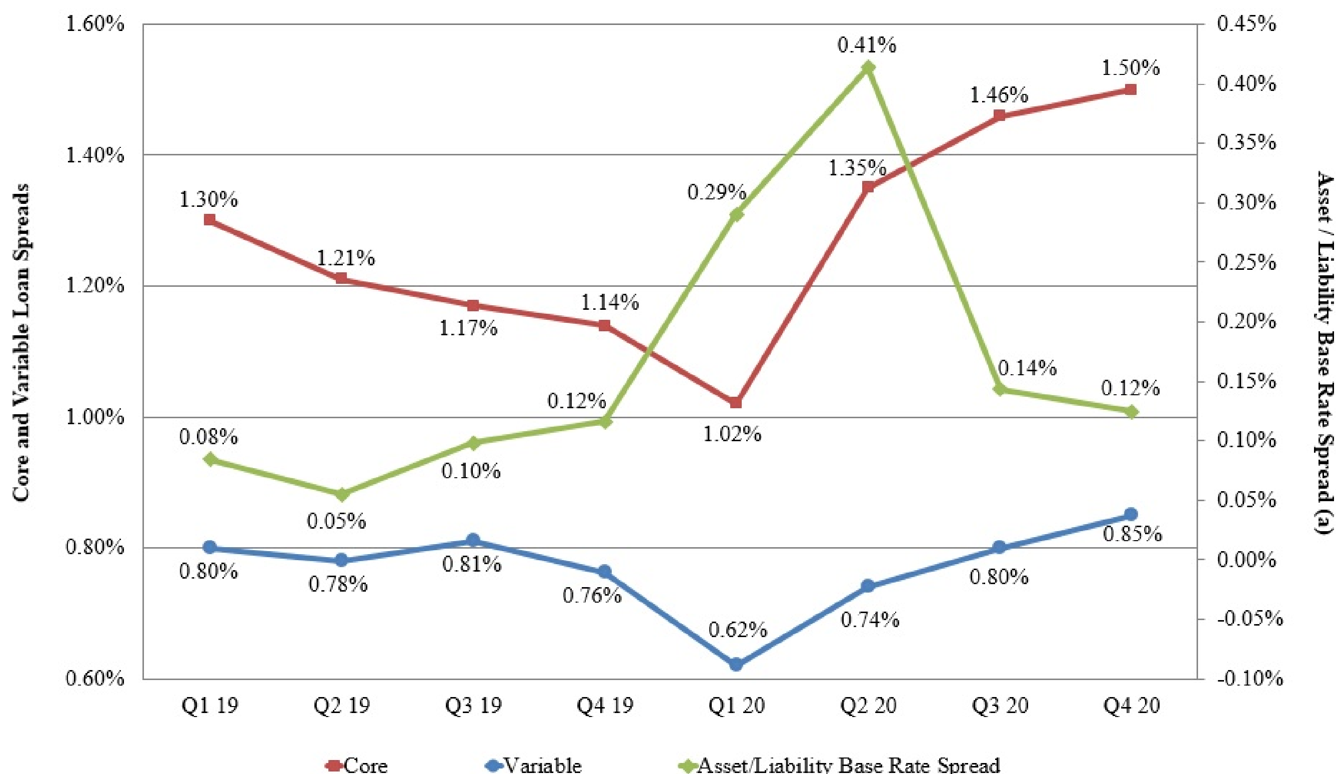
A reconciliation of core loan spread, which includes the impact of derivative settlements on loan spread, to loan spread without derivative settlements follows.

	Year ended December 31,	
	2020	2019
Core loan spread	1.33 %	1.18 %
Derivative settlements (1:3 basis swaps)	(0.05)	(0.03)
Derivative settlements (fixed rate floor income)	0.03	(0.19)
Loan spread	1.31 %	0.96 %

(b) Derivative settlements consist of net settlements received related to the Company's 1:3 basis swaps.

(c) Derivative settlements consist of net settlements (paid) received related to the Company's floor income interest rate swaps.

A trend analysis of AGM's core and variable loan spreads by calendar year quarter is summarized below.



(a) The interest earned on a large portion of AGM's FFELP student loan assets is indexed to the one-month LIBOR rate. AGM funds a portion of its assets with three-month LIBOR indexed floating rate securities. The relationship between the indices in which AGM earns interest on its loans and funds such loans has a significant impact on loan spread. This table (the right axis) shows the difference between AGM's liability base rate and the one-month LIBOR rate by quarter. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk," which provides additional detail on AGM's FFELP student loan assets and related funding for those assets.

Variable loan spread was compressed during the first and second quarters of 2020 due to a widening of the basis between the asset and debt indices in which the Company earns interest on its loans and funds such loans (as reflected in the table above). The significant widening during the first and second quarters of 2020 was the result of the significant decrease in interest rates during March 2020 and the first half of the second quarter of 2020. In a declining interest rate environment, variable student loan spread is compressed, due to the timing of interest rate resets on the Company's assets occurring daily in contrast to the timing of the interest rate resets on the Company's debt that occurs either monthly or quarterly. During the third and fourth quarters of 2020, as the Company's debt reset at lower interest rates, the Company's variable loan spread increased. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk," which provides additional detail on AGM's FFELP student loan assets and related funding for those assets.

The difference between variable loan spread and core loan spread is fixed rate floor income earned on a portion of AGM's federally insured student loan portfolio. A summary of fixed rate floor income and its contribution to core loan spread follows:

	Year ended December 31,	
	2020	2019
Fixed rate floor income, gross	$ 123,460	49,677
Derivative settlements (a)	(6,699)	40,192
Fixed rate floor income, net	$ 116,761	89,869
Fixed rate floor income contribution to spread, net	0.58 %	0.41 %

(a) Derivative settlements consist of net settlements (paid) received related to the Company's derivatives used to hedge student loans earning fixed rate floor income.

Gross fixed rate floor income increased in 2020 as compared to 2019 due to lower interest rates in 2020 as compared to 2019. The Company has a portfolio of derivative instruments in which the Company pays a fixed rate and receives a floating rate to economically hedge a portion of loans earning fixed rate floor income. The decrease in net derivative settlements (paid)

received from the floor income interest rate swaps in 2020 as compared to 2019 was due to a decrease in the weighted average of notional amount of derivatives outstanding in 2020 as compared to 2019 and a decrease in interest rates. The Company added $2.75 billion (notional amount) of additional derivatives during the fourth quarter of 2020, resulting in a total of $4.5 billion (notional amount) of derivatives outstanding as of December 31, 2020, to hedge loans earning fixed rate floor income. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk," which provides additional detail on AGM's portfolio earning fixed rate floor income and the derivatives used by the Company to hedge these loans.

Interest Rate Risk - Replacement of LIBOR as a Benchmark Rate

As of December 31, 2020, the interest earned on a principal amount of $17.8 billion in the Company's FFELP student loan asset portfolio was indexed to one-month LIBOR, and the interest paid on a principal amount of $17.1 billion of the Company's FFELP student loan asset-backed debt securities was indexed to one-month or three-month LIBOR. In addition, the majority of the Company's derivative financial instrument transactions used to manage LIBOR interest rate risks are indexed to LIBOR. A market transition away from the current LIBOR framework could result in significant changes to the interest rate characteristics of the Company's LIBOR-indexed assets and funding for those assets, as well as the Company's LIBOR-indexed derivative instruments. See Item 1A, "Risk Factors - Loan Portfolio - Interest rate risk - replacement of LIBOR as a benchmark rate."

Summary and Comparison of Operating Results

	Year ended December 31,		
	2020	2019	Additional information
Net interest income after provision for loan losses	$ 220,288	199,588	See table below for additional analysis.
Other income	7,189	13,088	Represents primarily borrower late fees. The decrease in borrower late fees in 2020 compared to 2019 was due to the Company suspending borrower late fees effective March 13, 2020 to provide borrowers relief as a result of the COVID-19 pandemic. See "Overview - Impacts of COVID-19 Pandemic - Asset Generation and Management" above for additional information.
Gain on sale of loans	33,023	17,261	The Company sold $185.0 million and $227.0 million of consumer loans in 2020 and 2019, respectively.
Impairment expense and provision for beneficial interests	(16,607)	—	In March 2020, the Company recognized a provision expense of $26.3 million related to its beneficial interest in consumer loan securitization investments as a result of the expected impacts of the COVID-19 pandemic. During the fourth quarter of 2020, the Company reversed $9.7 million of such provision due to improved economic conditions. See note 7 of the notes to consolidated financial statements included in this report.
Derivative settlements, net	3,679	45,406	The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. Derivative settlements for each applicable period should be evaluated with the Company's net interest income as reflected in the table below.
Derivative market value adjustments, net	(28,144)	(76,195)	Includes the realized and unrealized gains and losses that are caused by changes in fair values of derivatives which do not qualify for "hedge treatment" under GAAP. The majority of the derivative market value adjustments related to the changes in fair value of the Company's floor income interest rate swaps. Such changes reflect that a decrease in the forward yield curve during a reporting period results in a decrease in the fair value of the Company's floor income interest rate swaps, and an increase in the forward yield curve during a reporting period results in an increase in the fair value of the Company's floor income interest rate swaps.
Total other income/expense	(860)	(440)	
Salaries and benefits	1,747	1,545	
Other expenses	15,806	34,445	The Company recognized $16.7 million of expenses in 2019 to extinguish asset-backed notes from certain securitizations prior to their contractual maturity. Excluding these costs, other expenses were $17.7 million in 2019. Other than the debt extinguishment costs, the primary component of other expenses is servicing fees paid to third parties. The decrease in servicing fees in 2020 as compared to 2019 was due to a decrease in the Company's loan portfolio.
Intersegment expenses	39,172	47,362	Amounts include fees paid to the LSS operating segment for the servicing of the Company's loan portfolio. These amounts exceed the actual cost of servicing the loans. The decrease in servicing fees in 2020 compared to 2019 was due to the expected amortization of the Company's FFELP portfolio and a decrease in certain servicing activities due to borrower relief initiatives and policies as a result of the COVID-19 pandemic. Intersegment expenses also include costs for certain corporate activities and services that are allocated to each operating segment based on estimated use of such activities and services.
Total operating expenses	56,725	83,352	Total operating expenses, excluding the $16.7 million of expenses in 2019 related to the extinguishment of debt prior to their contractual maturity (as described above), were 28 basis points and 31 basis points of the average balance of loans in 2020 and 2019, respectively.
Income before income taxes	162,703	115,796	
Income tax expense	(39,049)	(27,792)	Represents income tax expense at an effective tax rate of 24%.
Net income	$ 123,654	88,004	
Additional information:			
Net income	$ 123,654	88,004	See "Overview - GAAP Net Income and Non-GAAP Net Income, Excluding Adjustments" above for additional information about non-GAAP net income, excluding derivative market value adjustments. The decrease in non-GAAP net income in 2020 compared to 2019 was due to (i) the provision expense recognized by the Company in 2020 related to beneficial interest in consumer loan securitizations; (ii) the decrease in the average balance of loans in 2020 as compared to 2019; (iii) an incremental provision for loan losses in 2020 related to the increase in expected defaults as a result of the COVID-19 pandemic; and (iv) a decrease in borrower late fees. These items were partially offset by (i) an increase in core loan spread; (ii) an increase in gains from the sale of consumer loan portfolios in 2020 as compared to 2019; and (iii) recognizing expenses for the early extinguishment of debt in 2019.
Derivative market value adjustments, net	28,144	76,195	
Tax effect	(6,755)	(18,287)	
Net income, excluding derivative market value adjustments	$ 145,043	145,912	

Net interest income after provision for loan losses, net of settlements on derivatives

The following table summarizes the components of "net interest income after provision for loan losses" and "derivative settlements, net."

	Year ended December 31,		
	2020	2019	Additional information
Variable interest income, gross	$ 637,979	1,040,785	Decrease in 2020 compared to 2019 was due to a decrease in the gross yield earned on loans and a decrease in the average balance of loans.
Consolidation rebate fees	(168,933)	(180,701)	Decrease was due to a decrease in the average consolidation loan balance.
Discount accretion, net of premium and deferred origination costs amortization	2,578	4,495	Net discount accretion is due to the Company's purchases of loans at a net discount over the last several years.
Variable interest income, net	471,624	864,579	
Interest on bonds and notes payable	(326,753)	(689,625)	Decrease in 2020 compared to 2019 was due to a decrease in cost of funds and a decrease in the average balance of debt outstanding.
Derivative settlements, net (a)	10,378	5,214	Derivative settlements include the net settlements received related to the Company's 1:3 basis swaps.
Variable loan interest margin, net of settlements on derivatives (a)	155,249	180,168	
Fixed rate floor income, gross	123,460	49,677	Fixed rate floor income increased due to lower interest rates in 2020 as compared to 2019.
Derivative settlements, net (a)	(6,699)	40,192	Derivative settlements include the settlements (paid) received related to the Company's floor income interest rate swaps.
Fixed rate floor income, net of settlements on derivatives	116,761	89,869	
Core loan interest income (a)	272,010	270,037	
Investment interest	16,390	17,707	Decrease was due to lower interest rates and lower weighted average cash and restricted cash balances in 2020 as compared to 2019.
Intercompany interest	(1,404)	(3,750)	Decrease was due to lower interest rates and lower weighted average debt outstanding in 2020 as compared to 2019.
Provision for loan losses - federally insured loans	(18,691)	(8,000)	
Provision for loan losses - private education loans	(6,155)	—	See "Allowance for Loan Losses and Loan Delinquencies" included above under "Asset Generation and Management Operating Segment - Results of Operations.
Provision for loan losses - consumer loans	(38,183)	(31,000)	
Net interest income after provision for loan losses (net of settlements on derivatives) (a)	$ 223,967	244,994	Net interest income (net of settlements on derivatives - and excluding provision for loan losses) for 2020 and 2019 was $287.0 million and $284.0 million, respectively. The increase in 2020 as compared to 2019 was due to an increase in core loan spread, partially offset by a decrease in the average balance of loans.

(a) Derivative settlements represent the cash paid or received during the current period to settle with derivative instrument counterparties the economic effect of the Company's derivative instruments based on their contractual terms. Derivative accounting requires that net settlements on derivatives that do not qualify for "hedge treatment" under GAAP be recorded in a separate income statement line item below net interest income. The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. As such, management believes derivative settlements for each applicable period should be evaluated with the Company's net interest income as presented in this table. Core loan interest income and net interest income after provision for loan losses (net of settlements on derivatives) are non-GAAP financial measures, and the Company reports this non-GAAP information because the Company believes that it provides additional information regarding operational and performance indicators that are closely assessed by management. There is no comprehensive, authoritative guidance for the presentation of such non-GAAP information, which is only meant to supplement GAAP results by providing additional information that management utilizes to assess performance. See note 6 of the notes to consolidated financial statements included in this report for additional information on the Company's derivative instruments, including the net settlement activity recognized by the Company for each type of derivative referred to in the "Additional information" column of this table, for the 2020 and 2019 periods presented in the table under the caption "Consolidated Financial Statement Impact Related to Derivatives - Statements of Income" in note 6 and in this table.

LIQUIDITY AND CAPITAL RESOURCES

The Company's Loan Servicing and Systems and Education Technology, Services, and Payment Processing operating segments are non-capital intensive and both produce positive operating cash flows. As such, a minimal amount of debt and equity capital is allocated to these segments and any liquidity or capital needs are satisfied using cash flow from operations. Therefore, the Liquidity and Capital Resources discussion is concentrated on the Company's liquidity and capital needs to meet existing debt obligations in the Asset Generation and Management operating segment.

The Company may issue equity and debt securities in the future in order to improve capital, increase liquidity, refinance upcoming maturities, or provide for general corporate purposes. Moreover, the Company may from time-to-time repurchase certain amounts of its outstanding secured debt securities, including debt securities which the Company may issue in the future, for cash and/or through exchanges for other securities. Such repurchases or exchanges may be made in open market transactions, privately negotiated transactions, or otherwise. Any such repurchases or exchanges will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions, compliance with securities laws, and other factors. The amounts involved in any such transactions may be material.

The Company has historically utilized operating cash flow, secured financing transactions (which include warehouse facilities and asset-backed securitizations), operating lines of credit, and other borrowing arrangements to fund its Asset Generation and Management operations and loan acquisitions. In addition, the Company has used operating cash flow, borrowings on its unsecured line of credit, repurchase agreements, and unsecured debt offerings to fund corporate activities; business acquisitions; solar, real estate, and other investments; repurchases of common stock; and repurchases of its own debt.

Recent Developments

As discussed above under "Overview - Recapitalization and Additional Funding for ALLO," on October 1, 2020, the Company entered into various agreements with SDC, a third party global digital infrastructure investor, and ALLO, for various transactions contemplated by the parties in connection with a recapitalization and additional funding for ALLO. As part of the transactions, on October 15, 2020, ALLO received proceeds of $197.0 million from SDC as the purchase price payment by SDC for the issuance of membership units of ALLO, and redeemed $160.0 million of non-voting preferred membership units of ALLO held by the Company. Upon the receipt of regulatory approvals on December 21, 2020, SDC, the Company, and members of ALLO's management own approximately 48 percent, 45 percent, and 7 percent, respectively, of the outstanding voting membership interests of ALLO, and the Company deconsolidated ALLO from the Company's consolidated financial statements.

On January 19, 2021, ALLO closed on certain private debt financing facilities from unrelated third-party lenders providing for aggregate financing of up to $230.0 million. With proceeds from this transaction, ALLO redeemed a portion of its non-voting preferred membership units held by the Company in exchange for an aggregate redemption price payment to the Company of $100.0 million.

The agreements among the Company, SDC, and ALLO provide that they will use commercially reasonable efforts (which expressly excludes requiring ALLO to raise any additional equity financing or sell any assets) to cause ALLO to redeem, on or before April 2024, the remaining preferred membership units of ALLO held by the Company, plus the amount of accrued and unpaid preferred return on such units. As of January 19, 2021, the outstanding preferred membership units of ALLO held by the Company was $129.7 million. The preferred membership units earn a preferred annual return of 6.25 percent.

If ALLO needs additional capital to support its growth in existing or new markets, the Company has the option to contribute additional capital to maintain its voting equity interest. However, ALLO has obtained third-party debt financing to support its current growth plans, and thus the Company currently believes additional equity contributions to ALLO are not likely in the immediate future.

As part of the ALLO recapitalization transaction, the Company and SDC entered into an agreement, in which the Company has a contingent payment obligation to pay SDC a contingent payment amount of $25.0 million to $35.0 million in the event the Company disposes of its voting membership units of ALLO that it holds and realizes from such disposition certain targeted return levels. The Company recognized the estimated fair value of the contingent payment obligation as of December 31, 2020 to be $2.3 million, which is included in "other liabilities" on the consolidated balance sheet.

Nelnet Bank

On November 2, 2020, the Company obtained final approval from the FDIC for federal deposit insurance and for a bank charter from the UDFI in connection with the establishment of Nelnet Bank, and Nelnet Bank launched operations. Nelnet Bank was funded by the Company with an initial capital contribution of $100.0 million, consisting of $55.9 million of cash and $44.1

million of student loan asset-backed securities. In addition, the Company made a pledged deposit of $40.0 million with Nelnet Bank, as required under an agreement with the FDIC discussed below.

Prior to FDIC approval, Nelnet Bank, Nelnet, Inc. (the parent), and Michael S. Dunlap (Nelnet, Inc.'s controlling shareholder) entered into a Capital and Liquidity Maintenance Agreement and a Parent Company Agreement with the FDIC in connection with Nelnet, Inc.'s role as a source of financial strength for Nelnet Bank. As part of the Capital and Liquidity Maintenance Agreement, Nelnet, Inc. is obligated to (i) contribute capital to Nelnet Bank for it to maintain capital levels that meet FDIC requirements for a "well capitalized" bank, including a leverage ratio of capital to total assets of at least 12 percent; (ii) provide and maintain an irrevocable asset liquidity takeout commitment for the benefit of Nelnet Bank in an amount equal to the greater of either 10 percent of Nelnet Bank's total assets or such additional amount as agreed to by Nelnet Bank and Nelnet, Inc.; (iii) provide additional liquidity to Nelnet Bank in such amount and duration as may be necessary for Nelnet Bank to meet its ongoing liquidity obligations; and (iv) establish and maintain a pledged deposit of $40.0 million with Nelnet Bank.

Based on the current business plan for Nelnet Bank and its strong financial condition after the first few months of operations, the Company currently believes that the initial capital contribution of $100.0 million and pledged deposit of $40.0 million should provide sufficient capital and liquidity to Nelnet Bank for the next two to three years.

Sources of Liquidity

The Company has historically generated positive cash flow from operations. For the years ended December 31, 2020 and 2019, the Company's net cash provided by operating activities was $212.8 million and $298.9 million, respectively.

As of December 31, 2020, the Company had cash and cash equivalents of $121.2 million. The Company also had a portfolio of available-for-sale investments, consisting primarily of student loan asset-backed securities, with a fair value of $348.6 million as of December 31, 2020. As of December 31, 2020, the Company had participated $118.6 million of these securities, and such participation is reflected as debt on the Company's consolidated balance sheet.

The Company also has a $455.0 million unsecured line of credit that matures on December 16, 2024. As of December 31, 2020, there was $120.0 million outstanding on the unsecured line of credit and $335.0 million was available for future use. Subsequent to December 31, 2020, the Company paid down the full balance outstanding on the line of credit, and as of February 25, 2021, $455.0 million was available for future use. The line of credit provides that the Company may increase the aggregate financing commitments, through the existing lenders and/or through new lenders, up to a total of $550.0 million, subject to certain conditions. In addition, the Company has a $22.0 million secured line of credit agreement that matures on May 30, 2022. As of December 31, 2020, the secured line of credit had $5.0 million outstanding with $17.0 million available for future use.

In addition, the Company has retained certain of its own asset-backed securities upon their initial issuance or repurchased certain of its own asset-backed securities (bonds and notes payable) in the secondary market. For accounting purposes, these notes are eliminated in consolidation and are not included in the Company's consolidated financial statements. However, these securities remain legally outstanding at the trust level and the Company could sell these notes to third parties or redeem the notes at par as cash is generated by the trust estate. Upon a sale of these notes to third parties, the Company would obtain cash proceeds equal to the market value of the notes on the date of such sale. As of December 31, 2020, the Company holds $40.1 million (par value) of its own asset-backed securities.

The Company intends to use its liquidity position to capitalize on market opportunities, including FFELP, private education, and consumer loan acquisitions; strategic acquisitions and investments; and capital management initiatives, including stock repurchases, debt repurchases, and dividend distributions. The timing and size of these opportunities will vary and will have a direct impact on the Company's cash and investment balances.

Cash Flows

During the year ended December 31, 2020, the Company generated $212.8 million from operating activities, compared to $298.9 million for the same period in 2019. The decrease in cash flows from operating activities was due to:

- The adjustments to net income for derivative market value adjustments;
- Adjustments to net income for the impact of the gains from the deconsolidation of ALLO and sale of loans and investments; and
- The impact of changes to other liabilities and the due to customers liability account in 2020 as compared to 2019.

These factors were partially offset by:

- The increase in net income;
- Adjustments to net income for the impact of the non-cash provision for loan losses and impairment charges;
- A decrease in net payments to the Company's clearinghouse for margin payments on derivatives; and
- The impact of changes to accounts receivable and other assets in 2020 as compared to 2019.

The primary items included in the statement of cash flows for investing activities are the purchase and repayment of loans. The primary items included in financing activities are the proceeds from the issuance of and payments on bonds and notes payable used to fund loans. Cash provided by investing activities and used in financing activities for the year ended December 31, 2020 was $621.2 million and $1.10 billion, respectively. Cash provided by investing activities and used in financing activities for the year ended December 31, 2019 was $1.52 billion and $1.79 billion, respectively. Investing and financing activities are further addressed in the discussion that follows.

Liquidity Needs and Sources of Liquidity Available to Satisfy Debt Obligations Secured by Loan Assets and Related Collateral

The following table shows the Company's debt obligations outstanding that are secured by loan assets and related collateral.

	As of December 31, 2020	
	Carrying amount	Final maturity
Bonds and notes issued in asset-backed securitizations	$ 18,886,920	5/27/25 - 10/25/68
FFELP, private education, and consumer loan warehouse facilities	428,371	2/13/22 - 2/26/23
	$ 19,315,291	

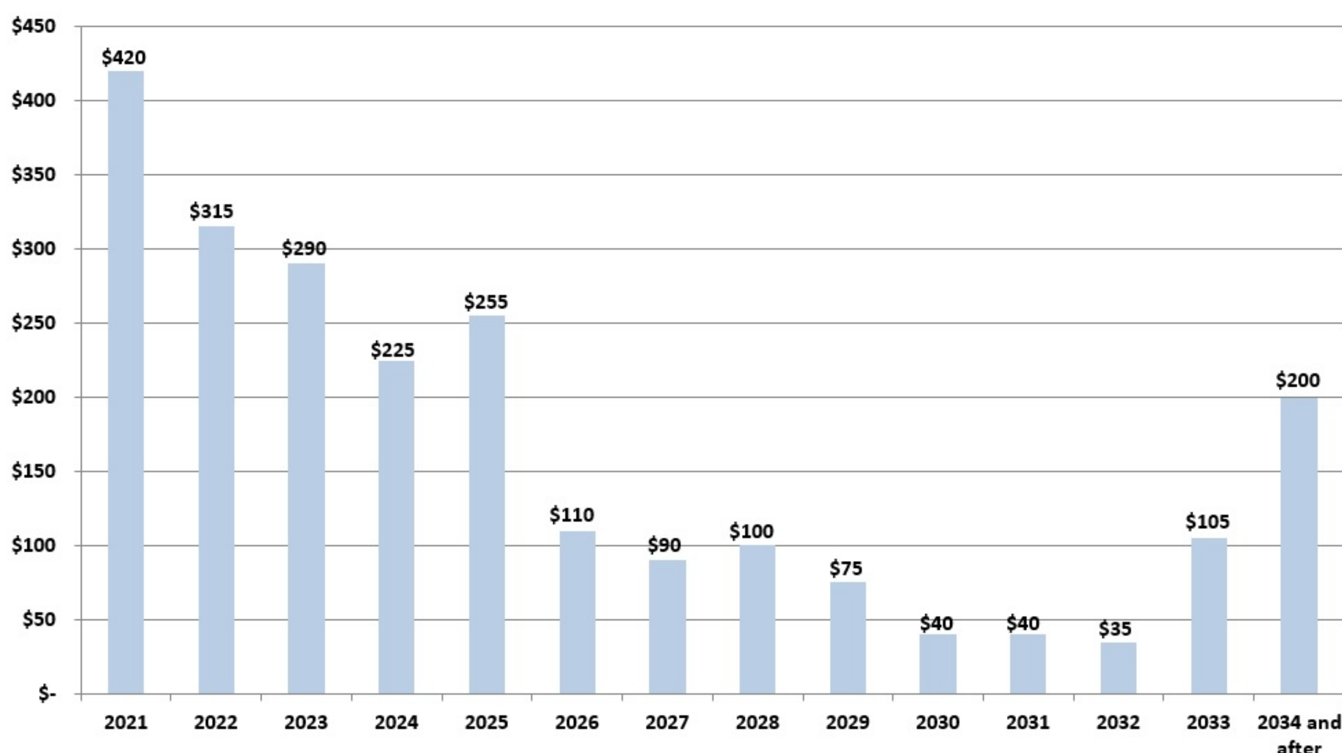
Bonds and Notes Issued in Asset-backed Securitizations

The majority of the Company’s portfolio of student loans is funded in asset-backed securitizations that are structured to substantially match the maturity of the funded assets, thereby minimizing liquidity risk. Cash generated from student loans funded in asset-backed securitizations provide the sources of liquidity to satisfy all obligations related to the outstanding bonds and notes issued in such securitizations. In addition, due to (i) the difference between the yield the Company receives on the loans and cost of financing within these transactions, and (ii) the servicing and administration fees the Company earns from these transactions, the Company has created a portfolio that will generate earnings and significant cash flow over the life of these transactions.

As of December 31, 2020, based on cash flow models developed to reflect management’s current estimate of, among other factors, prepayments, defaults, deferment, forbearance, and interest rates, the Company currently expects future undiscounted cash flows from its portfolio to be approximately $2.30 billion as detailed below.

The forecasted cash flow presented below includes all loans funded in asset-backed securitizations as of December 31, 2020. As of December 31, 2020, the Company had $19.0 billion of loans included in asset-backed securitizations, which represented 96.8 percent of its total loan portfolio. The forecasted cash flow does not include cash flows that the Company expects to receive related to loans funded in its warehouse facilities as of December 31, 2020, private education and consumer loans funded with operating cash, loans acquired subsequent to December 31, 2020, and loans owned by Nelnet Bank.

Asset-backed Securitization Cash Flow Forecast
$2.30 billion
(dollars in millions)



The forecasted future undiscounted cash flows of approximately $2.30 billion include approximately $1.19 billion (as of December 31, 2020) of overcollateralization included in the asset-backed securitizations. These excess net asset positions are included in the consolidated balance sheets and included in the balances of "loans and accrued interest receivable" and "restricted cash." The difference between the total estimated future undiscounted cash flows and the overcollateralization of approximately $1.11 billion, or approximately $0.84 billion after income taxes based on the estimated effective tax rate, is expected to be accretive to the Company's December 31, 2020 balance of consolidated shareholders' equity.

The Company uses various assumptions, including prepayments and future interest rates, when preparing its cash flow forecast. These assumptions are further discussed below.

Prepayments: The primary variable in establishing a life of loan estimate is the level and timing of prepayments. Prepayment rates equal the amount of loans that prepay annually as a percentage of the beginning of period balance, net of scheduled principal payments. A number of factors can affect estimated prepayment rates, including the level of consolidation activity, borrower default rates, and utilization of debt management options such as income-based repayment, deferments, and forbearance. Should any of these factors change, management may revise its assumptions, which in turn would impact the projected future cash flow. The Company’s cash flow forecast above assumes prepayment rates that are generally consistent with those utilized in the Company’s recent asset-backed securitization transactions. If management used a prepayment rate assumption two times greater than what was used to forecast the cash flow, the cash flow forecast would be reduced by approximately $185 million to $215 million.

Interest rates: The Company funds a large portion of its student loans with three-month LIBOR indexed floating rate securities. Meanwhile, the interest earned on the Company’s student loan assets is indexed primarily to a one-month LIBOR rate. The different interest rate characteristics of the Company’s loan assets and liabilities funding these assets result in basis risk. The Company’s cash flow forecast assumes three-month LIBOR will exceed one-month LIBOR by 12 basis points for the life of the portfolio, which approximates the historical relationship between these indices. If the forecast is computed assuming a spread of 24 basis points between three-month and one-month LIBOR for the life of the portfolio, the cash flow forecast would be reduced by approximately $55 million to $75 million. As the percentage of the Company's outstanding debt financed by three-month LIBOR declines, the Company's basis risk will be reduced.

There is significant uncertainty regarding the availability of LIBOR as a benchmark rate after 2021, and any market transition away from the current LIBOR framework could result in significant changes to the forecasted cash flows from the Company's asset-backed securitizations. In addition, the COVID-19 pandemic may impact forecasted cash flows from the Company's asset-

backed securitizations. See Item 1A, "Risk Factors - Loan Portfolio - Interest rate risk - replacement of LIBOR as a benchmark rate," and "Risk Factors - The COVID-19 pandemic has adversely impacted our results of operations, and is expected to continue to adversely impact our results of operations, as well as adversely impact our businesses, financial condition, and/or cash flows."

The Company uses the current forward interest rate yield curve to forecast cash flows. A change in the forward interest rate curve would impact the future cash flows generated from the portfolio. An increase in future interest rates will reduce the amount of fixed rate floor income the Company is currently receiving. The Company attempts to mitigate the impact of a rise in short-term rates by hedging interest rate risks. The forecasted cash flow does not include cash flows the Company expects to pay/receive related to derivative instruments used by the Company to manage interest rate risk. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk — Interest Rate Risk."

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 December 31, 2020, the Company had two FFELP warehouse facilities with an aggregate maximum financing amount available of $310.0 million, of which $252.2 million was outstanding and $57.8 million was available for additional funding. One warehouse facility has a static advance rate until the expiration date of the liquidity provisions (May 20, 2021). In the event the liquidity provisions are not extended, the valuation agent has the right to perform a one-time mark to market on the underlying loans funded in this facility, subject to a floor. The loans would then be funded at this new advance rate until the final maturity date of the facility (May 20, 2022). The other warehouse facility has a static advance rate that requires initial equity for loan funding and does not require increased equity based on market movements. As of December 31, 2020, the Company had $21.2 million advanced as equity support on these facilities. For further discussion of the Company's FFELP warehouse facilities outstanding at December 31, 2020, see note 5 of the notes to consolidated financial statements included in this report.

The Company has a private education loan warehouse facility that, as of December 31, 2020, had an aggregate maximum financing amount available of $200.0 million, an advance rate of 80 to 90 percent, liquidity provisions through February 13, 2021, and a final maturity date of February 13, 2022. As of December 31, 2020, $150.4 million was outstanding under this warehouse facility, $49.6 million was available for future funding, and $16.4 million was advanced as equity support. On February 12, 2021, the liquidity provisions on this facility were extended to February 13, 2022, the final maturity was extended to February 13, 2023, and the maximum facility amount was decreased to $175.0 million.

The Company has a consumer loan warehouse facility that has an aggregate maximum financing amount available of $100.0 million, an advance rate of 70 or 75 percent depending on the type of collateral and subject to certain concentration limits, liquidity provisions to April 23, 2021, and a final maturity date of April 23, 2022. As of December 31, 2020, $25.8 million was outstanding under this facility, $74.2 million was available for future funding, and $11.5 million advanced as equity support.

Upon termination or expiration of the warehouse facilities, the Company would expect to access the securitization market, obtain replacement warehouse facilities, use operating cash, consider the sale of assets, or transfer collateral to satisfy any remaining obligations.

Other Uses of Liquidity

The Company no longer originates new FFELP loans, but continues to acquire FFELP loan portfolios from third parties and believes additional loan purchase opportunities exist, including opportunities to purchase private education and consumer loans.

In December of 2020, Wells Fargo announced the sale of its approximately $10 billion portfolio of private education student loans representing approximately 475,000 borrowers. In conjunction with the sale, the Company was selected as servicer of the portfolio and will begin servicing the portfolio following a series of loan transfers during the first half of 2021. In addition, the Company has entered into agreements to participate in a joint venture to acquire the portfolio. The Company expects to own approximately 8 percent of the interest in the loans and, dependent upon financing, currently expects to invest approximately $100 million as part of the acquisition. In addition, the Company will serve as the sponsor and administrator for loan securitizations on behalf of the purchaser group as the loans are securitized, and provide the required level of risk retention as the loans are permanently financed. This transaction is expected to close during the first half of 2021, with the securitizations occurring subsequent to closing.

The Company plans to fund additional loan acquisitions and related investments using current cash and investments; using its unsecured line of credit, using its Union Bank participation agreement (as described below); using its existing warehouse

facilities (as described above); increasing the capacity under existing and/or establishing new warehouse facilities; and continuing to access the asset-backed securities market.

Union Bank Participation Agreement

The Company maintains an agreement with Union Bank, a related party, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in student loans. As of December 31, 2020, $874.2 million of loans were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. The agreement automatically renews annually and is terminable by either party upon five business days' notice. This agreement provides beneficiaries of Union Bank's grantor trusts with access to investments in interests in student loans, while providing liquidity to the Company. The Company can participate loans to Union Bank to the extent of availability under the grantor trusts, up to $900.0 million or an amount in excess of $900.0 million if mutually agreed to by both parties. Loans participated under this agreement have been accounted for by the Company as loan sales. Accordingly, the participation interests sold are not included on the Company's consolidated balance sheets.

Asset-backed Securities Transactions

During 2020, the Company completed five FFELP asset-backed securitizations totaling $1.6 billion (par value). The proceeds from these transactions were used primarily to refinance student loans included in the Company's FFELP warehouse facilities. See note 5 of the notes to consolidated financial statements included in this report for additional information on these securitizations.

The Company, through its subsidiaries, has historically funded student loans by completing asset-backed securitizations. Depending on market conditions, the Company currently anticipates continuing to access the asset-backed securitization market. Such asset-backed securitization transactions would be used to refinance student loans included in its warehouse facilities, loans purchased from third parties, and/or student loans in its existing asset-backed securitizations.

Liquidity Impact Related to Hedging Activities

The Company utilizes derivative instruments to manage interest rate sensitivity. By using derivative instruments, the Company is exposed to market risk which could impact its liquidity. Based on the derivative portfolio outstanding as of December 31, 2020, the Company does not currently anticipate any movement in interest rates having a material impact on its capital or liquidity profile, nor does the Company expect that any movement in interest rates would have a material impact on its ability to make variation margin payments to its third-party clearinghouse. However, if interest rates move materially and negatively impact the fair value of the Company's derivative portfolio, the replacement of LIBOR as a benchmark rate has significant adverse impacts on the Company's derivatives, or if the Company enters into additional derivatives for which the fair value becomes negative, the Company could be required to make variation margin payments to its third-party clearinghouse. The variation margin, if significant, could negatively impact the Company's liquidity and capital resources. In addition, clearing rules require the Company to post amounts of liquid collateral when executing new derivative instruments, which could prevent or limit the Company from utilizing additional derivative instruments to manage interest rate sensitivity and risks. See note 6 of the notes to consolidated financial statements included in this report for additional information on the Company's derivative portfolio.

Other Debt Facilities

As discussed above, the Company has a $455.0 million unsecured line of credit with a maturity date of December 16, 2024. As of December 31, 2020, the unsecured line of credit had $120.0 million outstanding and $335.0 million was available for future use. As of February 25, 2021, no amounts were outstanding on the line of credit and $455.0 million was available for future use. The Company also has a $22.0 million secured line of credit agreement with a maturity date of May 30, 2022. As of December 31, 2020, the secured line of credit had $5.0 million outstanding with $17.0 million available for future use. The line of credit is secured by several Company-owned properties. Upon the maturity date of these facilities, there can be no assurance that the Company will be able to maintain these lines of credit, increase the amount outstanding under the lines, or find alternative funding if necessary.

During 2020, the Company entered into an agreement with Union Bank, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in student loan asset-backed securities. As of December 31, 2020, $118.6 million of student loan asset-backed securities were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. This participation agreement has been accounted for by the Company as a secured borrowing. Upon termination or expiration of this agreement, the Company would expect to use operating cash, consider the sale of assets, or transfer collateral to satisfy any remaining obligations.

For further discussion of these debt facilities described above, see note 5 of the notes to consolidated financial statements included in this report.

Debt Repurchases

Due to the Company's positive liquidity position and opportunities in the capital markets, the Company has repurchased its own debt over the last several years, and may continue to do so in the future. See note 5 of the notes to consolidated financial statements included in this report for information on debt repurchased by the Company during the last three years.

Stock Repurchases

The Board of Directors has authorized a stock repurchase program to repurchase up to a total of five million shares of the Company's Class A common stock during the three-year period ending May 7, 2022. As of December 31, 2020, 3,246,732 shares remain authorized for repurchase under the Company's stock repurchase program. Shares may be repurchased from time to time depending on various factors, including share prices and other potential uses of liquidity. Shares repurchased by the Company during 2020 and 2019 are shown below. Certain of these repurchases were made pursuant to a trading plan adopted by the Company in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934.

	Total shares repurchased	Purchase price (in thousands)	Average price of shares repurchased (per share)
Year ended December 31, 2020	1,594,394	$ 73,358	$ 46.01
Year ended December 31, 2019	726,273	40,411	55.64

Included in the shares repurchased during 2019 in the table above are a total of 180,000 shares of Class A common stock the Company purchased on June 17, 2019 from Shelby J. Butterfield, a significant shareholder of the Company, and from the Butterfield Family Trust, an estate planning trust for the family of Stephen F. Butterfield, the Company's former Vice-Chairman. Included in the shares repurchased during 2020 are a total of 100,000 shares of Class A common stock the Company purchased on May 27, 2020 from Shelby J. Butterfield. The shares purchased in 2019 and 2020 were purchased at a discount to the closing market price of the Company's Class A common stock as of June 17, 2019, and May 27, 2020, respectively, and the transactions were separately approved by the Company's Board of Directors. Immediately prior to the Company's purchase of such shares from Ms. Butterfield and the Butterfield Family Trust, the purchased shares were shares of the Company's Class B common stock that Ms. Butterfield and the Butterfield Family Trust converted to shares of Class A common stock.

Dividends

Dividends of $0.20 per share on the Company's Class A and Class B common stock were paid on March 13, 2020, June 15, 2020, and September 15, 2020, respectively, and a dividend of $0.22 per share was paid on December 15, 2020.

The Company's Board of Directors declared a first quarter 2021 cash dividend on the Company's Class A and Class B common stock of $0.22 per share. The dividend will be paid on March 15, 2021, to shareholders of record at the close of business on March 1, 2021.

The Company currently plans to continue making regular quarterly dividend payments, subject to future earnings, capital requirements, financial condition, and other factors.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to investors.

Contractual Obligations

The Company's contractual obligations were as follows:

	As of December 31, 2020					
		Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Bonds and notes payable (a)	$	19,558,849	118,558	433,371	218,761	18,788,159
Operating lease liabilities		20,796	6,578	6,795	2,986	4,437
Total	$	19,579,645	125,136	440,166	221,747	18,792,596

(a) Amounts exclude interest as substantially all bonds and notes payable carry variable rates of interest.

As of December 31, 2020, the Company had a reserve of $16.0 million for uncertain income tax positions (including the federal benefit received from state positions). This obligation is not included in the above table as the timing and resolution of the income tax positions cannot be reasonably estimated at this time.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting periods. The Company bases its estimates and judgments on historical experience and on various other factors that the Company believes are reasonable under the circumstances. Actual results may differ from these estimates under varying assumptions or conditions. Note 3 of the notes to consolidated financial statements included in this report includes a summary of the significant accounting policies and methods used in the preparation of the consolidated financial statements.

On an on-going basis, management evaluates its estimates and judgments, particularly as they relate to accounting policies that management believes are most "critical" — that is, they are most important to the portrayal of the Company's financial condition and results of operations and they require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management has identified the allowance for loan losses as a critical accounting policy.

Allowance for Loan Losses

The allowance for loan losses represents the Company's estimate of the expected lifetime credit losses inherent in loan receivables as of the balance sheet date. The adequacy of the allowance for loan losses is assessed quarterly and the assumptions and models used in establishing the allowance are evaluated regularly. Because credit losses can vary substantially over time, estimating credit losses requires a number of assumptions about matters that are uncertain. Such assumptions are discussed below, and such uncertainty is due in part to the fact that loans in the Company's portfolio mature over the next 20 years (with a weighted average remaining life of 9.8 years), and actual credit losses will be affected by, among other things, future economic conditions and future personal financial situations for borrowers, over that extended time frame. Changes in the Company's assumptions affect "provision for loan losses" on the Company's consolidated income statements and the "allowance for loan losses" contained within "loans and accrued interest receivable, net of allowance for loan losses" on the Company's consolidated balance sheets. For additional information regarding our allowance for loan losses, see note 3 of the notes to consolidated financial statements included in this report.

The Company estimates the allowance for loan losses for receivables that share similar risk characteristics based on a collective assessment using a combination of measurement models and management judgment. The models consider factors such as historical trends in credit losses, recent portfolio performance, and forward-looking macroeconomic conditions. The models vary by portfolio type including FFELP, private education, and consumer loans. If management does not believe the models reflect lifetime expected credit losses for the portfolio, an adjustment is made to reflect management judgment regarding qualitative factors including economic uncertainty, observable changes in portfolio performance, and other relevant factors.

The Company's allowance for credit losses is based on various assumptions including: probability of default; loss given default; exposure at default; net loss rates for its consumer portfolio; contractual terms, including prepayments; forecast period; reversion method; reversion period; and macroeconomic factors, including unemployment rates, gross domestic product, and the consumer price index.

The allowance for loan losses is made at a specific point in time and based on relevant information as discussed above. The allowance for loan losses is maintained at a level management believes is appropriate to provide for expected lifetime credit losses inherent in loan receivables as of the balance sheet date. This evaluation is inherently subjective because it requires numerous estimates made by management. These estimates are subjective in nature and involve uncertainties and matters of significant judgement. Changes in estimates could significantly affect the Company's recorded balance for the allowance for loan losses.

ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The following standard may have an impact on the Company's consolidated financial statements and disclosures.

ASU 2019-12, *Simplifying the Accounting for Income Taxes*. In December 2019, the Financial Accounting Standards Board issued a new accounting standard that simplifies the accounting for income taxes by removing several exceptions in the current standard and adding guidance to reduce complexity in certain areas. The new standard clarifies that an entity may elect to, but is not required to, reflect an allocation of consolidated current and deferred tax expense for non-taxable legal entities that are treated as disregarded by taxing authorities in their separately issued financial statements. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company has determined to not reflect the allocation of income taxes in the financial statements of its disregarded entities, and thus the Company currently believes this standard will not have a significant impact on the Company's consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
(All dollars are in thousands, except share amounts, unless otherwise noted)

Interest Rate Risk

The Company's primary market risk exposure arises from fluctuations in its borrowing and lending rates, the spread between which could impact the Company due to shifts in market interest rates.

The following table sets forth the Company's loan assets and debt instruments by rate characteristics:

	As of December 31, 2020		As of December 31, 2019	
	Dollars	Percent	Dollars	Percent
Fixed-rate loan assets	$ 8,737,346	44.6 %	$ 3,647,365	17.5 %
Variable-rate loan assets	10,839,305	55.4	17,151,354	82.5
Total	$ 19,576,651	100.0 %	$ 20,798,719	100.0 %
Fixed-rate debt instruments	$ 960,327	4.9 %	$ 562,203	2.7 %
Variable-rate debt instruments	18,598,522	95.1	20,240,977	97.3
Total	$ 19,558,849	100.0 %	$ 20,803,180	100.0 %

FFELP loans originated prior to April 1, 2006 generally earn interest at the higher of the borrower rate, which is fixed over a period of time, or a floating rate based on the special allowance payment ("SAP") formula set by the Department. The SAP rate is based on an applicable index plus a fixed spread that depends on loan type, origination date, and repayment status. The Company generally finances its student loan portfolio with variable rate debt. In low and/or declining interest rate environments, when the fixed borrower rate is higher than the SAP rate, the Company's student loans earn at a fixed rate while the interest on the variable rate debt typically continues to reflect the low and/or declining interest rates. In these interest rate environments, the Company may earn additional spread income that it refers to as floor income.

Depending on the type of loan and when it was originated, the borrower rate is either fixed to term or is reset to an annual rate each July 1. As a result, for loans where the borrower rate is fixed to term, the Company may earn floor income for an extended period of time, which the Company refers to as fixed rate floor income, and for those loans where the borrower rate is reset annually on July 1, the Company may earn floor income to the next reset date, which the Company refers to as variable rate floor income. All FFELP loans first originated on or after April 1, 2006 effectively earn at the SAP rate, since lenders are required to rebate fixed rate floor income and variable rate floor income for those loans to the Department.

As a result of the significant drop in interest rates during the first half of 2020, the Company earned $4.8 million of variable-rate floor income on approximately $1.4 billion of FFELP loans during the six months ended June 30, 2020. Since the borrower rate reset on July 1, 2020, the Company no longer earns such variable-rate floor income on these loans, reflecting the lower interest rate environment. No variable-rate floor income was earned by the Company in 2019.

A summary of fixed rate floor income earned by the Company during these years follows.

	Year ended December 31,	
	2020	2019
Fixed rate floor income, gross	$ 123,460	49,677
Derivative settlements (a)	(6,699)	40,192
Fixed rate floor income, net	$ 116,761	89,869

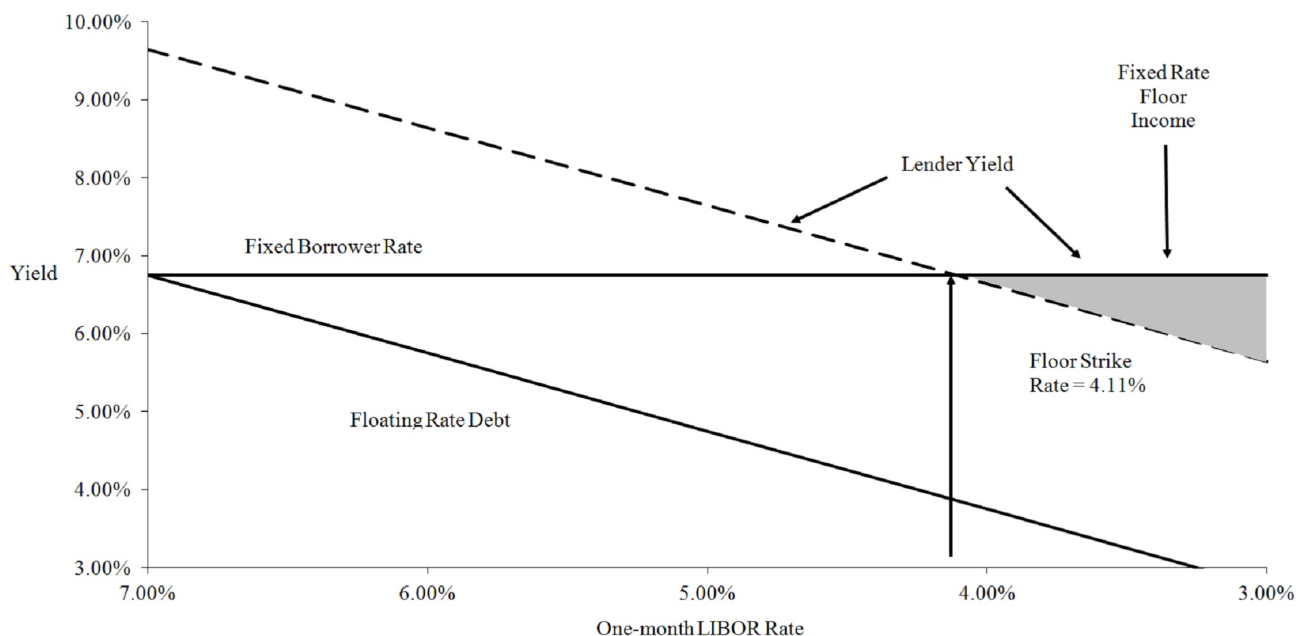
(a) Derivative settlements consist of settlements (paid) received related to the Company's derivatives used to hedge student loans earning fixed rate floor income.

Gross fixed rate floor income increased in 2020 as compared to 2019 due to lower interest rates in 2020 as compared to 2019.

Absent the use of derivative instruments, a rise in interest rates will reduce the amount of floor income received and has an impact on earnings due to interest margin compression caused by increasing financing costs, until such time as the federally insured loans earn interest at a variable rate in accordance with their SAP formulas. In higher interest rate environments, where the interest rate rises above the borrower rate and fixed rate loans effectively become variable rate loans, the impact of the rate fluctuations is reduced.

The decrease in net derivative settlements (paid) received from the floor income interest rate swaps in 2020 as compared to 2019 was due to a decrease in the weighted average of notional amount of derivatives outstanding in 2020 as compared to 2019 and a decrease in interest rates. The Company added $2.75 billion (notional amount) of additional derivatives during the fourth quarter of 2020, resulting in a total of $4.5 billion (notional amount) of derivatives outstanding as of December 31, 2020, to hedge loans earning fixed rate floor income.

The following graph depicts fixed rate floor income for a borrower with a fixed rate of 6.75% and a SAP rate of 2.64%:



The following table shows the Company's federally insured student loan assets that were earning fixed rate floor income as of December 31, 2020:

Fixed interest rate range	Borrower/lender weighted average yield	Estimated variable conversion rate (a)	Loan balance
< 3.0%	2.88%	0.24%	$ 1,186,168
3.0 - 3.49%	3.19%	0.55%	1,503,152
3.5 - 3.99%	3.65%	1.01%	1,444,215
4.0 - 4.49%	4.20%	1.56%	1,081,191
4.5 - 4.99%	4.71%	2.07%	674,391
5.0 - 5.49%	5.22%	2.58%	447,689
5.5 - 5.99%	5.67%	3.03%	300,574
6.0 - 6.49%	6.19%	3.55%	346,665
6.5 - 6.99%	6.70%	4.06%	339,577
7.0 - 7.49%	7.17%	4.53%	125,250
7.5 - 7.99%	7.71%	5.07%	227,133
8.0 - 8.99%	8.18%	5.54%	537,150
> 9.0%	9.05%	6.41%	200,936
			$ 8,414,091

(a) The estimated variable conversion rate is the estimated short-term interest rate at which loans would convert to a variable rate. As of December 31, 2020, the weighted average estimated variable conversion rate was 1.94% and the short-term interest rate was 15 basis points.

The following table summarizes the outstanding derivative instruments as of December 31, 2020 used by the Company to economically hedge loans earning fixed rate floor income.

Maturity	Notional amount	Weighted average fixed rate paid by the Company (a)
2021	$ 600,000	2.15 %
2022 (b)	500,000	0.94
2023	900,000	0.62
2024 (c)	2,000,000	0.32
2025	500,000	0.35
	$ 4,500,000	0.70 %

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

(b) $250.0 million of these derivatives have forward effective start dates in June 2021.

(c) $750.0 million of these derivatives have forward effective start dates in June 2021.

The Company is also exposed to interest rate risk in the form of basis risk and repricing risk because the interest rate characteristics of the Company’s assets do not match the interest rate characteristics of the funding for those assets. The following table presents the Company’s FFELP student loan assets and related funding for those assets arranged by underlying indices as of December 31, 2020:

Index	Frequency of variable resets	Assets	Funding of student loan assets
1 month LIBOR (a)	Daily	$ 17,800,940	—
3 month H15 financial commercial paper	Daily	736,982	—
3 month Treasury bill	Daily	591,251	—
1 month LIBOR	Monthly	—	10,658,995
3 month LIBOR (a)	Quarterly	—	6,468,648
Fixed rate	—	—	923,076
Auction-rate (b)	Varies	—	749,925
Asset-backed commercial paper (c)	Varies	—	252,165
Other (d)	—	1,281,065	1,357,429
		$ 20,410,238	20,410,238

(a) The Company has certain basis swaps outstanding in which the Company receives three-month LIBOR and pays one-month LIBOR plus or minus a spread as defined in the agreements (the "1:3 Basis Swaps"). The Company entered into these derivative instruments to better match the interest rate characteristics on its student loan assets and the debt funding such assets. The following table summarizes the 1:3 Basis Swaps outstanding as of December 31, 2020.

Maturity	Notional amount (i)
2021	$ 250,000
2022	2,000,000
2023	750,000
2024	1,750,000
2026	1,150,000
2027	250,000
	$ 6,150,000

(i) The weighted average rate paid by the Company on the 1:3 Basis Swaps as of December 31, 2020 was one-month LIBOR plus 9.1 basis points.

(b) As of December 31, 2020, the Company was sponsor for $749.9 million of outstanding asset-backed securities that were set and provide for interest rates to be periodically reset via a "dutch auction" (“Auction Rate Securities”). Since the auction feature has essentially been inoperable for substantially all auction rate securities since 2008, the Auction Rate Securities generally pay interest to the holder at a maximum rate as defined by the indenture. While these rates will vary, they will generally be based on a spread to LIBOR or Treasury Securities, or the Net Loan Rate as defined in the financing documents.

(c) The interest rates on the Company's warehouse facilities are indexed to asset-backed commercial paper rates.

(d) Assets include accrued interest receivable and restricted cash. Funding represents overcollateralization (equity) and other liabilities included in FFELP asset-backed securitizations and warehouse facilities.

There is significant uncertainty regarding the availability of LIBOR as a benchmark rate after 2021, and any market transition away from the current LIBOR framework could result in significant changes to the interest rate characteristics of the Company's LIBOR-indexed assets and funding for those assets. See Item 1A, "Risk Factors - Loan Portfolio - Interest rate risk - replacement of LIBOR as a benchmark rate."

Sensitivity Analysis

The following tables summarize the effect on the Company's earnings, based upon a sensitivity analysis performed by the Company assuming hypothetical increases in interest rates of 100 basis points and 300 basis points while funding spreads remain constant. In addition, a sensitivity analysis was performed assuming the funding index increases 10 basis points and 30 basis points while holding the asset index constant, if the funding index is different than the asset index. The sensitivity analysis was performed on the Company's variable rate assets (including loans earning fixed rate floor income) and liabilities. The analysis includes the effects of the Company's derivative instruments in existence during these periods.

	Interest rates				Asset and funding index mismatches			
	Change from increase of 100 basis points		Change from increase of 300 basis points		Increase of 10 basis points		Increase of 30 basis points	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
	Year ended December 31, 2020							
Effect on earnings:								
Decrease in pre-tax net income before impact of derivative settlements	$ (57,447)	(12.8)%	$(108,018)	(24.0)%	$ (7,157)	(1.6)%	$ (21,477)	(4.8)%
Impact of derivative settlements	13,955	3.1	41,864	9.3	6,112	1.4	18,336	4.1
Increase (decrease) in net income before taxes	$ (43,492)	(9.7)%	$ (66,154)	(14.7)%	$ (1,045)	(0.2)%	$ (3,141)	(0.7)%
Increase (decrease) in basic and diluted earnings per share	$ (0.85)		$ (1.29)		$ (0.02)		$ (0.06)	
	Year ended December 31, 2019							
Effect on earnings:								
Decrease in pre-tax net income before impact of derivative settlements	$ (23,199)	(13.1)%	$ (43,368)	(24.5)%	$ (9,462)	(5.3)%	$ (28,385)	(16.1)%
Impact of derivative settlements	28,793	16.3	86,380	48.8	6,780	3.8	20,340	11.5
Increase (decrease) in net income before taxes	$ 5,594	3.2 %	$ 43,012	24.3 %	$ (2,682)	(1.5)%	$ (8,045)	(4.6)%
Increase (decrease) in basic and diluted earnings per share	$ 0.11		$ 0.82		$ (0.05)		$ (0.15)	

Financial Statement Impact – Derivatives

For a table summarizing the effect of derivative instruments in the consolidated statements of income, including the components of "derivative market value adjustments and derivative settlements, net" included in the consolidated statements of income, see note 6 of the notes to consolidated financial statements included in this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the consolidated financial statements listed under the heading "(a) 1. Consolidated Financial Statements" of Item 15 of this report, which consolidated financial statements are incorporated into this report by reference in response to this Item 8.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's principal executive and principal financial officers, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2020. Based on this evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures were effective as of December 31, 2020.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the fiscal quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company has not experienced any material impact to its internal control over financial reporting despite the fact that the majority of its employees are working remotely due to the COVID-19 pandemic. The Company is continually monitoring and assessing the effect of the COVID-19 situation on its internal controls to minimize the impact on their design and operating effectiveness.

Effective January 1, 2020, the Company implemented ASU No. 2016-13, *Financial Instruments - Credit Losses*. As a result, management made the following significant modifications to the Company's internal control over financial reporting environment, including changes to accounting policies and procedures, operational processes, and documentation practices:

(a) Updated written policies and procedures addressing selected methods and policies for developing the allowance for loan losses and determining significant judgments, including the data used; assessment of risk; and identification of significant assumptions in the allowance estimation process.

(b) Developed a process to evaluate whether adjustments to the selected methodology are necessary based on historical information, current economic conditions, and reasonable and supportable forecasts.

(c) Updated documentation for assumptions and data used to develop its loss rates, including evaluation of the relevance and reliability of any external data; amount and timing of expected cash flows; and remaining life of loan methodologies.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) for the Company. The Company's internal control system is designed to provide reasonable assurance to the Company's management and board of directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements in accordance with U.S. generally accepted accounting principles.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020 based on the criteria for effective internal control described in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2020, the Company's internal control over financial reporting is effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2020 has been audited by KPMG LLP, the Company's independent registered public accounting firm, as stated in their report included herein.

Inherent Limitations on Effectiveness of Internal Controls

The Company's management, including the chief executive and chief financial officers, understands that the disclosure controls and procedures and internal control over financial reporting are subject to certain limitations, including the exercise of judgment in designing, implementing, and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events, and the inability to eliminate misconduct completely. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Nelnet, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Nelnet, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated February 25, 2021 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Lincoln, Nebraska
February 25, 2021

ITEM 9B. OTHER INFORMATION

During the fourth quarter of 2020, no information was required to be disclosed in a report on Form 8-K, but not reported.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information as to the directors, executive officers, and corporate governance of the Company set forth under the captions "PROPOSAL 1 - ELECTION OF DIRECTORS," "EXECUTIVE OFFICERS," and "CORPORATE GOVERNANCE," and the information as to any delinquent report under Section 16(a) of the Securities Exchange Act of 1934 set forth under the caption "SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS, AND PRINCIPAL SHAREHOLDERS - Delinquent Section 16(a) Reports," to the extent any such disclosure is required, in the definitive Proxy Statement to be filed on Schedule 14A with the SEC, no later than 120 days after the end of the Company's fiscal year, relating to the Company's 2021 Annual Meeting of Shareholders scheduled to be held on May 20, 2021 (the "Proxy Statement"), is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the captions "CORPORATE GOVERNANCE" and "EXECUTIVE COMPENSATION" in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information set forth under the caption "SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS, AND PRINCIPAL SHAREHOLDERS - Stock Ownership" in the Proxy Statement is incorporated herein by reference. There are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in the control of the Company.

The following table summarizes information about compensation plans under which equity securities are authorized for issuance.

Equity Compensation Plan Information

	As of December 31, 2020		
Plan category	**Number of shares to be issued upon exercise of outstanding options, warrants, and rights (a)**	**Weighted-average exercise price of outstanding options, warrants, and rights (b)**	**Number of shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by shareholders	—	—	1,770,260 (1)
Equity compensation plans not approved by shareholders	—	—	—
Total	—	—	1,770,260

(1) Includes 1,308,874, 68,445, and 392,941 shares of Class A Common Stock remaining available for future issuance under the Nelnet, Inc. Restricted Stock Plan, Nelnet, Inc. Directors Stock Compensation Plan, and Nelnet, Inc. Employee Share Purchase Plan, respectively.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information set forth under the captions "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS," "CORPORATE GOVERNANCE - Board Composition and Director Independence," and "CORPORATE GOVERNANCE - Board Committees" in the Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under the caption "PROPOSAL 2 - RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM - Independent Accountant Fees and Services" in the Proxy Statement is incorporated herein by reference.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Consolidated Financial Statements

The following consolidated financial statements of Nelnet, Inc. and its subsidiaries and the Report of Independent Registered Public Accounting Firm thereon are included in Item 8 above:

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2020 and 2019	F-4
Consolidated Statements of Income for the years ended December 31, 2020, 2019, and 2018	F-5
Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019, and 2018	F-6
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2020, 2019, and 2018	F-7
Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019, and 2018	F-8
Notes to Consolidated Financial Statements	F-10

2. Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits

The exhibits listed in the accompanying index to exhibits are filed, furnished, or incorporated by reference as part of this report.

(b) Exhibits

Exhibit Index

Exhibit No.	Description
2.1 ++	Stock Purchase Agreement dated as of October 18, 2017, among Nelnet Diversified Solutions, LLC, as Purchaser, Nelnet, Inc., as Purchaser Parent, and Great Lakes Higher Education Corporation, as Seller, filed as Exhibit 2.1 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference.
2.2	First Amendment to Stock Purchase Agreement dated as of February 1, 2018, among Nelnet Diversified Solutions, LLC, as Purchaser, Nelnet, Inc., as Purchaser Parent, and Great Lakes Higher Education Corporation, as Seller, filed as Exhibit 2.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference.
2.3	Second Amendment to Stock Purchase Agreement dated as of February 1, 2018, among Nelnet Diversified Solutions, LLC, as Purchaser, Nelnet, Inc., as Purchaser Parent, and Great Lakes Higher Education Corporation, as Seller, filed as Exhibit 2.3 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference.
3.1	Composite Third Amended and Restated Articles of Incorporation of Nelnet, Inc., as amended on May 23, 2019, filed as Exhibit 3.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 and incorporated herein by reference.
3.2	Ninth Amended and Restated Bylaws of Nelnet, Inc., as amended as of May 24, 2018, filed as Exhibit 3.2 to the registrant's Current Report on Form 8-K filed on May 24, 2018 and incorporated herein by reference.
4.1	Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934, filed as Exhibit 4.1 to the registrant’s Annual Report on Form 10-K for the year ended December 31, 2019 and incorporated herein by reference.
4.2	Form of Class A Common Stock Certificate of Nelnet, Inc., filed on November 24, 2003 as Exhibit 4.1 to the registrant’s Registration Statement on Form S-1 (Registration No. 333-108070) and incorporated herein by reference.

4.3 Certain instruments, including indentures of trust, defining the rights of holders of long-term debt of the registrant and its consolidated subsidiaries, none of which instruments authorizes a total amount of indebtedness thereunder in excess of 10 percent of the total assets of the registrant and its subsidiaries on a consolidated basis, are omitted from this Exhibit Index pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. Certain of such instruments have been previously filed with the Securities and Exchange Commission, and the registrant hereby agrees to furnish a copy of any such instrument to the Commission upon request.

4.4 Registration Rights Agreement, dated as of December 16, 2003, by and among Nelnet, Inc. and the shareholders of Nelnet, Inc. signatory thereto, filed on November 24, 2003 as Exhibit 4.11 to the registrant's Registration Statement on Form S-1 (Registration No. 333-108070) and incorporated herein by reference.

10.1 Composite Form of Amended and Restated Participation Agreement, dated as of June 1, 2001, between NELnet, Inc. (subsequently renamed National Education Loan Network, Inc.) and Union Bank and Trust Company, as amended by the First Amendment thereto dated as of December 19, 2001 through the Cancellation of the Fifteenth Amendment thereto dated as of March 16, 2011 (such Participation Agreement and each amendment through the Cancellation of the Fifteenth Amendment thereto have been previously filed as set forth in the Exhibit Index for the registrant's Annual Report on Form 10-K for the year ended December 31, 2012, and are incorporated herein by reference), filed as Exhibit 10.1 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated herein by reference.

10.2 Sixteenth Amendment of Amended and Restated Participation Agreement, dated as of March 23, 2012, by and between Union Bank and Trust Company and National Education Loan Network, Inc., filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and incorporated herein by reference.

10.3 Seventeenth Amendment of Amended and Restated Participation Agreement, dated as of August 1, 2019, by and between Union Bank and Trust Company and National Education Loan Network, Inc., filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 and incorporated herein by reference.

10.4 Guaranteed Purchase Agreement, dated as of March 19, 2001, by and between NELnet, Inc. (subsequently renamed National Education Loan Network, Inc.) and Union Bank and Trust Company, filed on September 25, 2003 as Exhibit 10.36 to the registrant's Registration Statement on Form S-1 (Registration No. 333-108070) and incorporated herein by reference.

10.5 First Amendment of Guaranteed Purchase Agreement, dated as of February 1, 2002, by and between NELnet, Inc. (subsequently renamed National Education Loan Network, Inc.) and Union Bank and Trust Company, filed on September 25, 2003 as Exhibit 10.37 to the registrant's Registration Statement on Form S-1 (Registration No. 333-108070) and incorporated herein by reference.

10.6 Second Amendment of Guaranteed Purchase Agreement, dated as of December 1, 2002, by and between Nelnet, Inc. (f/k/a/ NELnet, Inc.) (subsequently renamed National Education Loan Network, Inc.) and Union Bank and Trust Company, filed on September 25, 2003 as Exhibit 10.38 to the registrant's Registration Statement on Form S-1 (Registration No. 333-108070) and incorporated herein by reference.

10.7 Guaranteed Purchase Agreement, dated as of September 1, 2010, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 and incorporated herein by reference.

10.8 First Amendment of Guaranteed Purchase Agreement, dated as of March 22, 2011, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and incorporated herein by reference.

10.9 Amendment of Agreements dated as of February 4, 2005, by and between National Education Loan Network, Inc. and Union Bank and Trust Company, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on February 10, 2005 and incorporated herein by reference.

10.10+ Nelnet, Inc. Employee Share Purchase Plan, as amended through March 17, 2011, filed as Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and incorporated herein by reference.

10.11 Office Building Lease dated June 21, 1996 between Miller & Paine and Union Bank and Trust Company, filed as Exhibit 10.3 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated herein by reference.

10.12 Amendment to Office Building Lease dated June 11, 1997 between Miller & Paine and Union Bank and Trust Company, filed as Exhibit 10.4 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated herein by reference.

10.13 Lease Amendment Number Two dated February 8, 2001 between Miller & Paine and Union Bank and Trust Company, filed as Exhibit 10.5 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated herein by reference.

10.14	Lease Amendment Number Three dated May 23, 2005 between Miller & Paine, LLC and Union Bank and Trust Company, filed as Exhibit 10.6 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated herein by reference.
10.15	Lease Amendment Number Four dated November 13, 2007 between M & P Building, LLC and Union Bank and Trust Company, filed as Exhibit 10.14 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference.
10.16	Lease Amendment Number Five entered into in September 2008 between M & P Building, LLC and Union Bank and Trust Company, filed as Exhibit 10.15 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference.
10.17	Lease Amendment Number Six dated December 15, 2017 between Nelnet Real Estate Ventures, Inc. and Union Bank and Trust Company, filed as Exhibit 10.16 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference.
10.18	Lease Agreement dated May 20, 2005 between Miller & Paine, LLC and Union Bank and Trust Company, filed as Exhibit 10.7 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated herein by reference.
10.19	Office Sublease dated April 30, 2001 between Union Bank and Trust Company and Nelnet, Inc., filed as Exhibit 10.8 to the registrant's Current Report on Form 8-K filed on October 16, 2006 and incorporated herein by reference.
10.20+	Nelnet, Inc. Restricted Stock Plan, as amended through May 22, 2014, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on May 28, 2014 and incorporated herein by reference.
10.21+	Amendment to Nelnet, Inc. Restricted Stock Plan, effective as of February 11, 2020, filed as Exhibit 10.21 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2019 and incorporated herein by reference.
10.22+	Nelnet, Inc. Directors Stock Compensation Plan, as amended through March 21, 2018, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on May 24, 2018 and incorporated herein by reference.
10.23+	Nelnet, Inc. Executive Officers Incentive Compensation Plan, effective as of January 1, 2019, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on May 23, 2019 and incorporated herein by reference.
10.24	Loan Purchase Agreement, dated as of November 25, 2008, by and between Nelnet Education Loan Funding, Inc., f/k/a NEBHELP, INC., acting, where applicable, by and through Wells Fargo Bank, National Association, not individually but as Eligible Lender Trustee for the Seller under the Warehouse Agreement or Eligible Lender Trust Agreement, and Union Bank and Trust Company, acting in its individual capacity and as trustee, filed as Exhibit 10.71 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference.
10.25	Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 and incorporated herein by reference.
10.26	Modification of Contract dated effective as of June 17, 2014 for Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on June 18, 2014 and incorporated herein by reference.
10.27	Modification of Contract dated effective as of September 1, 2014 for Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on September 2, 2014 and incorporated herein by reference.
10.28	Modification of Contract dated effective as of June 16, 2019 for Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on May 17, 2019 and incorporated herein by reference.
10.29	Modification of Contract dated effective as of November 25, 2019 for Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on November 27, 2019 and incorporated herein by reference.
10.30	Modification of Contract dated effective as of December 15, 2020 for Student Loan Servicing Contract between the United States Department of Education and Nelnet Servicing, LLC, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on December 15, 2020 and incorporated herein by reference.
10.31	Student Loan Servicing Contract between the United States Department of Education and Great Lakes Educational Loan Services, Inc., filed as Exhibit 10.6 to the registrant's Current Report on Form 8-K filed on May 17, 2019 and incorporated herein by reference.

10.32 Modification of Contract dated effective as of May 21, 2014 for Student Loan Servicing Contract between the United States Department of Education and Great Lakes Educational Loan Services, Inc., filed as Exhibit 10.7 to the registrant's Current Report on Form 8-K filed on May 17, 2019 and incorporated herein by reference.

10.33 Modification of Contract dated effective as of September 1, 2014 for Student Loan Servicing Contract between the United States Department of Education and Great Lakes Educational Loan Services, Inc., filed as Exhibit 10.8 to the registrant's Current Report on Form 8-K filed on May 17, 2019 and incorporated herein by reference.

10.34 Modification of Contract dated effective as of June 16, 2019 for Student Loan Servicing Contract between the United States Department of Education and Great Lakes Educational Loan Services, Inc., filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on May 17, 2019 and incorporated herein by reference.

10.35 Modification of Contract dated effective as of November 25, 2019 for Student Loan Servicing Contract between the United States Department of Education and Great Lakes Educational Loan Services, Inc., filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on November 27, 2019 and incorporated herein by reference.

10.36 Modification of Contract dated effective as of December 15, 2020 for Student Loan Servicing Contract between the United States Department of Education and Great Lakes Educational Loan Services, Inc., filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on December 15, 2020 and incorporated herein by reference.

10.37 Management Agreement, dated effective as of May 1, 2011, by Whitetail Rock Capital Management, LLC and Union Bank and Trust Company, filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and incorporated herein by reference.

10.38 Management Agreement, dated effective as of January 20, 2012, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.58 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2011 and incorporated herein by reference.

10.39 Management Agreement, dated effective as of October 27, 2015, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.25 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.

10.40# Appendix A, dated July 29, 2020, to Management Agreement dated effective as of October 27, 2015, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and incorporated herein by reference.

10.41 Management Agreement, dated effective as of January 4, 2016, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 and incorporated herein by reference.

10.42 Management Agreement, dated effective as of March 23, 2017, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated herein by reference.

10.43 Amended Appendix A, dated May 8, 2019, to Management Agreement, dated effective as of March 23, 2017, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 and incorporated herein by reference.

10.44# Amended Appendix A, dated July 29, 2020, to Management Agreement dated effective as of March 23, 2017, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and incorporated herein by reference.

10.45# Management Agreement dated effective as of July 29, 2020, by and between Union Bank and Trust Company and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.6 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and incorporated herein by reference.

10.46 Investment Management Agreement, dated effective as of February 10, 2012, by and among Whitetail Rock SLAB Fund I, LLC, Whitetail Rock Fund Management, LLC, and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and incorporated herein by reference.

10.47 Investment Management Agreement, dated effective as of February 14, 2013, by and among Whitetail Rock SLAB Fund III, LLC, Whitetail Rock Fund Management, LLC, and Whitetail Rock Capital Management, LLC, filed as Exhibit 10.31 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated herein by reference.

10.48 Form of Custodian Agreement for Whitetail Rock SLAB Funds by and among the Fund, Whitetail Rock Fund Management, LLC, and Union Bank and Trust Company, filed as Exhibit 10.27 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.

10.49 Form of Administrative Services Agreement for Whitetail Rock SLAB Funds by and among the Fund, Whitetail Rock Fund Management, LLC, Adminisystems, Inc., and Union Bank and Trust Company, filed as Exhibit 10.28 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.

10.50 Management Agreement dated as of August 8, 2019 between 1867 – Riley Road, LLC (of which Farmers & Merchants Investment Inc., North Central Bancorp, Inc., and Nelnet Solar, LLC are members) and 1867 Capital-1, LLC (a wholly owned subsidiary of Nelnet, Inc.), filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 and incorporated herein by reference.

10.51 Subordination Agreement effective as of July 26, 2019, by and between Union Bank and Trust Company, Nelnet, Inc., and Agile Sports Technologies, Inc., filed as Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 and incorporated herein by reference.

10.52 Second Amended and Restated Credit Agreement dated as of December 16, 2019, among Nelnet, Inc., U.S. Bank National Association, as Administrative Agent; Wells Fargo Bank, National Association, as Syndication Agent; Citibank, N.A. and Royal Bank of Canada, as Co-Documentation Agents; U.S. Bank National Association and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Book Runners; and various lender parties thereto, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on December 16, 2019 and incorporated herein by reference.

10.53 Amendment No. 1 to Second Amended and Restated Credit Agreement dated as of October 1, 2020, among Nelnet, Inc., the various Lenders signatory thereto, and U.S. Bank National Association, as Administrative Agent for the Lenders, filed as Exhibit 10.1 to the registrant’s Current Report on Form 8-K filed on October 2, 2020 and incorporated herein by reference.

10.54 Second Amended and Restated Guaranty dated as of December 16, 2019, by each of the subsidiaries of Nelnet, Inc. signatories thereto, in favor of U.S. Bank National Association, as Administrative Agent, filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on December 16, 2019 and incorporated herein by reference.

10.55 Agreement for Purchase and Sale of Interest in Aircraft dated as of December 31, 2018, by and between National Education Loan Network, Inc. and Union Financial Services, Inc., filed as Exhibit 10.42 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2018 and incorporated herein by reference.

10.56 Aircraft Joint Ownership Agreement dated as of January 1, 2019, by and between National Education Loan Network, Inc. and MSD711, LLC, filed as Exhibit 10.43 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2018 and incorporated herein by reference.

10.57 Aircraft Management Agreement, dated as of January 1, 2019, by and between Duncan Aviation, Inc. and National Education Loan Network, Inc. and MSD711, LLC, filed as Exhibit 10.44 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2018 and incorporated herein by reference.

10.58 Amended and Restated Consulting and Services Agreement made and entered into as of October 1, 2013, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and incorporated herein by reference.

10.59 Master Private Loan Program Agreement dated as of August 22, 2018, by and between Union Bank and Trust Company and Nelnet, Inc., filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 and incorporated herein by reference.

10.60± Education Loan Marketing Agreement dated as of August 22, 2018, by and between Nelnet Consumer Finance, Inc. and Union Bank and Trust Company, filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 and incorporated herein by reference.

10.61± Private Student Loan Origination and Servicing Agreement dated as of August 22, 2018, by and between Nelnet Servicing, LLC, d/b/a Firstmark Services, and Union Bank and Trust Company, filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 and incorporated herein by reference.

10.62±± Private Student Loan Purchase Agreement dated as of November 19, 2019, by and among National Education Loan Network, Inc., as Purchaser, Union Bank and Trust Company, as Purchaser Lender Trustee, and Union Bank and Trust Company, as Seller, filed as Exhibit 10.56 to the registrant’s Annual Report on Form 10-K for the year ended December 31, 2019 and incorporated herein by reference.

10.63	Private Loan Sale Agreement dated as of October 9, 2014, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.47 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.64	Private Student Loan Servicing Agreement dated as of October 9, 2014, by and between Nelnet Servicing, LLC and Union Bank and Trust Company, filed as Exhibit 10.48 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.65	First Amendment of Loan Servicing Agreement dated as of September 27, 2013, by and between Nelnet, Inc. and Union Bank and Trust Company, filed as Exhibit 10.49 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.
10.66	Private Loan Servicing Letter Agreement dated as of February 27, 2017, by and between Nelnet Servicing, LLC and Union Bank and Trust Company, filed as Exhibit 10.54 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference.
10.67	Form of Trust/Custodial/Safekeeping Agreement by and between National Education Loan Network, Inc., as Principal, and Union Bank and Trust Company, as Trustee, filed as Exhibit 10.55 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference.
10.68	Form of Special Investment Directions by National Education Loan Network, Inc. and its affiliates, as Principal under the Form of Trust/Custodial/Safekeeping Agreement between Principal and Union Bank and Trust Company, as Trustee, filed as Exhibit 10.56 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference.
10.69	Loan Participation Agreement dated as of January 1, 2018 between Union Bank and Trust Company and Union Bank and Trust Company as trustee for National Education Loan Network, Inc., filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 and incorporated herein by reference.
10.70	Amended and Restated Trust Agreement dated as of December 21, 2018 among Nelnet Private Student Loan Financing Corporation, as Depositor, Union Bank and Trust Company, as Trustee, and U.S. Bank Trust National Association, as Delaware Trustee, filed as Exhibit 10.57 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2018 and incorporated herein by reference.
10.71±±	Amended and Restated Trust Agreement, dated effective as of January 11, 2019, by and among Nelnet Private Student Loan Financing Corporation, as Depositor, Union Bank and Trust Company, as Trustee, National Education Loan Network, Inc., as Administrator, and U.S. Bank Trust National Association, as Delaware Trustee, filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 and incorporated herein by reference.
10.72±±	Interim Trust Agreement, dated effective as of January 11, 2019, by and among ACM F Acquisition, LLC, as ACM Seller, National Education Loan Network, Inc., as NELN Seller, and Union Bank and Trust Company, as Interim Trustee, filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 and incorporated herein by reference.
10.73	SLABS Participation Agreement, dated effective as of May 5, 2020, by and between National Education Loan Network, Inc., and Union Bank and Trust Company, as Trustee, filed as Exhibit 10.1 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and incorporated herein by reference.
10.74	Parent Company Agreement, dated as of June 26, 2020, by and among the Federal Deposit Insurance Corporation, Nelnet, Inc., Michael Dunlap, and Nelnet Bank, filed as Exhibit 10.2 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and incorporated herein by reference.
10.75	Capital and Liquidity Maintenance Agreement, dated as of June 26, 2020, by and among the Federal Deposit Insurance Corporation, Nelnet, Inc., Michael Dunlap, and Nelnet Bank, filed as Exhibit 10.3 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and incorporated herein by reference.
10.76++	Master Agreement entered into as of October 1, 2020, by and among SDC Allo Holdings, LLC, Nelnet, Inc., and ALLO Communications LLC, filed as Exhibit 10.1 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 and incorporated herein by reference.
10.77++	Membership Unit Purchase Agreement, dated as of October 1, 2020, by and among SDC Allo Holdings, LLC, Nelnet, Inc., and ALLO Communications LLC, filed as Exhibit 10.2 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 and incorporated herein by reference.
10.78	Omnibus Amendment dated as of October 15, 2020 to the Master Agreement and the Membership Unit Purchase Agreement, by and among SDC Allo Holdings, LLC, Nelnet, Inc., and ALLO Communications LLC, filed as Exhibit 10.3 to the registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 and incorporated herein by reference.

21.1*	Subsidiaries of Nelnet, Inc.
23.1*	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
31.1*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer Jeffrey R. Noordhoek.
31.2*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer James D. Kruger.
32**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline 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*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

** Furnished herewith

\+ Indicates a management contract or compensatory plan or arrangement contemplated by Item 15(a)(3) of Form 10-K.

++ Pursuant to Item 601(a)(5) of Regulation S-K, certain schedules and similar attachments to the exhibit have been omitted. The exhibit is not intended to be, and should not be relied upon as, including disclosures regarding any facts and circumstances relating to the registrant or any of its subsidiaries or affiliates. The exhibit contains representations and warranties by the registrant and the other parties that were made only for purposes of the agreement set forth in the exhibit and as of specified dates. The representations, warranties, and covenants in the agreement were made solely for the benefit of the parties to the agreement, may be subject to limitations agreed upon by the contracting parties (including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the agreement instead of establishing these matters as facts), and may apply contractual standards of materiality or material adverse effect that generally differ from those applicable to investors. In addition, information concerning the subject matter of the representations, warranties, and covenants may change after the date of the agreement, which subsequent information may or may not be fully reflected in the registrant's public disclosures.

± Certain portions of this exhibit have been redacted and are subject to a confidential treatment order granted by the U.S. Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

±± Certain portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K because the information in such portions is both not material and would likely cause competitive harm to the registrant if publicly disclosed.

\# Schedules, exhibits, and similar attachments to this exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K.

ITEM 16. FORM 10-K SUMMARY

The Company has elected not to include an optional summary of information required by Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 25, 2021

NELNET, INC.

By: /s/ JEFFREY R. NOORDHOEK

Name: Jeffrey R. Noordhoek

Title: Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JEFFREY R. NOORDHOEK Jeffrey R. Noordhoek	Chief Executive Officer (Principal Executive Officer)	February 25, 2021
/s/ JAMES D. KRUGER James D. Kruger	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 25, 2021
/s/ MICHAEL S. DUNLAP Michael S. Dunlap	Executive Chairman	February 25, 2021
/s/ JAMES P. ABEL James P. Abel	Director	February 25, 2021
/s/ PREETA D. BANSAL Preeta D. Bansal	Director	February 25, 2021
/s/ WILLIAM R. CINTANI William R. Cintani	Director	February 25, 2021
/s/ KATHLEEN A. FARRELL Kathleen A. Farrell	Director	February 25, 2021
/s/ DAVID S. GRAFF David S. Graff	Director	February 25, 2021
/s/ THOMAS E. HENNING Thomas E. Henning	Director	February 25, 2021
/s/ JOANN M. MARTIN JoAnn M. Martin	Director	February 25, 2021
/s/ KIMBERLY K. RATH Kimberly K. Rath	Director	February 25, 2021

NELNET, INC. AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Nelnet, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Nelnet, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes collectively, the consolidated financial statements. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 25, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of credit losses as of January 1, 2020 due to the adoption of ASU 2016-13 *"Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, and its related amendments."*

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the allowance for loan losses

As discussed in Note 3 to the consolidated financial statements, the Company adopted ASU No. 2016-13, Financial Instruments — Credit Losses (ASC Topic 326), as of January 1, 2020. The allowance for loan losses as of January 1, 2020 was $152.9 million (the January 1, 2020 ALL). As discussed in Note 4 to the consolidated financial statements, the Company's allowance for loan losses as of December 31, 2020 was $175.7 million (the December 31, 2020 ALL). The January 1, 2020 ALL and December 31, 2020 ALL, collectively the ALL, is the measure of expected credit losses on a pooled basis for those loans that share similar risk characteristics. The Company estimated the ALL using an undiscounted cash flow model on its federally insured and private education loan portfolios and a remaining life method for its consumer loan portfolio. The Company's methodologies are based on relevant available information,

from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. For the undiscounted cash flow models, the expected credit losses are the product of multiplying the Company's estimates of probability of default (PD), loss given default (LGD), and the exposure at default (EAD) over the expected life of the loans. For the remaining life method, the expected credit losses are the product of multiplying the Company's estimated net loss rate by the EAD over the expected life of the loans. Both the undiscounted model and remaining life method incorporate current and forecasted economic scenarios over the reasonable and supportable forecast periods. After the reasonable and supportable forecast periods, the Company reverts to their actual long-term historical loss experience in the historical observation period. A portion of the ALL is comprised of qualitative adjustments to historical loss experience.

We identified the assessment of the January 1, 2020 ALL and the December 31, 2020 ALL as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment due to significant measurement uncertainty. Specifically, the assessment encompassed the evaluation of the ALL methodology, including the methods and models used to estimate the PD, LGD, and net loss rates used in the remaining life method, and their significant assumptions. Such assumptions included segmentation of loans with similar risk characteristics, the current and forecasted economic scenarios, the reasonable and supportable forecast period, and the historical observation period. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the ALL estimates, including controls over the:

- development of the ALL methodology
- development of the PD and LGD models
- identification and determination of the significant assumptions used in the PD and LGD models, and the net loss rates used in the remaining life method
- performance monitoring of the PD and LGD models, and net loss rates used in the remaining life method for the December 31, 2020 ALL
- analysis of the ALL results, trends, and ratios.

We evaluated the Company's process to develop the ALL estimates by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's ALL methodology for compliance with U.S. generally accepted accounting principles
- evaluating judgments made by the Company relative to the development and performance testing of the PD and LGD models, and net loss rates used in the remaining life method
- assessing the conceptual soundness and performance testing of the PD and LGD models by inspecting the model documentation to determine whether the models are suitable for their intended use
- evaluating the methodology used to develop the economic forecast scenarios and underlying assumptions by comparing it to the Company's business environment and relevant industry practices
- assessing the economic forecast scenarios through comparison to publicly available forecasts
- evaluating the length of the historical observation period and reasonable and supportable forecast period by comparing to specific portfolio risk characteristics and trends
- determining whether the loan portfolio is segmented by similar risk characteristics by comparing to the Company's business environment and relevant industry practices.

We also assessed the cumulative results of the procedures performed to assess the sufficiency of the audit evidence obtained related to the ALL by evaluating the:

- cumulative results of the audit procedures
- qualitative aspects of the Company's accounting practices
- potential bias in the accounting estimate.

/s/ KPMG LLP

We have served as the Company's auditor since 1998.

Lincoln, Nebraska
February 25, 2021

NELNET, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
As of December 31, 2020 and 2019

		2020	2019
		(Dollars in thousands, except share data)	
Assets:			
Loans and accrued interest receivable (net of allowance for loan losses of $175,698 and $61,914, respectively)	$	20,185,656	21,402,868
Cash and cash equivalents:			
Cash and cash equivalents - not held at a related party		33,292	13,922
Cash and cash equivalents - held at a related party		87,957	119,984
Total cash and cash equivalents		121,249	133,906
Investments		992,940	247,099
Restricted cash		553,175	650,939
Restricted cash - due to customers		283,971	437,756
Accounts receivable (net of allowance for doubtful accounts of $1,824 and $4,455, respectively)		76,460	115,391
Goodwill		142,092	156,912
Intangible assets, net		75,070	81,532
Property and equipment, net		123,527	348,259
Other assets		92,020	134,308
Total assets	$	22,646,160	23,708,970
Liabilities:			
Bonds and notes payable	$	19,320,726	20,529,054
Accrued interest payable		28,701	47,285
Bank deposits		54,633	—
Other liabilities		312,280	303,781
Due to customers		301,471	437,756
Total liabilities		20,017,811	21,317,876
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 27,193,154 shares and 28,458,495 shares, respectively		272	285
Class B, convertible, $0.01 par value. Authorized 60,000,000 shares; issued and outstanding 11,155,571 shares and 11,271,609 shares, respectively		112	113
Additional paid-in capital		3,794	5,715
Retained earnings		2,621,762	2,377,627
Accumulated other comprehensive earnings		6,102	2,972
Total Nelnet, Inc. shareholders' equity		2,632,042	2,386,712
Noncontrolling interests		(3,693)	4,382
Total equity		2,628,349	2,391,094
Total liabilities and equity	$	22,646,160	23,708,970
Supplemental information - assets and liabilities of consolidated education and other lending variable interest entities:			
Loans and accrued interest receivable	$	20,132,996	21,399,382
Restricted cash		499,223	639,847
Bonds and notes payable		(19,355,375)	(20,742,798)
Accrued interest payable and other liabilities		(83,127)	(162,494)
Net assets of consolidated education and other lending variable interest entities	$	1,193,717	1,133,937

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES
Consolidated Statements of Income
Years ended December 31, 2020, 2019, and 2018

	2020	2019	2018
	(Dollars in thousands, except share data)		
Interest income:			
Loan interest	$ 595,113	914,256	897,666
Investment interest	24,543	34,421	26,600
Total interest income	619,656	948,677	924,266
Interest expense:			
Interest on bonds and notes payable and bank deposits	330,071	699,327	669,906
Net interest income	289,585	249,350	254,360
Less provision for loan losses	63,360	39,000	23,000
Net interest income after provision for loan losses	226,225	210,350	231,360
Other income/expense:			
Loan servicing and systems revenue	451,561	455,255	440,027
Education technology, services, and payment processing revenue	282,196	277,331	221,962
Communications revenue	76,643	64,269	44,653
Other	57,561	47,918	54,805
Gain on sale of loans	33,023	17,261	—
Gain from deconsolidation of ALLO	258,588	—	—
Impairment expense and provision for beneficial interests	(24,723)	—	(11,721)
Derivative market value adjustments and derivative settlements, net	(24,465)	(30,789)	71,085
Total other income/expense	1,110,384	831,245	820,811
Cost of services:			
Cost to provide education technology, services, and payment processing services	82,206	81,603	59,566
Cost to provide communications services	22,812	20,423	16,926
Total cost of services	105,018	102,026	76,492
Operating expenses:			
Salaries and benefits	501,832	463,503	436,179
Depreciation and amortization	118,699	105,049	86,896
Other expenses	160,574	194,272	166,310
Total operating expenses	781,105	762,824	689,385
Income before income taxes	450,486	176,745	286,294
Income tax expense	100,860	35,451	58,770
Net income	349,626	141,294	227,524
Net loss attributable to noncontrolling interests	2,817	509	389
Net income attributable to Nelnet, Inc.	$ 352,443	141,803	227,913
Earnings per common share:			
Net income attributable to Nelnet, Inc. shareholders - basic and diluted	$ 9.02	3.54	5.57
Weighted average common shares outstanding - basic and diluted	39,059,588	40,047,402	40,909,022

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended December 31, 2020, 2019, and 2018

	2020	2019	2018
	(Dollars in thousands)		
Net income	$ 349,626	141,294	227,524
Other comprehensive income (loss):			
Available-for-sale securities:			
Unrealized holding gains (losses) arising during period, net	6,637	(1,199)	1,056
Reclassification adjustment for gains recognized in net income, net of losses	(2,521)	—	(978)
Income tax effect	(986)	288	(69)
Total other comprehensive income (loss)	3,130	(911)	9
Comprehensive income	352,756	140,383	227,533
Comprehensive loss attributable to noncontrolling interests	2,817	509	389
Comprehensive income attributable to Nelnet, Inc.	$ 355,573	140,892	227,922

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

Years ended December 31, 2020, 2019, and 2018

	Nelnet, Inc. Shareholders										
	Preferred stock shares	Common stock shares		Preferred stock	Class A common stock	Class B common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings	Noncontrolling interests	Total equity
		Class A	Class B								
	(Dollars in thousands, except share data)										
Balance as of December 31, 2017	—	29,341,517	11,468,587	$ —	293	115	521	2,143,983	4,617	15,858	2,165,387
Issuance of noncontrolling interests	—	—	—	—	—	—	—	—	—	1,023	1,023
Net income (loss)	—	—	—	—	—	—	—	227,913	—	(389)	227,524
Other comprehensive income	—	—	—	—	—	—	—	—	9	—	9
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	(525)	(525)
Cash dividends on Class A and Class B common stock - $0.66 per share	—	—	—	—	—	—	—	(26,839)	—	—	(26,839)
Issuance of common stock, net of forfeitures	—	316,148	—	—	3	—	5,171	—	—	—	5,174
Compensation expense for stock based awards	—	—	—	—	—	—	6,194	—	—	—	6,194
Repurchase of common stock	—	(868,147)	—	—	(8)	—	(11,264)	(34,059)	—	—	(45,331)
Impact of adoption of new accounting standards	—	—	—	—	—	—	—	2,007	(743)	—	1,264
Conversion of common stock	—	8,946	(8,946)	—	—	—	—	—	—	—	—
Acquisition of noncontrolling interest	—	—	—	—	—	—	—	(13,449)	—	(5,652)	(19,101)
Balance as of December 31, 2018	—	28,798,464	11,459,641	—	288	115	622	2,299,556	3,883	10,315	2,314,779
Issuance of noncontrolling interests	—	—	—	—	—	—	—	—	—	4,756	4,756
Net income (loss)	—	—	—	—	—	—	—	141,803	—	(509)	141,294
Other comprehensive loss	—	—	—	—	—	—	—	—	(911)	—	(911)
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	(4,103)	(4,103)
Cash dividends on Class A and Class B common stock - $0.74 per share	—	—	—	—	—	—	—	(29,485)	—	—	(29,485)
Issuance of common stock, net of forfeitures	—	198,272	—	—	2	—	4,849	—	—	—	4,851
Compensation expense for stock based awards	—	—	—	—	—	—	6,401	—	—	—	6,401
Repurchase of common stock	—	(726,273)	—	—	(7)	—	(6,157)	(34,247)	—	—	(40,411)
Impact of adoption of new accounting standard	—	—	—	—	—	—	—	—	—	(6,077)	(6,077)
Conversion of common stock	—	188,032	(188,032)	—	2	(2)	—	—	—	—	—
Balance as of December 31, 2019	—	28,458,495	11,271,609	—	285	113	5,715	2,377,627	2,972	4,382	2,391,094
Issuance of noncontrolling interests	—	—	—	—	—	—	—	—	—	219,265	219,265
Net income (loss)	—	—	—	—	—	—	—	352,443	—	(2,817)	349,626
Other comprehensive income	—	—	—	—	—	—	—	—	3,130	—	3,130
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	(16,123)	(16,123)
Cash dividends on Class A and Class B common stock - $0.82 per share	—	—	—	—	—	—	—	(31,778)	—	—	(31,778)
Issuance of common stock, net of forfeitures	—	213,015	—	—	2	—	5,626	—	—	—	5,628
Compensation expense for stock based awards	—	—	—	—	—	—	7,290	—	—	—	7,290
Repurchase of common stock	—	(1,594,394)	—	—	(16)	—	(14,837)	(58,505)	—	—	(73,358)
Impact of adoption of new accounting standard	—	—	—	—	—	—	—	(18,868)	—	—	(18,868)
Conversion of common stock	—	116,038	(116,038)	—	1	(1)	—	—	—	—	—
Acquisition of noncontrolling interest	—	—	—	—	—	—	—	(375)	—	(225)	(600)
Deconsolidation of noncontrolling interest - ALLO	—	—	—	—	—	—	—	—	—	(208,175)	(208,175)
Other equity transactions, net of costs incurred to sell shares of subsidiary	—	—	—	—	—	—	—	1,218	—	—	1,218
Balance as of December 31, 2020	—	27,193,154	11,155,571	$ —	272	112	3,794	2,621,762	6,102	(3,693)	2,628,349

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2020, 2019, and 2018

	2020	2019	2018
	(Dollars in thousands)		
Net income attributable to Nelnet, Inc.	$ 352,443	141,803	227,913
Net loss attributable to noncontrolling interests	(2,817)	(509)	(389)
Net income	349,626	141,294	227,524
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization, including debt discounts and loan premiums and deferred origination costs	198,473	192,662	184,682
Loan discount accretion	(35,285)	(35,824)	(40,800)
Provision for loan losses	63,360	39,000	23,000
Derivative market value adjustments	28,144	76,195	(1,014)
(Payments to) proceeds from termination of derivative instruments, net	—	(12,530)	10,283
(Payments to) proceeds from clearinghouse - initial and variation margin, net	(26,747)	(70,685)	40,382
Gain from deconsolidation of ALLO, including cash impact	(287,579)	—	—
Gain from sale of loans	(33,023)	(17,261)	—
Gain from investments, net	(14,055)	(3,095)	(8,139)
(Gain from) loss on repurchases and extinguishment of debt, net	(1,924)	16,553	(359)
Deferred income tax expense (benefit)	7,974	(7,265)	10,981
Non-cash compensation expense	16,739	6,781	6,539
Impairment expense and provision for beneficial interests	24,723	—	11,721
Other	186	584	(2,551)
Increase in loan and investment accrued interest receivable	(61,090)	(54,586)	(248,869)
Decrease (increase) in accounts receivable	40,880	(55,949)	3,059
Decrease (increase) in other assets, net	59,182	(19,858)	(4,069)
Decrease in the carrying amount of ROU asset	11,594	8,793	—
(Decrease) increase in accrued interest payable	(18,584)	(14,394)	11,640
Increase (decrease) in other liabilities	35,907	49,100	(12,506)
Decrease in the carrying amount of lease liability	(9,401)	(8,678)	—
(Decrease) increase in due to customers	(136,285)	68,078	59,388
Net cash provided by operating activities	212,815	298,915	270,892
Cash flows from investing activities, net of acquisitions:			
Purchases of loans	(1,459,696)	(1,906,669)	(3,847,553)
Purchases of loans from a related party	(147,539)	(101,538)	(74,698)
Net proceeds from loan repayments, claims, and capitalized interest	2,644,347	3,462,391	3,322,783
Proceeds from sale of loans	136,126	196,564	23,712
Purchases of available-for-sale securities	(471,510)	(1,010)	(46,424)
Proceeds from sales of available-for-sale securities	173,784	105	71,415
Proceeds from beneficial interest in loan securitizations	44,213	6,593	—
Purchases of other investments	(168,216)	(103,250)	(67,040)
Proceeds from other investments	13,011	63,879	23,039
Purchases of property and equipment	(113,312)	(92,499)	(125,023)
Business acquisitions, net of cash and restricted cash acquired	(29,989)	—	(12,562)
Net cash provided by (used in) investing activities	$ 621,219	1,524,566	(732,351)

NELNET, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

	2020	2019	2018
	(Dollars in thousands)		
Cash flows from financing activities:			
Payments on bonds and notes payable	$ (3,129,485)	(4,698,878)	(3,113,503)
Proceeds from issuance of bonds and notes payable	1,884,689	2,997,972	3,922,962
Payments of debt issuance costs	(8,674)	(14,406)	(13,808)
Payments to extinguish debt	—	(14,030)	—
Increase in bank deposits, net	54,633	—	—
Dividends paid	(31,778)	(29,485)	(26,839)
Repurchases of common stock	(73,358)	(40,411)	(45,331)
Proceeds from issuance of common stock	1,653	1,552	1,359
Acquisition of noncontrolling interest	(600)	—	(13,449)
Issuance of noncontrolling interests	205,768	4,650	918
Distribution to noncontrolling interests	(1,088)	(235)	(525)
Net cash (used in) provided by financing activities	(1,098,240)	(1,793,271)	711,784
Net (decrease) increase in cash, cash equivalents and restricted cash	(264,206)	30,210	250,325
Cash, cash equivalents, and restricted cash, beginning of year	1,222,601	1,192,391	942,066
Cash, cash equivalents, and restricted cash, end of year	$ 958,395	1,222,601	1,192,391
Supplemental disclosures of cash flow information:			
Cash disbursements made for interest	$ 301,570	657,436	591,394
Cash disbursements made for income taxes, net of refunds and credits received (a)	$ 29,685	17,672	473
Cash disbursements made for operating leases	$ 11,488	9,966	—
Noncash operating, investing, and financing activity:			
ROU assets obtained in exchange for lease obligations	$ 4,282	8,731	—
Receipt of beneficial interest in consumer loan securitizations	$ 52,501	39,780	—
Distribution to noncontrolling interest	$ 15,035	3,868	—

(a) For 2020, 2019, and 2018 the Company utilized $53.9 million, $31.8 million, and $14.7 million of federal and state tax credits, respectively, related primarily to renewable energy.

Supplemental disclosures of noncash activities regarding the adoption of the new accounting standard for measurement of credit losses on January 1, 2020 are contained in note 3.

Supplemental disclosures of noncash activities regarding the Company's recapitalization of ALLO in 2020 and business acquisitions during 2020 and 2018 are contained in note 2 and note 8, respectively.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated balance sheets to the total of the amounts reported in the consolidated statements of cash flows.

	As of December 31, 2020	As of December 31, 2019	As of December 31, 2018	As of December 31, 2017
Total cash and cash equivalents	$ 121,249	133,906	121,347	66,752
Restricted cash	553,175	650,939	701,366	688,193
Restricted cash - due to customers	283,971	437,756	369,678	187,121
Cash, cash equivalents, and restricted cash	$ 958,395	1,222,601	1,192,391	942,066

See accompanying notes to consolidated financial statements.

1. Description of Business

Nelnet, Inc. and its subsidiaries ("Nelnet" or the "Company") is a diverse company with a purpose to serve others and a vision to make customers' dreams possible by delivering customer focused products and services. The largest operating businesses engage in loan servicing and education technology, services, and payment processing, and the Company also has a significant investment in communications. A significant portion of the Company's revenue is net interest income earned on a portfolio of federally insured student loans. The Company also makes investments to further diversify the Company both within and outside of its historical core education-related businesses, including, but not limited to, investments in real estate, early-stage and emerging growth companies, and renewable energy. Substantially all revenue from external customers is earned, and all long-lived assets are located, in the United States.

The Company was formed as a Nebraska corporation in 1978 to service federal student loans for two local banks. The Company built on this initial foundation as a servicer to become a leading originator, holder, and servicer of federal student loans, principally consisting of loans originated under the Federal Family Education Loan Program ("FFELP" or "FFEL Program") of the U.S. Department of Education (the "Department").

The Health Care and Education Reconciliation Act of 2010 (the "Reconciliation Act of 2010") discontinued new loan originations under the FFEL Program, effective July 1, 2010, and requires that all new federal student loan originations be made directly by the Department through the Federal Direct Loan Program. This law does not alter or affect the terms and conditions of existing FFELP loans. As a result of this law, the Company no longer originates new FFELP loans. To reduce its reliance on interest income on student loans, the Company has expanded its services and products. This expansion has been accomplished through internal growth and innovation as well as business acquisitions.

The Company's reportable operating segments include:

- Loan Servicing and Systems ("LSS")
- Education Technology, Services, and Payment Processing ("ETS&PP")
- Communications
- Asset Generation and Management ("AGM")
- Nelnet Bank

A description of each reportable operating segment is included below. See note 15 for additional information on the Company's segment reporting.

Loan Servicing and Systems

The primary service offerings of the Loan Servicing and Systems operating segment include:

- Servicing federally-owned student loans for the Department of Education
- Servicing FFELP loans
- Originating and servicing private education and consumer loans
- Backup servicing for FFELP, private education and consumer loans
- Providing student loan servicing software and other information technology products and services
- Customer acquisition, management services, and backup servicing for community solar developers
- Providing outsourced services including call center, processing, and marketing services

LSS provides for the servicing of the Company's student loan portfolio and the portfolios of third parties. The loan servicing activities include loan conversion activities, application processing, borrower updates, customer service, payment processing, due diligence procedures, funds management reconciliations, and claim processing. These activities are performed internally for the Company's portfolio in addition to generating external fee revenue when performed for third-party clients. In addition, LSS provides backup servicing to third-parties, which allows a transfer of the customer's servicing volume to the Company's platform and becoming a full servicing customer if their existing servicer cannot perform their duties.

On February 7, 2018, NDS acquired Great Lakes Educational Loan Services, Inc. ("Great Lakes"). See note 8 for additional information related to this acquisition. Nelnet Servicing, LLC, ("Nelnet Servicing"), a subsidiary of the Company, and Great Lakes are two of four large private sector companies (referred to as Title IV Additional Servicers, or "TIVAS") awarded a student loan servicing contract by the Department to provide additional servicing capacity for loans owned by the Department.

This segment also provides student loan servicing software, which is used internally and licensed to third-party student loan holders and servicers. These software systems have been adapted so that they can be offered as hosted servicing software solutions usable by third parties to service various types of student loans, including Federal Direct Loan Program and FFEL Program loans.

This segment also provides business process outsourcing primarily specializing in contact center management. The contact center solutions and services include taking inbound calls, helping with outreach campaigns and sales, interacting with customers through multi-channels, and processing and technology services.

Education Technology, Services, and Payment Processing

The Education Technology, Services, and Payment Processing segment (known as Nelnet Business Solutions ("NBS")) provides service and technology to administrators, teachers, students, and families of K-12 schools and higher education institutions. The Company's payment processing services and technologies also serve customers outside of education.

In the K-12 market, the Company (known as FACTS) offers (i) financial management, including tuition payment plans, financial needs assessment (grant and aid), incidental billing, advanced accounting, and payment forms; (ii) school administration solutions, including school information system software that automates the flow of information between school administrators, teachers, and parents and includes administrative processes such as admissions, enrollment, scheduling, cafeteria management, attendance, and grade book management; (iii) advancement (giving management), including a comprehensive donation platform that streamlines donor communications, organizes donor information, and provides access to data analysis and reporting; (iv) enrollment and communications, including website design and cost effective admissions software; (v) professional development and educational instruction services; and (vi) innovative technology products that aid in teacher and student evaluations. In the higher education market, the Company (known as Nelnet Campus Commerce) offers solutions including (i) tuition payment plans and (ii) payment technology and processing.

Outside of the education market, the Company also offers technology and payment services including electronic transfer and credit card processing, reporting, billing and invoicing, mobile and virtual terminal solutions, and specialized integrations to business software. In addition, this operating segment offers mobile first technology focused on increasing engagement, online giving, and communication for church and not-for-profit customers. Additionally, the Company may earn revenue for payment processing fees when families make tuition payments.

Communications

ALLO Communications LLC ("ALLO") provides pure fiber optic service to homes and businesses for internet, television, and telephone services. ALLO derives its revenue primarily from the sale of communication services to residential, governmental, and business customers in Nebraska and Colorado. Internet and television services include revenue from residential and business customers for subscriptions to ALLO's data and video products. ALLO data services provide high-speed internet access over ALLO's all-fiber network at various symmetrical speeds of up to 1 gigabit per second for residential customers and is capable of providing symmetrical speeds of over 1 gigabit per second for business customers. Telephone services include local and long distance telephone service, hosted PBX services, and other services.

On December 21, 2020 the Company deconsolidated ALLO from the Company's consolidated financial statements due to ALLO's recapitalization. The recapitalization of ALLO is not considered a strategic shift in the Company's involvement with ALLO and ALLO's results of operations, prior to deconsolidation, are presented by the Company as a reportable operating segment. See note 2, "Recent Developments - ALLO Recapitalization," for a description of this transaction and the Company's continued involvement.

Asset Generation and Management

The Company's Asset Generation and Management operating segment includes the acquisition, management, and ownership of the Company's loan assets (excluding loan assets held by Nelnet Bank). Substantially all loan assets included in this segment are student loans originated under the FFEL Program, including the Stafford Loan Program, the PLUS Loan program, and loans that reflect the consolidation into a single loan of certain previously separate borrower obligations ("Consolidation" loans). AGM also acquires private education and consumer loans. AGM generates a substantial portion of its earnings from the spread, referred to as the Company's loan spread, between the yield it receives on its loan portfolio and the associated costs to finance such portfolio. The loan assets are held in a series of lending subsidiaries and associated securitization trusts designed specifically for this purpose. In addition to the loan spread earned on its portfolio, all costs and activity associated with managing the portfolio, such as servicing of the assets and debt maintenance, are included in this segment.

Nelnet Bank

On November 2, 2020, the Company obtained final approval from the Federal Deposit Insurance Corporation ("FDIC") for federal deposit insurance and for a bank charter from the Utah Department of Financial Institutions ("UDFI") in connection with the establishment of Nelnet Bank, and Nelnet Bank launched operations. Nelnet Bank operates as an internet Utah-chartered industrial bank franchise focused on the private education loan marketplace, with a home office in Salt Lake City, Utah.

Corporate and Other Activities

Other business activities and operating segments that are not reportable are combined and included in Corporate and Other Activities. Corporate and Other Activities include the following items:

- The operating results of Whitetail Rock Capital Management, LLC (“WRCM”), the Company's SEC-registered investment advisor subsidiary
- Income earned on certain investment activities, including renewable energy (solar) and real estate
- Interest expense incurred on unsecured and certain other corporate related debt transactions
- Other product and service offerings that are not considered reportable operating segments

Corporate and Other Activities also include certain corporate activities and overhead functions related to executive management, internal audit, human resources, accounting, legal, enterprise risk management, information technology, occupancy, and marketing. These costs are allocated to each operating segment based on estimated use of such activities and services.

2. Recent Developments - ALLO Recapitalization

On October 1, 2020, the Company entered into various agreements with SDC Allo Holdings, LLC (“SDC”), a third party global digital infrastructure investor, and ALLO, then a majority owned communications subsidiary of the Company, for various transactions contemplated by the parties in connection with a recapitalization and additional funding for ALLO.

The agreements provided for a series of interrelated transactions, whereby on October 15, 2020, ALLO received proceeds of $197.0 million from SDC as the purchase price for the issuance of non-voting preferred membership units of ALLO, and redeemed $160.0 million of non-voting preferred membership units of ALLO held by the Company. On December 21, 2020, the non-voting preferred membership units of ALLO held by SDC automatically converted into voting membership units of ALLO pursuant to the terms of the agreements upon the receipt on December 21, 2020 of the required approvals from applicable regulatory authorities. As a result of such conversion, SDC, the Company, and members of ALLO’s management own approximately 48 percent, 45 percent, and 7 percent, respectively, of the outstanding voting membership interests of ALLO, and the Company deconsolidated ALLO from the Company’s consolidated financial statements.

Upon the deconsolidation of ALLO, the Company recorded its 45 percent voting membership interests in ALLO at fair value, and accounts for such investment under the Hypothetical Liquidation at Book Value (“HLBV”) method of accounting. In addition, the Company recorded its remaining non-voting preferred membership units in ALLO at fair value, and accounts for such investment as a separate equity investment. As a result of the deconsolidation of ALLO, the Company recognized a gain of $258.6 million in the fourth quarter of 2020 as summarized below.

	As of December 21, 2020
Voting interest/equity method investment - recorded at fair value	$ 132,960
Preferred membership interest investment - recorded at fair value	228,530
Less: ALLO assets deconsolidated:	
Cash and cash equivalents – not held at a related party	(299)
Cash and cash equivalents – held at a related party	(28,692)
Accounts receivable	(4,138)
Goodwill	(21,112)
Intangible assets	(6,083)
Property and equipment, net	(245,295)
Other assets	(29,643)
Other liabilities	24,185
Noncontrolling interests	208,175
Gain recognized upon deconsolidation of ALLO	$ 258,588

The agreements between the Company, SDC, and ALLO provide that they will use commercially reasonable efforts (which expressly excludes requiring ALLO to raise any additional equity financing or sell any assets) to cause ALLO to redeem, on or before April 2024, the remaining preferred membership units of ALLO held by the Company, plus the amount of accrued and unpaid preferred return on such units. As of December 31, 2020, the outstanding preferred membership units of ALLO held by the Company was $228.9 million. The preferred membership units earn a preferred annual return of 6.25 percent.

The impact to the Company's 2020 operating results as a result of the ALLO recapitalization is summarized below:

Gain from deconsolidation	$ 258,588
Compensation expense (note 1)	(9,298)
Obligation to SDC (note 2)	(2,339)
	$ 246,951

Note 1: On October 1, 2020 (prior to the deconsolidation of ALLO), ALLO recognized compensation expense related to the modification of certain equity awards previously granted to members of ALLO's management.

Note 2: As part of the ALLO recapitalization transaction, the Company and SDC entered into an agreement, in which the Company has a contingent payment obligation to pay SDC a contingent payment amount of $25.0 million to $35.0 million in the event the Company disposes of its voting membership units of ALLO that it holds and realizes from such disposition certain targeted return levels. The Company recognized the estimated fair value of the contingent payment as of December 31, 2020 to be $2.3 million, which is included in "other liabilities" on the consolidated balance sheet.

3. Summary of Significant Accounting Policies and Practices

Consolidation

The consolidated financial statements include the accounts of Nelnet, Inc. and its consolidated subsidiaries. In addition, the accounts of all variable interest entities ("VIEs") of which the Company has determined that it is the primary beneficiary are included in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

Variable Interest Entities

The Company assesses its partnerships and joint ventures to determine if the entity meets the qualifications of a VIE. The Company performs a qualitative assessment of each VIE to determine if it is the primary beneficiary. The primary beneficiary is the entity which has both: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (2) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the

VIE. The Company examines specific criteria and uses judgment when determining whether an entity is a VIE and whether it is the primary beneficiary. The Company performs this review initially at the time it enters into a partnership or joint venture agreement and reassess upon reconsideration events.

VIEs - Consolidated

The Company is required to consolidate VIEs in which it has determined it is the primary beneficiary.

The Company's education and other lending subsidiaries are engaged in the securitization of finance assets. These lending subsidiaries hold beneficial interests in eligible loans, subject to creditors with specific interests. The liabilities of the Company's lending subsidiaries are not the direct obligations of Nelnet, Inc. or any of its other subsidiaries. Each lending subsidiary is structured to be bankruptcy remote, meaning that it should not be consolidated in the event of bankruptcy of the parent company or any other subsidiary. The Company is generally the administrator and master servicer of the securitized assets held in its lending subsidiaries and owns the residual interest of the securitization trusts. For accounting purposes, the transfers of loans to the securitization trusts do not qualify as sales. Accordingly, all the financial activities and related assets and liabilities, including debt, of the securitizations are reflected in the Company's consolidated financial statements and are summarized as supplemental information on the balance sheet.

VIEs - Not consolidated

The Company is not required to consolidate VIEs in which it has determined it is not the primary beneficiary.

The Company makes investments in entities that promote renewable energy sources (solar). The Company’s investments in these entities generate a return primarily through the realization of federal income tax credits, operating cash flows, and other tax benefits, such as tax deductions from operating losses of the investments, over specified time periods. These investments are included in "investments" on the consolidated balance sheets and accounted for under the HLBV method of accounting. The carrying value of these investments are reduced by tax credits earned when the solar project is placed in service. The Company’s unfunded capital and other commitments related to these unconsolidated VIEs are included in “other liabilities” on the consolidated balance sheet. The Company’s maximum exposure to loss from these unconsolidated VIEs include the investment, unfunded capital commitments, and previously recorded tax credits which remain subject to recapture by taxing authorities based on compliance features required to be met at the project level. The tax credit recapture period ratably decreases over five years from when the project is placed in service. While the Company believes potential losses from these investments are remote, the maximum exposure was determined by assuming a scenario where the energy-producing projects completely fail and do not meet certain government compliance requirements resulting in recapture of the related tax credits.

The following table provides a summary of solar investment VIEs that the Company has not consolidated:

	As of December 31,	
	2020	2019
Investment carrying amount	$ (30,373)	7,562
Tax credits subject to recapture	117,740	67,069
Unfunded capital and other commitments	17,462	14,006
Maximum exposure to loss (a)	$ 104,829	88,637

(a) Amounts include $15.6 million and $3.0 million as of December 31, 2020 and 2019, respectively, syndicated to other investors in certain solar projects.

As of December 31, 2020, the Company owned 45 percent of the economic rights of ALLO Communications LLC and has a disproportional 43 percent of the voting rights related to all operating decisions for ALLO's business. See note 1, “Description of Business,” for a description of ALLO, including the primary services offered. See note 2, “Recent Developments - ALLO Recapitalization,” for disclosure of ALLO’s recapitalization and the Company’s recognition of its voting interest/equity method and non-voting preferred membership investments, which is the Company’s maximum exposure to loss.

Accounting Standard Adopted in 2020

In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-13, *Financial Instruments – Credit Losses* (“ASC 326”), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the

current expected credit loss ("CECL") methodology. Since its original issuance in 2016, the FASB has issued several updates to the original ASU.

The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for financial assets measured at amortized cost at the time the financial asset is originated or acquired, including, for the Company, loans receivable, accounts receivable, and held-to-maturity beneficial interests in loan securitizations. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. For available-for-sale debt securities where fair value is less than amortized cost, credit-related impairment, if any, is recognized through an allowance for credit losses and adjusted each period for changes in credit risk.

On January 1, 2020, the Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost. Results for reporting periods beginning after January 1, 2020 are presented under ASC 326 (recognizing estimated credit losses expected to occur over the asset's remaining life) while prior period amounts continue to be reported in accordance with previously applicable GAAP (recognizing estimated credit losses using an incurred loss model); therefore, the comparative information for 2019 is not comparable to the information presented for 2020. Adoption of the new guidance primarily impacted the allowance for loan losses related to the Company's loan portfolio. Upon adoption, the Company recorded an increase to the allowance for loan losses of $91.0 million, which included a reclassification of the non-accretable discount balance and premiums related to loans purchased with evidence of credit deterioration, and decreased retained earnings, net of tax, by $18.9 million. The following table illustrates the impact of the adoption of ASC 326.

	Balances at December 31, 2019	Impact of ASC 326 adoption	Balances at January 1, 2020
Assets			
Loans and accrued interest receivable, net of allowance			
Loans receivable	$ 20,798,719	—	20,798,719
Accrued interest receivable	733,497	—	733,497
Loan discount, net	(35,036)	33,790	(1,246)
Non-accretable discount	(32,398)	32,398	—
Allowance for loan losses	(61,914)	(91,014)	(152,928)
Loans and accrued interest receivable, net of allowance	21,402,868	(24,826)	21,378,042
Liabilities			
Other liabilities (deferred taxes)	303,781	(5,958)	297,823
Equity			
Retained earnings	2,377,627	(18,868)	2,358,759

The Company adopted ASC 326 using the prospective transition approach for loans receivable purchased with credit deterioration ("PCD") that were previously classified as purchased credit impaired ("PCI"). In accordance with the standard, the Company did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On January 1, 2020, the unamortized cost basis of the PCD assets were adjusted to reflect the addition of $32.4 million in the allowance for loan losses (as reflected in the table above). The remaining noncredit premium on these loans as of January 1, 2020 (based on the adjusted amortized cost basis) will be amortized into interest income over the life of the loans. Changes to the allowance for loan losses on these loans after adoption are recorded through provision expense.

Summary of Significant Accounting Policies Affected by Implementation of ASC 326

Allowance for Loan Losses

The allowance for loan losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of prepayments. Loans are charged off when management determines the loan is uncollectible. Charge-offs are recognized as a reduction to the allowance for loan losses. Expected

recoveries of amounts previously charged off, not to exceed the aggregate of the amount previously charged off, are included in the estimate of the allowance for loan losses at the balance sheet date.

The Company aggregates loans with similar risk characteristics into pools to estimate its expected credit losses. The Company evaluates such pooling decisions each quarter and makes adjustments as risk characteristics change.

The Company determines its estimated credit losses for the following financial assets as follows:

Loans receivable

Management has determined that the federally insured, private education, and consumer loan portfolios each meet the definition of a portfolio segment, which is defined as the level at which an entity develops and documents a systematic method for determining its allowance for loan losses. Accordingly, the portfolio segment disclosures are presented on this basis in note 4 for each of these portfolios. The Company does not disaggregate its portfolio segment loan portfolios into classes of financing receivables.

The Company utilizes an undiscounted cash flow methodology in determining its lifetime expected credit losses on its federally insured and private education loan portfolios and a remaining life methodology for its consumer loan portfolio. For the undiscounted cash flow models, the expected credit losses are the product of multiplying the Company's estimates of probability of default and loss given default and the exposure of default over the expected life of the loans. For the remaining life method, the expected credit losses are the product of multiplying the Company's estimated net loss rate by the exposure at default over the expected life of the loans. Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current economic conditions, and reasonable and supportable forecasts. The Company has determined that, for modeling current expected credit losses, the Company can reasonably estimate expected losses that incorporate current economic conditions and forecasted probability weighted economic scenarios up to a one-year period. Macroeconomic factors used in the models include such variables as unemployment rates, gross domestic product, and consumer price index. After the "reasonable and supportable" period, the Company reverts to its actual long-term historical loss experience in the historical observation period. The Company uses a straight line reversion method over two years. Historical credit loss experience provides the basis for the estimation of expected credit losses. A portion of the allowance is comprised of qualitative adjustments to historical loss experience.

Qualitative adjustments consider the following factors, as applicable, for each of the Company's loan portfolios: student loans in repayment versus those in nonpaying status; delinquency status; type of private education or consumer loan program; trends in defaults in the portfolio based on Company and industry data; past experience; trends in federally insured student loan claims rejected for payment by guarantors; changes in federal student loan programs; and other relevant qualitative factors.

Changes in the allowance for the year ended December 31, 2020 were primarily a result of the adoption of ASC 326 and changes in macroeconomic factors that were impacted by COVID-19.

The federal government guarantees 97 percent of the principal of and the interest on federally insured student loans disbursed on and after July 1, 2006 (and 98 percent for those loans disbursed on and after October 1, 1993 and prior to July 1, 2006), which limits the Company's loss exposure on the outstanding balance of the Company's federally insured portfolio. Federally insured student loans disbursed prior to October 1, 1993 are fully insured. Private education and consumer loans are unsecured, with neither a government nor a private insurance guarantee. Accordingly, the Company bears the full risk of loss on these loans if the borrower and co-borrower, if applicable, default. The Company places private education loans on nonaccrual status when the collection of principal and interest is 90 days past due and charges off the loan when the collection of principal and interest is 120 days past due. The Company places consumer loans on nonaccrual status when the collection of principal and interest is 90 days past due and charges off the loan when the collection of principal and interest is 120 days or 180 days past due, depending on type of loan program. Collections, if any, are reflected as a recovery through the allowance for loan losses.

Purchased Loans Receivable with Credit Deterioration ("PCD")

The Company has purchased federally insured rehabilitation loans that have experienced more than insignificant credit deterioration since origination. Rehabilitation loans are loans that have previously defaulted, but for which the borrower has made a specified number of on-time payments. Although rehabilitation loans benefit from the same guarantees as other federally insured loans, rehabilitation loans have generally experienced redefault rates that are higher than default rates for federally insured loans that have not previously defaulted. These PCD loans are recorded at the amount paid. An allowance for loan losses is determined using the same methodology as for other loans held for investment. The sum of the loans' purchase

price and allowance for loan losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized or accreted into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through provision expense.

Loan Accrued Interest Receivable

The Company has elected to present its loan accrued interest receivable balance combined in its consolidated balance sheets with the loans receivable amortized cost balance.

For the Company's federally insured loan portfolio, the Company has elected to measure an allowance for credit losses for accrued interest receivables. For federally insured loans, accrued interest receivable is typically charged-off when the contractual payment of principal or interest has become greater than 270 days past due. Charge-offs of accrued interest receivable are recognized as a reduction to the allowance for loan losses.

For the Company's private education and consumer loan portfolios, the Company has elected not to measure an allowance for credit losses for accrued interest receivables. For private education and consumer loans, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due. Charge-offs of accrued interest receivable are recognized by reversing interest income.

Reclassifications

Certain amounts previously reported have been reclassified to conform to the current period presentation. These reclassifications include:

- Reclassifying the line item "accrued interest receivable" on the Company's consolidated balance sheet to "loans and accrued interest receivable" and "investments";
- Reclassifying "gain on sale of loans" that was previously included in "other income" to a new line item on the Company's consolidated statements of income; and
- Reclassifying "impairment expense" that was previously included in "other expenses" to a new line on the Company's consolidated statements of income.

Noncontrolling Interests

Amounts for noncontrolling interests reflect the proportionate share of membership interest (equity) and net income attributable to the holders of minority membership interests in the following entities:

- Whitetail Rock Capital Management, LLC - WRCM is the Company's SEC-registered investment advisor subsidiary. WRCM issued 10 percent minority membership interests on January 1, 2012.

In addition, the Company has established multiple entities for the purpose of investing in renewable energy (solar) and federal opportunity zone programs in which it has noncontrolling members.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, reported amounts of revenues and expenses, and other disclosures. Actual results may differ from those estimates.

Loans Receivable

Loans consist of federally insured student loans, private education loans, and consumer loans. If the Company has the ability and intent to hold loans for the foreseeable future, such loans are held for investment and carried at amortized cost. Amortized cost includes the unamortized premium or discount and capitalized origination costs and fees, all of which are amortized to interest income. Loans which are held-for-investment also have an allowance for loan loss as needed. Any loans the Company has the ability and intent to sell are classified as held for sale and are carried at the lower of cost or fair value. Loans which are held for sale do not have the associated premium or discount and origination costs and fees amortized into interest income and there is also no related allowance for loan losses. There were no loans classified as held for sale as of December 31, 2020 and 2019.

Federally insured loans were originated under the FFEL Program by certain eligible lenders as defined by the Higher Education Act of 1965, as amended (the "Higher Education Act"). These loans, including related accrued interest, are guaranteed at their maximum level permitted under the Higher Education Act by an authorized guaranty agency, which has a contract of reinsurance with the Department. The terms of the loans, which vary on an individual basis, generally provide for repayment in monthly installments of principal and interest. Generally, Stafford and PLUS loans have repayment periods between five and ten years. Consolidation loans have repayment periods of twelve to thirty years. FFELP loans do not require repayment while the borrower is in-school, and during the grace period immediately upon leaving school. Under the Higher Education Act a borrower may also be granted a deferment or forbearance for a period of time based on need, during which time the borrower is not considered to be in repayment. Interest continues to accrue on loans in the in-school, deferment, and forbearance program periods. In addition, eligible borrowers may qualify for income-driven repayment plans offered by the Department. These plans determine the borrower's payment amount based on their discretionary income and may extend their repayment period. Interest rates on federally insured student loans may be fixed or variable, dependent upon the type of loan, terms of the loan agreements, and date of origination.

Substantially all FFELP loan principal and related accrued interest is guaranteed as provided by the Higher Education Act. These guarantees are subject to the performance of certain loan servicing due diligence procedures stipulated by applicable Department regulations. If these due diligence requirements are not met, affected student loans may not be covered by the guarantees in the event of borrower default. Such student loans are subject to "cure" procedures and reinstatement of the guarantee under certain circumstances.

Loans also include private education and consumer loans. Private education loans are loans to students or their families that are non-federal loans and loans not insured or guaranteed under the FFEL Program. These loans are used primarily to bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans, or borrowers' personal resources. The terms of the private education loans, which vary on an individual basis, generally provide for repayment in monthly installments of principal and interest over a period of up to thirty years. The private education loans are not covered by a guarantee or collateral in the event of borrower default. Consumer loans are unsecured loans to an individual for personal, family, or household purposes. The terms of the consumer loans, which vary on an individual basis, generally provide for repayment in weekly or monthly installments of principal and interest over a period of up to six years.

Allowance for Loan Losses – Prior to Adoption of ASC 326

Prior to the adoption of ASC 326 effective January 1, 2020, the allowance for loan losses represented management's estimate of probable losses on loans. The provision for loan losses for periods ended prior to January 1, 2020 reflected the activity for the applicable period and provided an allowance at a level that the Company's management believed was appropriate to cover probable losses inherent in the loan portfolio. The Company evaluated the adequacy of the allowance for loan losses using a historical loss rate methodology adjusted for qualitative factors separately on each of its federally insured, private education, and consumer loan portfolios. These evaluation processes were subject to numerous judgments and uncertainties including the selection of loss rates over time and determination of the loss emergence period.

In determining the appropriate allowance for loan losses, the Company considered several factors, as applicable, for each of the Company's loan portfolios, including: loans in repayment versus those in a nonpaying status, delinquency status, trends in defaults in the portfolio based on Company and industry data, past experience, trends in student loan claims rejected for payment by guarantors, changes to federal student loan programs, type of program, current economic conditions, and other relevant qualitative factors.

For loans purchased where there was evidence of credit deterioration since the origination of the loan, the Company recorded a credit discount, separate from the allowance for loan losses, which was non-accretable to interest income. Remaining discounts and premiums for purchased loans were recognized in interest income over the remaining estimated lives of the loans. The Company continued to evaluate credit losses associated with purchased loans based on current information and changes in expectations to determine if additional allowance for loan losses on such portfolios were needed.

Cash and Cash Equivalents and Statements of Cash Flows

For purposes of the consolidated statements of cash flows, the Company considers all investments with original maturities of three months or less to be cash equivalents.

Accrued interest on loans purchased and sold is included in cash flows from operating activities in the respective period. Net purchased loan accrued interest was $92.3 million, $112.9 million, and $181.0 million in 2020, 2019, and 2018, respectively.

Investments

The Company classifies its debt securities, primarily student loan and other asset-backed securities, as available-for-sale. These securities are carried at fair value, with the changes in fair value, net of taxes, carried as a separate component of shareholders' equity. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts, which are amortized using the effective interest rate method. When an investment is sold, the cost basis is determined through specific identification of the security sold.

The Company classifies its residual interest in federally insured and consumer loan securitizations as held-to-maturity beneficial interest investments. The Company measures accretable yield initially as the excess of all cash flows expected to be collected attributable to the beneficial interest estimated at the acquisition/transaction date over the initial investment and recognizes interest income over the life of the beneficial interest using the effective interest method. The Company continues to update, over the life of the beneficial interest, the expectation of cash flows to be collected. Beneficial interest investments are evaluated for impairment by comparing the present value of the remaining cash flows as estimated at the initial transaction date (or the last date previously revised) to the present value of the cash flows expected to be collected at the current financial reporting date, both discounted using the same effective rate equal to the current yield used to accrete the beneficial interest. If the present value of remaining cash flows is less than the present value of cash flows expected to be collected, the Company records an allowance for credit losses for the difference. Subsequent favorable changes, if any, decreases the allowance for credit losses. The Company reflects the changes in the allowance for credit losses in provision for beneficial interests on the consolidated statements of income.

Equity investments with readily determinable fair values are measured at fair value, with changes in the fair value recognized through net income (other than those equity investments accounted for under the equity method of accounting or those that result in consolidation of the investee).

For equity investments without readily determinable fair value, the Company uses the measurement alternative of cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company uses qualitative factors to identify impairment on these investments.

The Company accounts for equity investments over which it has significant influence but not a controlling financial interest using the equity method of accounting. Equity method investments are recorded at cost and subsequently increased or decreased by the amount of the Company's proportionate share of the net earnings or losses and other comprehensive income of the investee. Equity method investments are evaluated for other-than-temporary impairment using certain impairment indicators such as a series of operating losses of an investee or other factors. These factors may indicate that a decrease in value of the investment has occurred that is other-than-temporary and shall be recognized.

The Company accounts for its solar investments and equity investments in ALLO under the HLBV method of accounting. The HLBV method of accounting is used by the Company for equity method investments when the liquidation rights and priorities as defined by an equity investment agreement differ from what is reflected by the underlying percentage ownership or voting interests. The Company applies the HLBV method using a balance sheet approach. A calculation is prepared at each balance sheet date to determine the amount that the Company would receive if an equity investment entity were to liquidate its net assets and distribute that cash to the investors based on the contractually defined liquidation priorities. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period, after adjusting for capital contributions and distributions, is the amount the Company recognizes for its share of the earnings or losses from the equity investment for the period.

Restricted Cash

Restricted cash primarily includes amounts for student loan securitizations and other secured borrowings. This cash must be used to make payments related to trust obligations. Amounts on deposit in these accounts are primarily the result of timing differences between when principal and interest is collected on the student loans held as trust assets and when principal and interest is paid on the trust's asset-backed debt securities. Restricted cash also includes collateral deposits with derivative third-party clearinghouses.

Restricted Cash - Due to Customers

As a servicer of student loans, the Company collects student loan remittances and subsequently disburses these remittances to the appropriate lending entities. In addition, as part of the Company's Education Technology, Services, and Payment Processing

operating segment, the Company collects tuition payments and subsequently remits these payments to the appropriate schools. Cash collected for customers and the related liability are included in the accompanying consolidated balance sheets.

Accounts Receivable

Accounts receivable are presented at their net realizable values, which include allowances for doubtful accounts. Allowance estimates are based upon individual customer experience, as well as the age of receivables and likelihood of collection.

Business Combinations

The Company uses the acquisition method in accounting for acquired businesses. Under the acquisition method, the financial statements reflect the operations of an acquired business starting from the completion of the acquisition. The assets acquired and liabilities assumed are recorded at their respective estimated fair values at the date of acquisition. Any excess of the purchase price over the estimated fair values of the identifiable net assets acquired is recorded as goodwill. All contingent consideration is measured at fair value on the acquisition date and included in the consideration transferred in the acquisition. Contingent consideration classified as a liability is remeasured to fair value at each reporting date until the contingency is resolved, and changes in fair value are recognized in earnings.

Goodwill

The Company reviews goodwill for impairment annually (as of November 30) and whenever triggering events or changes in circumstances indicate its carrying value may not be recoverable. Goodwill is tested for impairment using a fair value approach at the reporting unit level. A reporting unit is the operating segment, or a business one level below that operating segment if discrete financial information is prepared and regularly reviewed by segment management. However, components are aggregated as a single reporting unit if they have similar economic characteristics.

The Company tests goodwill for impairment in accordance with applicable accounting guidance. The guidance provides an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (more than 50%) that the estimated fair value of a reporting unit is less than its carrying amount. If an entity elects to perform a qualitative assessment and determines that an impairment is more likely than not, the entity is then required to perform a quantitative impairment test, otherwise no further analysis is required. An entity also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test.

For the 2020, 2019, and 2018 annual reviews of goodwill, the Company assessed qualitative factors and concluded it was not more likely than not that the fair value of its reporting units were less than their carrying amount. As such, the Company was not required to perform further impairment testing and concluded there was no impairment of goodwill.

Intangible Assets

The Company uses estimates to determine the fair value of acquired assets to allocate the purchase price to acquired intangible assets. Such estimates are generally based on estimated future cash flows or cost savings associated with particular assets and are discounted to present value using an appropriate discount rate. The estimates of future cash flows associated with intangible assets are generally prepared using a cost savings method, a lost income method, or an excess return method, as appropriate. In utilizing such methods, management must make certain assumptions about the amount and timing of estimated future cash flows and other economic benefits from the assets, the remaining economic useful life of the assets, and general economic factors concerning the selection of an appropriate discount rate. The Company may also use replacement cost or market comparison approaches to estimate fair value if such methods are determined to be more appropriate.

Intangible assets with finite lives are amortized over their estimated lives. Such assets are amortized using a method of amortization that reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up. If that pattern cannot be reliably determined, the Company uses a straight-line amortization method.

The Company evaluates the estimated remaining useful lives of purchased intangible assets and whether events or changes in circumstances warrant a revision to the remaining periods of amortization.

Property and Equipment

Property and equipment are carried at cost, net of accumulated depreciation. Maintenance and repairs are charged to expense as incurred, and major improvements, including leasehold improvements, are capitalized. Gains and losses from the sale of

property and equipment are included in determining net income. The Company uses the straight-line method for recording depreciation and amortization. Leasehold improvements are amortized straight-line over the shorter of the lease term or estimated useful life of the asset.

Leases

At the inception of an arrangement, the Company determines if the arrangement is, or contains, a lease and records the lease in the consolidated financial statements upon lease commencement, which is the date when the underlying asset is made available by the lessor. The Company primarily leases office and data center space. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The lease expense for these leases is recognized on a straight-line basis over the lease term. All other lease assets (ROU assets) and lease liabilities are recognized based on the present value of lease payments over the lease term at the commencement date. The Company classifies each lease as operating or financing, with the income statement reflecting lease expense for operating leases and amortization/interest expense for financing leases. When the discount rate implicit in the lease cannot be readily determined, the Company uses its incremental borrowing rate.

The Company accounts for lease and non-lease components together as a single, combined lease component for its office and data center space. In addition, the Company identified itself as the lessor in its Communications operating segment for services provided to customers that include customer-premise equipment. The Company accounts for those services and associated leases as a single, combined component. The non-lease services are 'predominant' in those contracts. Therefore, the combined component is considered a single performance obligation under ASC Topic 606, *Revenue from Contracts with Customers*.

Most leases include one or more options to renew, with renewal terms that can be extended. The exercise of lease renewal options for the majority of leases is at the Company's discretion. Renewal options that the Company is reasonably certain to exercise are included in the lease term.

Certain leases include escalating rental payments or rental payments adjusted periodically for inflation. None of the lease agreements include any residual value guarantees, a transfer of title, or a purchase option that is reasonably certain to be exercised.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets, such as ROU assets, property and equipment, and purchased intangibles subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Assumptions and estimates about future cash flows generated by, remaining useful lives of, and fair values of the Company's intangible and other long-lived assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Company's business strategy and internal forecasts. Although the Company believes the historical assumptions and estimates used are reasonable and appropriate, different assumptions and estimates could materially impact the reported financial results.

Fair Value Measurements

The Company uses estimates of fair value in applying various accounting standards for its financial statements.

Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, the Company's policy in estimating fair values is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value, such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates, and credit spreads, relying first on observable data from active markets. Depending on current market conditions, additional adjustments to fair value may be based on factors such as liquidity, credit, and bid/offer spreads. In some cases fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Transaction costs are not included in the determination of fair value. When possible, the Company seeks to validate the model's output to market transactions. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable. Additionally, there may be inherent weaknesses in any calculation

technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the estimates of current or future values.

The Company categorizes its fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring assets and liabilities at fair value. Classification is based on the lowest level of input that is significant to the fair value of the instrument. The three levels include:

- Level 1: Quoted prices for *identical* instruments in active markets. The types of financial instruments included in Level 1 are highly liquid instruments with quoted prices.
- Level 2: Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose primary value drivers are observable.
- Level 3: Instruments whose primary value drivers are *unobservable*. Inputs are developed based on the best information available; however, significant judgment is required by management in developing the inputs.

Revenue Recognition

The Company applies the provisions of ASC Topic 606*, Revenue from Contracts with Customers* ("ASC Topic 606")*,* to its fee-based operating segments. The majority of the Company's revenue earned in its Asset Generation and Management operating segment, including loan interest and derivative activity, is explicitly excluded from the scope of ASC Topic 606. The Company recognizes revenue under the core principle of ASC Topic 606 to depict the transfer of control of products and services to the Company's customers in an amount reflecting the consideration to which the Company expects to be entitled. In order to achieve that core principle, the Company applies the following five-step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied. The Company's contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

Timing of revenue recognition may differ from the timing of invoicing to customers. The Company records deferred revenue when revenue is received or receivable in advance of the delivery of service. For multi-year contracts, the Company generally invoices customers annually at the beginning of each annual coverage period. Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined its contracts do not include a significant financing component.

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the benefit of those costs to be longer than one year. The Company has determined that certain sales incentive programs and pre-production contract fulfillment costs meet the requirements to be capitalized. Total capitalized costs to obtain a contract were immaterial during the periods presented and are included in "other assets" on the consolidated balance sheets.

Additional information related to revenue earned in its Asset Generation and Management operating segment is provided below. See note 16, "Disaggregated Revenue and Deferred Revenue" for additional information related to the Company's fee-based operating segments.

<u>Loan interest income</u> - Loan interest on federally insured student loans is paid by the Department or the borrower, depending on the status of the loan at the time of the accrual. The Department makes quarterly interest subsidy payments on certain qualified FFELP loans until the student is required under the provisions of the Higher Education Act to begin repayment. Borrower repayment of FFELP loans normally begins within six months after completion of the borrower's course of study, leaving school, or ceasing to carry at least one-half the normal full-time academic load, as determined by the educational institution. Borrower repayment of PLUS and Consolidation loans normally begins within 60 days from the date of loan disbursement. Borrower repayment of private education loans typically begins six months following the borrower's graduation from a qualified institution, and the interest is either paid by the borrower or capitalized annually or at repayment. Repayment of consumer loans typically starts upon origination of the loan.

The Department provides a special allowance to lenders participating in the FFEL Program. The special allowance is accrued based upon the fiscal quarter average rate of 13-week Treasury Bill auctions (for loans originated prior to January 1, 2000), the

fiscal quarter average rate of the daily three-month financial commercial paper rates (for loans originated on and after January 1, 2000), or the fiscal quarter average rate of daily one-month LIBOR rates (for loans originated on and after January 1, 2000, and for lenders which elected to change the special allowance index to one-month LIBOR effective April 1, 2012) relative to the yield of the student loan.

The Company recognizes loan interest income as earned, net of amortization of loan premiums and deferred origination costs and the accretion of loan discounts. Loan interest income is recognized based upon the expected yield of the loan after giving effect to interest rate reductions resulting from borrower utilization of incentives such as timely payments ("borrower benefits") and other yield adjustments. Loan premiums or discounts, deferred origination costs, and borrower benefits are amortized/accreted over the estimated life of the loans, which includes an estimate of forecasted payments in excess of contractually required payments (the constant prepayment rate). The constant prepayment rate used by the Company to amortize/accrete federally insured loan premiums/discounts is 5 percent for Stafford loans and 3 percent for Consolidation loans. The Company periodically evaluates the assumptions used to estimate the life of the loans and prepayment rates. In instances where there are changes to the assumptions, amortization/accretion is adjusted on a cumulative basis to reflect the change since the acquisition of the loan.

The Company also pays the Department an annual 105 basis point rebate fee on Consolidation loans. These rebate fees are netted against loan interest income.

Interest Expense

Interest expense is based upon contractual interest rates, adjusted for the amortization of debt issuance costs and the accretion of discounts. The amortization of debt issuance costs and accretion of discounts are recognized using the effective interest method.

Transfer of Financial Assets and Extinguishments of Liabilities

The Company accounts for loan sales and debt repurchases in accordance with applicable accounting guidance. If a transfer of loans qualifies as a sale, the Company derecognizes the loan and recognizes a gain or loss as the difference between the carrying basis of the loan sold and the consideration received. The Company from time to time repurchases its outstanding debt and records a gain or loss on the early extinguishment of debt based upon the difference between the carrying amount of the debt and the amount paid to the third party. The Company recognizes the results of a transfer of loans and the extinguishment of debt based upon the settlement date of the transaction.

Derivative Accounting

All over-the-counter derivative contracts executed by the Company are cleared post-execution at the Chicago Mercantile Exchange (“CME”), a regulated clearinghouse. Substantially all of the Company’s outstanding derivatives are over-the-counter contracts. Clearing is a process by which a third-party, the clearinghouse, steps in between the original counterparties and guarantees the performance of both, by requiring that each post liquid collateral on an initial (initial margin) and mark-to-market (variation margin) basis to cover the clearinghouse’s potential future exposure in the event of default.

The CME legally characterizes variation margin payments for over-the-counter derivatives they clear as settlements of the derivatives’ exposure rather than collateral against the exposure. For accounting and presentation purposes, the Company considers variation margin and the corresponding derivative instrument as a single unit of account. As such, variation margin payments are considered in determining the fair value of the centrally cleared derivative portfolio. The Company records derivative contracts on its balance sheet with a fair value of zero due to the payment or receipt of variation margin between the Company and the CME settling the outstanding mark-to-market exposure on such derivatives to a balance of zero on a daily basis. Management has structured all of the Company's derivative transactions with the intent that each is economically effective; however, the Company's derivative instruments do not qualify for hedge accounting. As a result, the change in market value of derivative instruments is reported in current period earnings. Changes or shifts in the forward yield curve can significantly impact the valuation of the Company’s derivatives, and therefore impact the results of operations of the Company. The changes in fair value of derivative instruments, as well as the settlement payments made on such derivatives, are included in “derivative market value adjustments and derivative settlements, net” on the consolidated statements of income.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are

measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company uses the deferred method of accounting for its credits related to state tax incentives and investments that generate investment tax credits. The investment tax credits are recognized as a reduction to the related asset.

Income tax expense includes deferred tax expense, which represents a portion of the net change in the deferred tax asset or liability balance during the year, plus any change made in the valuation allowance, and current tax expense, which represents the amount of tax currently payable to or receivable from a tax authority plus amounts for expected tax deficiencies.

Compensation Expense for Stock Based Awards

The Company has a restricted stock plan that is intended to provide incentives to attract, retain, and motivate employees in order to achieve long term growth and profitability objectives. The restricted stock plan provides for the grant to eligible employees of awards of restricted shares of Class A common stock. The fair value of restricted stock awards is determined on the grant date based on the Company's stock price and is amortized to compensation cost over the related vesting periods, which range up to ten years. For those awards with only service conditions that have graded vesting schedules, the Company recognizes compensation expense on a straight-line basis over the requisite service period for each separately vesting portion of the award, as if the award was, in substance, multiple awards. Holders of restricted stock are entitled to receive dividends from the date of grant whether or not vested. The Company accounts for forfeitures as they occur.

The Company also has a directors stock compensation plan pursuant to which non-employee directors can elect to receive their annual retainer fees in the form of fully vested shares of Class A common stock, and also elect to defer receipt of such shares until the termination of their service on the board of directors. The fair value of grants under this plan is determined on the grant date based on the Company's stock price, and is expensed over the board member's annual service period.

4. Loans and Accrued Interest Receivable and Allowance for Loan Losses

Loans and accrued interest receivable consisted of the following:

	As of December 31,	
	2020	**2019**
Federally insured student loans:		
Stafford and other	$ 4,383,000	4,684,314
Consolidation	14,746,173	15,644,229
Total	19,129,173	20,328,543
Private education loans	338,132	244,258
Consumer loans	109,346	225,918
	19,576,651	20,798,719
Accrued interest receivable	794,611	733,497
Loan discount, net of unamortized loan premiums and deferred origination costs	(9,908)	(35,036)
Non-accretable discount	—	(32,398)
Allowance for loan losses:		
Federally insured loans	(128,590)	(36,763)
Private education loans	(19,852)	(9,597)
Consumer loans	(27,256)	(15,554)
	$ 20,185,656	21,402,868

On January 30, 2020 and July 29, 2020, the Company sold $124.2 million (par value) and $60.8 million (par value), respectively, of consumer loans to an unrelated third party who securitized such loans. The Company recognized a gain of $18.2 million (pre-tax) and $14.8 million (pre-tax), respectively, as part of these transactions. As partial considerations received for the consumer loans sold, the Company received a 31.4 percent and 25.4 percent residual interest, respectively, in the consumer loan securitizations that are included in "investments" on the Company's consolidated balance sheet.

Activity in the Allowance for Loan Losses

The following table presents the activity in the allowance for loan losses by portfolio segment.

	Balance at beginning of period	Impact of ASC 326 adoption	Provision for loan losses	Charge-offs	Recoveries	Initial allowance on loans purchased with credit deterioration (a)	Loan sale and other	Balance at end of period
	Year ended December 31, 2020							
Federally insured loans	$ 36,763	72,291	18,691	(14,955)	—	15,800	—	128,590
Private education loans	9,597	4,797	6,486	(1,659)	631	—	—	19,852
Consumer loans	15,554	13,926	38,183	(12,115)	1,132	—	(29,424)	27,256
	$ 61,914	91,014	63,360	(28,729)	1,763	15,800	(29,424)	175,698
	Year ended December 31, 2019							
Federally insured loans	$ 42,310	—	8,000	(13,547)	—	—	—	36,763
Private education loans	10,838	—	—	(1,965)	724	—	—	9,597
Consumer loans	7,240	—	31,000	(12,498)	812	—	(11,000)	15,554
	$ 60,388	—	39,000	(28,010)	1,536	—	(11,000)	61,914
	Year ended December 31, 2018							
Federally insured loans	$ 38,706	—	14,000	(11,396)	—	—	1,000	42,310
Private education loans	12,629	—	—	(2,415)	624	—	—	10,838
Consumer loans	3,255	—	9,000	(5,056)	41	—	—	7,240
	$ 54,590	—	23,000	(18,867)	665	—	1,000	60,388

(a) During the year ended December 31, 2020, the Company acquired $835.0 million (par value) of federally insured rehabilitation loans that met the definition of PCD loans when they were purchased by the Company.

Loan Status and Delinquencies

The key credit quality indicators for the Company’s federally insured, private education, and consumer loan portfolios are loan status, including delinquencies. The impact of changes in loan status is incorporated into the allowance for loan losses calculation. 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 status and delinquency amounts.

	As of December 31,								
	2020			2019			2018		
Federally insured loans:									
Loans in-school/grace/deferment (a)	$ 1,036,028	5.4 %		$ 1,074,678	5.3 %		$ 1,298,493	5.9 %	
Loans in forbearance (b)	1,973,175	10.3		1,339,821	6.6		1,430,291	6.4	
Loans in repayment status:									
Loans current	13,683,054		84.9 %	15,410,993		86.0 %	16,882,252		86.9 %
Loans delinquent 31-60 days (c)	633,411		3.9	650,796		3.6	683,084		3.5
Loans delinquent 61-90 days (c)	307,936		1.9	428,879		2.4	427,764		2.2
Loans delinquent 91-120 days (c)	800,257		5.0	310,851		1.7	283,831		1.5
Loans delinquent 121-270 days (c)	674,975		4.2	812,107		4.5	806,692		4.2
Loans delinquent 271 days or greater (c)(d)	20,337		0.1	300,418		1.8	343,489		1.7
Total loans in repayment	16,119,970	84.3	100.0 %	17,914,044	88.1	100.0 %	19,427,112	87.7	100.0 %
Total federally insured loans	19,129,173	100.0 %		20,328,543	100.0 %		22,155,896	100.0 %	
Accrued interest receivable	791,453			730,059			675,898		
Loan discount, net of unamortized premiums and deferred origination costs	(14,505)			(35,822)			(54,546)		
Non-accretable discount (e)	—			(28,036)			(23,833)		
Allowance for loan losses	(128,590)			(36,763)			(42,310)		
Total federally insured loans and accrued interest receivable, net of allowance for loan losses	$ 19,777,531			$ 20,957,981			$ 22,711,105		
Private education loans:									
Loans in-school/grace/deferment (a)	$ 5,049	1.5 %		$ 4,493	1.8 %		$ 4,320	1.9 %	
Loans in forbearance (b)	2,388	0.7		3,108	1.3		1,494	0.7	
Loans in repayment status:									
Loans current	327,550		99.1 %	227,013		95.9 %	208,977		95.0 %
Loans delinquent 31-60 days (c)	1,099		0.3	2,814		1.2	3,626		1.6
Loans delinquent 61-90 days (c)	675		0.2	1,694		0.7	1,560		0.7
Loans delinquent 91 days or greater (c)	1,371		0.4	5,136		2.2	5,998		2.7
Total loans in repayment	330,695	97.8	100.0 %	236,657	96.9	100.0 %	220,161	97.4	100.0 %
Total private education loans	338,132	100.0 %		244,258	100.0 %		225,975	100.0 %	
Accrued interest receivable	2,157			1,558			1,126		
Loan premium, net of unaccreted discount	2,957			46			(1,245)		
Non-accretable discount (e)	—			(4,362)			(5,563)		
Allowance for loan losses	(19,852)			(9,597)			(10,838)		
Total private education loans and accrued interest receivable, net of allowance for loan losses	$ 323,394			$ 231,903			$ 209,455		
Consumer loans:									
Loans in deferment	$ 829	0.8 %		$ —			$ —		
Loans in repayment status:									
Loans current	105,650		97.4 %	220,404		97.5 %	136,130		98.2 %
Loans delinquent 31-60 days (c)	954		0.9	2,046		0.9	1,012		0.7
Loans delinquent 61-90 days (c)	804		0.7	1,545		0.7	832		0.6
Loans delinquent 91 days or greater (c)	1,109		1.0	1,923		0.9	653		0.5
Total loans in repayment	108,517	99.2	100.0 %	225,918		100.0 %	138,627		100.0 %
Total consumer loans	109,346	100.0 %		225,918			138,627		
Accrued interest receivable	1,001			1,880			665		
Loan premium	1,640			740			2,219		
Allowance for loan losses	(27,256)			(15,554)			(7,240)		
Total consumer loans and accrued interest receivable, net of allowance for loan losses	$ 84,731			$ 212,984			$ 134,271		

(a) Loans for borrowers who still may be attending school or engaging 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 for law students.

(b) Loans for borrowers who have temporarily ceased making full payments due to hardship or other factors, according to a schedule approved by the servicer consistent with the established loan program servicing procedures and policies.

(c) The period of delinquency is based on the number of days scheduled payments are contractually past due and relate to repayment loans, that is, receivables not charged off, and not in school, grace, deferment, or forbearance.

(d) A portion of loans included in loans delinquent 271 days or greater includes loans in claim status, which are loans that have gone into default and have been submitted to the guaranty agency.

(e) Upon adoption of ASC 326 on January 1, 2020, the Company reclassified the non-accretable discount balance related to loans purchased with evidence of credit deterioration to allowance for loan losses.

In March 2020, the rapid outbreak of the respiratory disease caused by a novel strain of coronavirus, coronavirus 2019 or COVID-19 (“COVID-19”), was declared a global pandemic by the World Health Organization and a national emergency by the President, and caused significant disruptions in the U.S. and world economies. As a result of COVID-19, effective March 13, 2020 through June 30, 2020, the Company proactively applied a 90 day natural disaster forbearance to any loan that was 31-269 days past due (for federally insured loans) and 80 days past due (for private education loans), and to any current loan upon request. Beginning July 1, 2020, the Company discontinued proactively applying 90 day natural disaster forbearances on past due loans. However, the Company will continue to apply a natural disaster forbearance in 90 day increments to any federally insured and private education loan upon request through September 30, 2021.

For the majority of the Company's consumer loans, borrowers are generally being offered, upon request and/or documented evidence of financial distress, up to a two-month deferral of payments, with an option of additional deferrals if the COVID-19 pandemic continues.

The Company will continue to review whether additional and/or extended borrower relief policies and activities are needed. All relief provided to borrowers by the Company through December 31, 2020 have been delays in payment that the Company considers to be insignificant and the modifications have not been accounted for as troubled debt restructuring.

Nonaccrual Status

The Company does not place federally insured loans on nonaccrual status due to the government guaranty. The amortized cost of private and consumer loans on nonaccrual status, as well as the allowance for loan losses related to such loans, as of December 31, 2020, 2019, and 2018 was not material.

Amortized Cost Basis by Origination Year

The following table presents the amortized cost of the Company's private education and consumer loans by loan status and delinquency amount as of December 31, 2020 based on year of origination. Effective July 1, 2010, no new loan originations can be made under the FFEL Program and all new federal loan originations must be made under the Federal Direct Loan Program. As such, all the Company’s federally insured loans were originated prior to July 1, 2010.

	2020	2019	2018	2017	2016	Prior years	Total
Private education loans:							
Loans in school/grace/deferment	$ 638	1,518	—	—	206	2,687	5,049
Loans in forbearance	392	313	—	—	305	1,378	2,388
Loans in repayment status:							
Loans current	112,783	79,161	958	—	5,444	129,204	327,550
Loans delinquent 31-60 days	—	24	—	—	28	1,047	1,099
Loans delinquent 61-90 days	94	—	—	—	—	581	675
Loans delinquent 91 days or greater	—	—	—	—	—	1,371	1,371
Total loans in repayment	112,877	79,185	958	—	5,472	132,203	330,695
Total private education loans	$ 113,907	81,016	958	—	5,983	136,268	338,132
Accrued interest receivable							2,157
Loan premium, net of unaccreted discount							2,957
Allowance for loan losses							(19,852)
Total private education loans and accrued interest receivable, net of allowance for loan losses							$ 323,394
Consumer loans:							
Loans in deferment	$ 62	447	317	3	—	—	829
Loans in repayment status:							
Loans current	58,738	22,213	22,098	2,601	—	—	105,650
Loans delinquent 31-60 days	405	371	159	19	—	—	954
Loans delinquent 61-90 days	264	390	130	20	—	—	804
Loans delinquent 91 days or greater	93	452	550	14	—	—	1,109
Total loans in repayment	59,500	23,426	22,937	2,654	—	—	108,517
Total consumer loans	$ 59,562	23,873	23,254	2,657	—	—	109,346
Accrued interest receivable							1,001
Loan premium							1,640
Allowance for loan losses							(27,256)
Total consumer loans and accrued interest receivable, net of allowance for loan losses							$ 84,731

5. Bonds and Notes Payable

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

	As of December 31, 2020		
	Carrying amount	Interest rate range	Final maturity
Variable-rate bonds and notes issued in FFELP loan asset-backed securitizations:			
Bonds and notes based on indices	$ 17,127,643	0.28% - 2.05%	5/27/25 - 10/25/68
Bonds and notes based on auction	749,925	1.12% - 2.14%	3/22/32 - 11/26/46
Total FFELP variable-rate bonds and notes	17,877,568		
Fixed-rate bonds and notes issued in FFELP loan asset-backed securitizations	923,076	1.42% - 3.45%	10/25/67 - 8/27/68
FFELP warehouse facilities	252,165	0.27% / 0.31%	5/20/22 / 2/26/23
Private education loan warehouse facility	150,397	0.28%	2/13/22
Consumer loan warehouse facility	25,809	0.28%	4/23/22
Variable-rate bonds and notes issued in private education loan asset-backed securitizations	49,025	1.65% / 1.90%	12/26/40 / 6/25/49
Fixed-rate bonds and notes issued in private education loan asset-backed securitization	37,251	3.60% / 5.35%	12/26/40 / 12/28/43
Unsecured line of credit	120,000	1.65%	12/16/24
Other borrowings	123,558	0.84% / 1.90%	5/4/21 / 5/30/22
	19,558,849		
Discount on bonds and notes payable and debt issuance costs	(238,123)		
Total	$ 19,320,726		

	As of December 31, 2019		
	Carrying amount	Interest rate range	Final maturity
Variable-rate bonds and notes issued in FFELP loan asset-backed securitizations:			
Bonds and notes based on indices	$ 18,428,998	1.98% - 3.61%	5/27/25 - 1/25/68
Bonds and notes based on auction	768,626	2.75% - 3.60%	3/22/32 - 11/26/46
Total FFELP variable-rate bonds and notes	19,197,624		
Fixed-rate bonds and notes issued in FFELP loan asset-backed securitizations	512,836	2.00% - 3.45%	10/25/67 / 11/25/67
FFELP warehouse facilities	778,094	1.98% / 2.07%	5/20/21 / 5/31/22
Consumer loan warehouse facility	116,570	1.99%	4/23/22
Variable-rate bonds and notes issued in private education loan asset-backed securitizations	73,308	3.15% / 3.54%	12/26/40 / 6/25/49
Fixed-rate bonds and notes issued in private education loan asset-backed securitization	49,367	3.60% / 5.35%	12/26/40 / 12/28/43
Unsecured line of credit	50,000	3.29%	12/16/24
Unsecured debt - Junior Subordinated Hybrid Securities	20,381	5.28%	9/15/61
Other borrowings	5,000	3.44%	5/30/22
	20,803,180		
Discount on bonds and notes payable and debt issuance costs	(274,126)		
Total	$ 20,529,054		

Secured Financing Transactions

The Company has historically relied upon secured financing vehicles as its most significant source of funding for loans. The net cash flow the Company receives from the securitized loans generally represents the excess amounts, if any, generated by the underlying loans over the amounts required to be paid to the bondholders, after deducting servicing fees and any other expenses relating to the securitizations. The Company's rights to cash flow from securitized loans are subordinate to bondholder interests, and the securitized loans may fail to generate any cash flow beyond what is due to bondholders. The Company's secured financing vehicles during the periods presented include loan warehouse facilities and asset-backed securitizations.

The majority of the bonds and notes payable are primarily secured by the loans receivable, related accrued interest, and by the amounts on deposit in the accounts established under the respective bond resolutions or financing agreements.

FFELP warehouse facilities

The Company funds the majority 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 December 31, 2020, the Company had two FFELP warehouse facilities as summarized below.

	NFSLW-I	NHELP-II	Total
Maximum financing amount	$ 260,000	50,000	310,000
Amount outstanding	252,165	—	252,165
Amount available	$ 7,835	50,000	57,835
Expiration of liquidity provisions	May 20, 2021	February 26, 2021	
Final maturity date	May 20, 2022	February 26, 2023	
Advanced as equity support	$ 21,209	—	21,209

The FFELP warehouse facilities are supported by liquidity provisions, which are subject to the respective expiration date shown in the above table. 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. The NFSLW-I warehouse facility has a static advance rate until the expiration date of the liquidity provisions. In the event the liquidity provisions are not extended, the valuation agent has the right to perform a one-time mark to market on the underlying loans funded in this facility, subject to a floor. The loans would then be funded at this new advance rate until the final maturity date of the facility. The NHELP-II warehouse facility has a static advance rate that requires initial equity for loan funding and does not require increased equity based on market movements.

The FFELP warehouse facilities contain financial covenants relating to levels of the Company's consolidated net worth, ratio of recourse indebtedness to adjusted EBITDA, and unencumbered cash. Any noncompliance with these covenants could result in a requirement for the immediate repayment of any outstanding borrowings under the facilities.

Asset-backed securitizations

The following tables summarize the asset-backed securitization transactions completed in 2020 and 2019.

	Securitizations completed during the year ended December 31, 2020					
	2020-1	**2020-2**	**2020-3**	**2020-4 (a)**	**2020-5 (a)**	**Total**
Date securities issued	2/20/20	3/11/20	3/19/20	8/27/20	10/1/20	
Total original principal amount	$ 435,600	272,100	352,600	191,300	295,000	1,546,600
Class A senior notes:						
Total principal amount	$ 424,600	264,300	343,600	191,300	295,000	1,518,800
Bond discount	—	(44)	(1,503)	(19)	—	(1,566)
Issue price	$ 424,600	264,256	342,097	191,281	295,000	1,517,234
Cost of funds	1-month LIBOR plus 0.74%	1.83%	1-month LIBOR plus 0.92%	1.42%	1-month LIBOR plus 0.88%	
Final maturity date	3/26/68	4/25/68	3/26/68	8/27/68	10/25/68	
Class B subordinated notes:						
Total principal amount	$ 11,000	7,800	9,000			27,800
Bond discount	—	(574)	(284)			(858)
Issue price	$ 11,000	7,226	8,716			26,942
Cost of funds	1-month LIBOR plus 1.75%	2.50%	1-month LIBOR plus 1.90%			
Final maturity date	3/26/68	4/25/68	3/26/68			

(a) Total original principal amount excludes the Class B subordinated tranche for the 2020-4 and 2020-5 transactions, totaling $5.0 million and $7.5 million, respectively, that was retained by the Company at issuance. As of December 31, 2020, the Company had a total of $40.1 million (par value) of its own asset-backed securities that were retained upon initial issuance or repurchased in the secondary market. For accounting purposes, these notes are eliminated in consolidation and are not included in the Company's consolidated financial statements. However, these securities remain legally outstanding at the trust level and the Company could sell these notes to third parties or redeem the notes at par as cash is generated in the trust estate. Upon a sale of these notes to third parties, the Company would obtain cash proceeds equal to the market value of the notes on the date of such sale. Upon sale, these notes would be shown as "bonds and notes payable" in the Company's consolidated balance sheet. The Company believes the market value of such notes is currently less than par value. Any excess of the par value over the market value on the date of sale would be recognized by the Company as interest expense over the life of the bonds.

Securitizations completed during the year ended December 31, 2019

	2019-1			2019-2	Private education loan 2019-A	2019-3	2019-4	2019-5	2019-6	2019-7			Total
	Class A-1 Notes	Class A-2 Notes	2019-1 total							Class A-1 Notes	Class A-2 Notes	2019-7 total	
Date securities issued	2/27/19	2/27/19	2/27/19	4/30/19	6/25/19	7/24/19	8/22/19	9/25/19	10/30/19	12/19/19	12/19/19	12/19/19	
Total original principal amount	$ 35,700	448,000	496,800	416,100	47,159	498,300	418,600	374,500	145,200	210,300	200,000	420,800	2,817,459
Class A senior notes:													
Total principal amount	$ 35,700	448,000	483,700	405,000	47,159	485,800	408,000	364,500	140,200	210,300	200,000	410,300	2,744,659
Bond discount	—	—	—	—	—	—	—	(114)	(26)	—	—	—	(140)
Issue price	$ 35,700	448,000	483,700	405,000	47,159	485,800	408,000	364,386	140,174	210,300	200,000	410,300	2,744,519
Cost of funds	1-month LIBOR plus 0.30%	1-month LIBOR plus 0.75%		1-month LIBOR plus 0.90%	Prime rate less 1.60%	1-month LIBOR plus 0.80%	1-month LIBOR plus 0.87%	2.53%	2.46%	1-month LIBOR plus 0.50%	1-month LIBOR plus 1.00%		
Final maturity date	4/25/67	4/25/67		6/27/67	6/25/49	8/25/67	9/26/67	10/25/67	11/25/67	1/25/68	1/25/68		
Class B subordinated notes:													
Total principal amount			$ 13,100	11,100		12,500	10,600	10,000	5,000			10,500	72,800
Bond discount			—	—		—	—	(4)	(913)			—	(917)
Issue price			$ 13,100	11,100		12,500	10,600	9,996	4,087			10,500	71,883
Cost of funds			1-month LIBOR plus 1.40%	1-month LIBOR plus 1.50%		1-month LIBOR plus 1.55%	1-month LIBOR plus 1.65%	3.45%	2.00%			1-month LIBOR plus 1.75%	
Final maturity date			4/25/67	6/27/67		8/25/67	9/26/67	10/25/67	11/25/67			1/25/68	

During 2019, the Company extinguished $1.05 billion of notes payable included in certain FFELP asset-backed securitizations prior to the notes' contractual maturities. To extinguish the notes, the Company paid premiums of $14.0 million and wrote off $2.7 million of debt issuance costs. In total, the Company recognized $16.7 million (pre-tax) in expenses to extinguish these notes, which is included in "other expenses" on the consolidated statements of income.

Auction Rate Securities

The interest rates on certain of the Company's FFELP asset-backed securities were set and provide for interest rates to be periodically reset via a "dutch auction" ("Auction Rate Securities"). As of December 31, 2020, the Company is currently the sponsor on $749.9 million of Auction Rate Securities. Since the auction feature has essentially been inoperable for substantially all auction rate securities since 2008, the Auction Rate Securities generally pay interest to the holder at a maximum rate as defined by the indenture. While these rates will vary, they will generally be based on a spread to LIBOR or Treasury Securities, or the Net Loan Rate as defined in the financing documents.

Private Education Loan Warehouse Facility

During 2020, the Company obtained a private education loan warehouse facility. As of December 31, 2020, the facility has an aggregate maximum financing amount available of $200.0 million, an advance rate of 80 to 90 percent, liquidity provisions through February 13, 2021, and a final maturity date of February 13, 2022. As of December 31, 2020, $150.4 million was outstanding under this warehouse facility, $49.6 million was available for future funding, and the Company had $16.4 million advanced as equity support.

Consumer Loan Warehouse Facility

The Company has a consumer loan warehouse facility that has an aggregate maximum financing amount available of $100.0 million, an advance rate of 70 or 75 percent depending on the type of collateral and subject to certain concentration limits, liquidity provisions to April 23, 2021, and a final maturity date of April 23, 2022. As of December 31, 2020, $25.8 million was

outstanding under this warehouse facility, $74.2 million was available for future funding, and the Company had $11.5 million advanced as equity support.

Unsecured Line of Credit

The Company has a $455.0 million unsecured line of credit that has a maturity date of December 16, 2024. The line of credit provides that the Company may increase the aggregate financing commitments, through the existing lenders and/or through new lenders, up to a total of $550.0 million, subject to certain conditions. As of December 31, 2020, $120.0 million was outstanding on the line of credit and $335.0 million was available for future use. Interest on amounts borrowed under the line of credit is payable, at the Company's election, at an alternate base rate or a Eurodollar rate, plus a variable rate (LIBOR), in each case as defined in the credit agreement. As of December 31, 2020, the Company has selected the Eurodollar rate. The initial margin applicable to Eurodollar borrowings is 150 basis points and may vary from 100 to 200 basis points depending on the Company's credit rating.

The line of credit agreement contains certain financial covenants that, if not met, lead to an event of default under the agreement. The covenants include, among others, maintaining:

- A minimum consolidated net worth
- A minimum recourse indebtedness to adjusted EBITDA (over the last four rolling quarters)
- A limitation on recourse indebtedness
- A limitation on the amount of unsecuritized private education and consumer loans in the Company’s portfolio
- A limitation on permitted investments, including business acquisitions that are not in one of the Company's existing lines of business

As of December 31, 2020, the Company was in compliance with all of these requirements. Many of these covenants are duplicated in the Company's other lending facilities, including its warehouse facilities.

The Company's operating line of credit does not have any covenants related to unsecured debt ratings. However, changes in the Company's ratings have modest implications on the pricing level at which the Company obtains funds.

A default on the Company's other debt facilities would result in an event of default on the Company's unsecured line of credit that would result in the outstanding balance on the line of credit becoming immediately due and payable.

Junior Subordinated Hybrid Securities

During 2020, the Company redeemed all the outstanding $20.4 million of Hybrid Securities at par.

Other Borrowings

During 2020, the Company entered into an agreement with Union Bank and Trust Company ("Union Bank"), a related party, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in student loan asset-backed securities. As of December 31, 2020, $118.6 million of student loan asset-backed securities were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. The agreement automatically renews annually and is terminable by either party upon five business days' notice. The Company can participate student loan asset-backed securities to Union Bank to the extent of availability under the grantor trusts, up to $100.0 million or an amount in excess of $100.0 million if mutually agreed to by both parties. Student loan asset-backed securities under this agreement have been accounted for by the Company as a secured borrowing.

During 2019, the Company entered into a $22.0 million secured line of credit agreement with a maturity date of May 30, 2022 and an interest rate of one-month LIBOR plus 1.75%. As of December 31, 2020, $5.0 million was outstanding under this line of credit and $17.0 million was available for future use. The line of credit is secured by several Company-owned properties.

Debt Covenants

Certain bond resolutions and related credit agreements contain, among other requirements, covenants relating to restrictions on additional indebtedness, limits as to direct and indirect administrative expenses, and maintaining certain financial ratios. Management believes the Company is in compliance with all covenants of the bond indentures and related credit agreements as of December 31, 2020.

Maturity Schedule

Bonds and notes outstanding as of December 31, 2020 are due in varying amounts as shown below.

2021	$	118,558
2022		433,371
2023		—
2024		120,000
2025		98,761
2026 and thereafter		18,788,159
	$	19,558,849

Generally, the Company's secured financing instruments can be redeemed on any interest payment date at par plus accrued interest. Subject to certain provisions, all bonds and notes are subject to redemption prior to maturity at the option of certain lending subsidiaries.

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 "other income" on the Company’s consolidated statements of income.

	Year ended December 31,		
	2020	**2019**	**2018**
Par value	$ 27,445	—	12,905
Purchase price	(25,521)	—	(12,546)
Gain	$ 1,924	—	359

6. Derivative Financial Instruments

The Company uses derivative financial instruments primarily to manage interest rate risk. The Company is exposed to interest rate risk in the form of basis risk and repricing risk because the interest rate characteristics of the Company's assets do not match the interest rate characteristics of the funding for those assets. The Company periodically reviews the mismatch related to the interest rate characteristics of its assets and liabilities together with the Company's outlook as to current and future market conditions. Based on those factors, the Company uses derivative instruments as part of its overall risk management strategy. Derivative instruments used as part of the Company's interest rate risk management strategy are discussed below.

Basis Swaps

Interest earned on the majority of the Company's FFELP student loan assets is indexed to the one-month LIBOR rate. Meanwhile, the Company funds a portion of its FFELP loan assets with three-month LIBOR indexed floating rate securities. The differing interest rate characteristics of the Company's loan assets versus the liabilities funding these assets results in basis risk, which impacts the Company's excess spread earned on its loans.

The Company also faces repricing risk due to the timing of the interest rate resets on its liabilities, which may occur as infrequently as once a quarter, in contrast to the timing of the interest rate resets on its assets, which generally occur daily.

As of December 31, 2020, the Company had $17.8 billion, $0.7 billion, and $0.6 billion of FFELP loans indexed to the one-month LIBOR rate, three-month commercial paper rate, and the three-month treasury bill rate, respectively, the indices for which reset daily, and $6.5 billion of debt indexed to three-month LIBOR, the indices for which reset quarterly, and $10.7 billion of debt indexed to one-month LIBOR, the indices for which reset monthly.

The Company has used derivative instruments to hedge its basis risk and repricing risk. The Company has entered into basis swaps 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).

The following table summarizes the Company’s 1:3 Basis Swaps outstanding:

	As of December 31,	
	2020	2019
Maturity	Notional amount	Notional amount
2020	$ —	1,000,000
2021	250,000	250,000
2022	2,000,000	2,000,000
2023	750,000	750,000
2024	1,750,000	1,750,000
2026	1,150,000	1,150,000
2027	250,000	250,000
	$ 6,150,000	7,150,000

The weighted average rate paid by the Company on the 1:3 Basis Swaps as of December 31, 2020 and 2019, was one-month LIBOR plus 9.1 basis points and 9.7 basis points, respectively.

Interest rate swaps – floor income hedges

FFELP loans originated prior to April 1, 2006 generally earn interest at the higher of the borrower rate, which is fixed over a period of time, or a floating rate based on the Special Allowance Payments ("SAP") formula set by the Department. The SAP rate is based on an applicable index plus a fixed spread that depends on loan type, origination date, and repayment status. The Company generally finances its student loan portfolio with variable rate debt. In low and/or certain declining interest rate environments, when the fixed borrower rate is higher than the SAP rate, these student loans earn at a fixed rate while the interest on the variable rate debt typically continues to reflect the low and/or declining interest rates. In these interest rate environments, the Company may earn additional spread income that it refers to as floor income.

Depending on the type of loan and when it was originated, the borrower rate is either fixed to term or is reset to an annual rate each July 1. As a result, for loans where the borrower rate is fixed to term, the Company may earn floor income for an extended period of time, which the Company refers to as fixed rate floor income, and for those loans where the borrower rate is reset annually on July 1, the Company may earn floor income to the next reset date, which the Company refers to as variable rate floor income. All FFELP loans first originated on or after April 1, 2006 effectively earn at the SAP rate, since lenders are required to rebate fixed rate floor income and variable rate floor income for these loans to the Department.

Absent the use of derivative instruments, a rise in interest rates may reduce the amount of floor income received and this may have an impact on earnings due to interest margin compression caused by increasing financing costs, until such time as the federally insured loans earn interest at a variable rate in accordance with their SAP formulas. In higher interest rate environments, where the interest rate rises above the borrower rate and fixed rate loans effectively become variable rate loans, the impact of the rate fluctuations is reduced.

As of December 31, 2020 and 2019, the Company had $8.4 billion and $3.3 billion, respectively, of FFELP student loan assets that were earning fixed rate floor income, of which the weighted average estimated variable conversion rate for these loans, which is the estimated short-term interest rate at which loans would convert to a variable rate, was 1.94% and 3.72%, respectively.

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

	As of December 31, 2020		As of December 31, 2019	
Maturity	Notional amount	Weighted average fixed rate paid by the Company (a)	Notional amount	Weighted average fixed rate paid by the Company (a)
2020	$ —	— %	$ 1,500,000	1.01 %
2021	600,000	2.15	600,000	2.15
2022 (b)	500,000	0.94	250,000	1.65
2023	900,000	0.62	150,000	2.25
2024 (c)	2,000,000	0.32	—	—
2025	500,000	0.35	—	—
	$ 4,500,000	0.70 %	$ 2,500,000	1.42 %

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

(b) $250.0 million of the derivatives outstanding at December 31, 2020 and 2019 have forward effective start dates in June 2021.

(c) $750.0 million of the derivatives outstanding have formal effective start dates in June 2021.

Consolidated Financial Statement Impact Related to Derivatives - Statements of Income

The following table summarizes the components of "derivative market value adjustments and derivative settlements, net" included in the consolidated statements of income.

	Year ended December 31,		
	2020	2019	2018
Settlements:			
1:3 basis swaps	$ 10,378	5,214	5,577
Interest rate swaps - floor income hedges	(6,699)	40,192	64,901
Other	—	—	(407)
Total settlements - income	3,679	45,406	70,071
Change in fair value:			
1:3 basis swaps	(7,462)	1,515	12,573
Interest rate swaps - floor income hedges	(20,682)	(77,027)	(10,962)
Other	—	(683)	(597)
Total change in fair value - (expense) income	(28,144)	(76,195)	1,014
Derivative market value adjustments and derivative settlements, net - (expense) income	$ (24,465)	(30,789)	71,085

Derivative Instruments - Credit and Market Risk

Interest rate movements have an impact on the amount of variation margin the Company may be required to pay to its third-party clearinghouse. The Company attempts to manage market risk associated with interest rates by establishing and monitoring limits as to the types and degree of risk that may be undertaken. The Company's derivative portfolio and hedging strategy is reviewed periodically by its internal risk committee and board of directors' Risk and Finance Committee. With the Company's current derivative portfolio, the Company does not currently anticipate any movement in interest rates having a material impact on its liquidity or capital resources, nor expects future movements in interest rates to have a material impact on its ability to meet variation margin payments to its third-party clearinghouse. Due to the existing low interest rate environment, the Company's exposure to downward movements in interest rates on its interest rate swaps is limited. In addition, the historical high correlation between one-month and three-month LIBOR limits the Company's exposure to interest rate movements on the 1:3 Basis Swaps.

7. Investments

A summary of the Company's investments follows:

	As of December 31, 2020				As of December 31, 2019			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Investments (at fair value):								
Student loan asset-backed and other debt securities - available-for-sale (a)	$ 340,578	8,042	(13)	348,607	48,790	3,911	—	52,701
Equity securities	36,227	8,768	(2,954)	42,041	9,622	4,561	(1,283)	12,900
Total investments (at fair value)	$ 376,805	16,810	(2,967)	390,648	58,412	8,472	(1,283)	65,601
Other Investments (not measured at fair value):								
Venture capital and funds:								
Measurement alternative (b)				144,795				72,760
Equity method				14,018				15,379
Other				894				1,301
Total venture capital and funds				159,707				89,440
Real estate:								
Equity method				50,291				44,159
Other				847				867
Total real estate				51,138				45,026
Investment in ALLO:								
Voting interest/equity method				129,396				—
Preferred membership interest				228,916				—
Total investment in ALLO				358,312				—
Solar (c)				(30,373)				7,562
Beneficial interest in federally insured loan securitizations (d)				30,377				—
Beneficial interest in consumer loan securitizations, net of allowance for credit losses of $4,449 as of December 31, 2020 (d)				27,954				33,187
Tax liens and affordable housing				5,177				6,283
Total investments (not measured at fair value)				602,292				181,498
Total investments				$992,940				247,099

(a) As of December 31, 2020, $118.6 million (par value) of student loan asset-backed securities were subject to participation interests held by Union Bank, as discussed in note 5 under "Other Borrowings."

As of December 31, 2020, the stated maturities of a majority of the Company's student loan asset-backed and other debt securities classified as available-for-sale were greater than 10 years; however, such securities with a fair value of $58.6 million as of December 31, 2020 are scheduled to mature within the next 10 years, including $2.6 million, $31.2 million, and $24.8 million scheduled to mature within the next one year, 1-5 years, and 6-10 years, respectively.

(b) The Company has an investment in Agile Sports Technologies, Inc. (doing business as "Hudl") that is included in "venture capital and funds" in the above table. On May 20, 2020, the Company made an additional equity investment of approximately $26 million in Hudl, as one of the participants in an equity raise completed by Hudl. Prior to the additional 2020 investment, the Company had direct and indirect equity ownership interests in Hudl of less than 20%, which did not materially change as a result of this transaction. The Company accounts for its investment in Hudl using the measurement alternative method, which requires it to adjust its carrying value of the investment for changes resulting from observable market transactions. As a result of Hudl's equity raise, the Company recognized a $51.0 million (pre-tax) gain during the second quarter of 2020 to adjust its carrying value to reflect the May 20, 2020 transaction value. This gain is included in "other income" on the consolidated statements of income. As of December 31, 2020, the carrying amount of the Company's investment in Hudl is $128.6 million.

David S. Graff, who has served on the Company's Board of Directors since May 2014, is CEO, co-founder, and a director of Hudl.

(c) The Company makes investments in entities that promote renewable energy sources (solar). The Company's investments in these entities generate a return primarily through the realization of federal income tax credits, operating cash flows, and other tax benefits, such as tax deductions from operating losses of the investments, over specified time periods which range from 5 to 6 years. As of December 31, 2020, the Company has funded $148.6 million in solar investments. The carrying value of the Company's solar investments are reduced by tax credits earned when the solar project is placed in service. The solar investment balance at December 31, 2020 represents total tax credits earned on solar projects placed in service through December 31, 2020 being larger than total payments made by the Company on such projects. The Company is committed to fund an additional $17.5 million on these projects.

The Company accounts for its solar investments using the Hypothetical Liquidation at Book Value ("HLBV") method of accounting. For the majority of the Company's solar investments, the HLBV method of accounting results in accelerated losses in the initial years of investment. During the years ended December 31, 2020 and 2019, the Company recognized pre-tax losses of $37.4 million and $2.2 million, respectively, on its solar investments. These losses are included in "other income" in the consolidated statements of income.

(d) The Company has purchased partial ownership in certain federally insured and consumer loan securitizations. As of the latest remittance reports filed by the various trusts prior to December 31, 2020, the Company's ownership correlates to approximately $500 million and $280 million of federally insured and consumer loans, respectively, included in these securitizations.

Impairment Expense and Provision for Beneficial Interests

During the first quarter of 2020, the Company recorded a $26.3 million provision charge related to the Company's beneficial interest in consumer loan securitizations. As of March 31, 2020, the Company's estimate of future cash flows from the beneficial interest in consumer loan securitizations was lower than previously anticipated due to the expectation of increased consumer loan defaults within such securitizations due to the distressed economic conditions resulting from the COVID-19 pandemic and recorded an allowance for credit losses of $26.3 million. Additionally, during the first quarter of 2020, the Company recorded a $7.8 million impairment charge related to several of its venture capital investments. The Company identified several venture capital investments, a majority of which were accounted for under the measurement alternative, that were also negatively impacted by the distressed economic conditions resulting from the COVID-19 pandemic, and estimated that the fair value of such investments was significantly reduced from their previous carrying value. During the fourth quarter of 2020, due to improved economic conditions, the Company reduced the allowance for credit losses related to the consumer loan beneficial interests by $9.7 million. The activity described above is included in "impairment expense and provision for beneficial interests" on the consolidated statements of income.

8. Business Combinations

Great Lakes Educational Loan Services, Inc. ("Great Lakes")

On February 7, 2018, the Company acquired 100 percent of the outstanding stock of Great Lakes for total cash consideration of $150.0 million. Great Lakes provides servicing for federally-owned student loans for the Department of Education, FFELP loans, and private education loans. The acquisition of Great Lakes has expanded the Company's portfolio of loans it services. The operating results of Great Lakes are included in the Loan Servicing and Systems operating segment.

As part of the acquisition, the Company acquired the remaining 50 percent ownership in GreatNet Solutions, LLC ("GreatNet"), a joint venture formed prior to the acquisition between Nelnet Servicing, a subsidiary of the Company, and Great Lakes. Prior to the acquisition of the remaining 50 percent of GreatNet, the Company consolidated the operating results of GreatNet, as the Company was deemed to have control over the joint venture. The proportionate share of membership interest (equity) and net

loss of GreatNet that was attributable to Great Lakes was reflected as a noncontrolling interest in the Company's consolidated financial statements. The Company recognized a $19.1 million reduction to consolidated shareholders' equity as a result of acquiring Great Lakes' 50 percent ownership in GreatNet. This transaction resulted in a $5.7 million decrease in noncontrolling interests and a $13.4 million decrease in retained earnings.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. The fair value assigned to the acquisition of the noncontrolling interest in GreatNet reduced the total consideration allocated to the assets acquired and liabilities assumed of Great Lakes from $150.0 million to $136.6 million.

Cash and cash equivalents	$	27,399
Accounts receivable		23,708
Property and equipment		35,919
Other assets		14,018
Intangible assets		75,329
Excess cost over fair value of net assets acquired (goodwill)		15,043
Other liabilities		(54,865)
Net assets acquired	$	136,551

The $75.3 million of acquired intangible assets on the date of acquisition had a weighted-average useful life of approximately 4 years. The intangible assets that made up this amount include customer relationships of $70.2 million (4-year average useful life) and a trade name of $5.1 million (7-year useful life).

The $15.0 million of goodwill was assigned to the Loan Servicing and Systems operating segment and is not expected to be deductible for tax purposes. The amount allocated to goodwill was primarily attributed to the deferred tax liability related to the difference between the carrying amount and tax bases of acquired identifiable intangible assets and the synergies and economies of scale expected from combining the operations of the Company and Great Lakes.

The pro forma impacts of the Great Lakes acquisition on the Company’s 2018 historical results prior to the acquisition were not material.

Tuition Management Systems, LLC ("TMS")

On November 20, 2018, the Company acquired 100 percent of the membership interests of TMS for total cash consideration of $27.0 million. TMS provides tuition payment plans, billing services, payment technology solutions, and refund management to educational institutions. The TMS acquisition added both K-12 and higher education schools to the Company's existing customer base, further enhancing the Company's market share leading position with private faith based K-12 schools and advancing to a market leading position in higher education. The operating results of TMS are included in the Education Technology, Services, and Payment Processing operating segment from the date of acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

Cash and cash equivalents	$	438
Restricted cash - due to customers		123,169
Accounts receivable		1,019
Other assets		381
Intangible assets		26,390
Excess cost over fair value of net assets acquired (goodwill)		3,110
Other liabilities		(4,321)
Due to customers		(123,169)
Net assets acquired	$	27,017

The $26.4 million of acquired intangible assets on the date of acquisition had a weighted-average useful life of approximately 10 years. The intangible assets that made up this amount include customer relationships of $25.4 million (10-year useful life) and computer software of $1.0 million (2-year useful life).

The $3.1 million of goodwill was assigned to the Education Technology, Services, and Payment Processing operating segment and is expected to be deductible for tax purposes. The amount allocated to goodwill was primarily attributed to the synergies and economies of scale expected from combining the operations of the Company and TMS.

The pro forma impacts of the TMS acquisition on the Company's historical results prior to the acquisition were not material.

HigherSchool Publishing Company ("HigherSchool")

On December 31, 2020, the Company acquired 100 percent of the outstanding stock of HigherSchool for total cash consideration of $24.7 million. HigherSchool provides supplemental instructional services and educational professional development for K-12 schools. The acquisition of HigherSchool has expanded the Company's professional development and educational instruction services. The operating results of HigherSchool are included in the Education Technology, Services, and Payment Processing operating segment from the date of acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

Cash and cash equivalents	$	7
Accounts receivable		5,711
Intangible assets		24,200
Excess cost over fair value of net assets acquired (goodwill)		6,292
Other liabilities		(11,510)
Net assets acquired	$	24,700

The acquired intangible assets were customer relationships of $24.2 million (10-year useful life).

The $6.3 million of goodwill was assigned to the Education Technology, Services, and Payment Processing operating segment and is not expected to be deductible for tax purposes. The amount allocated to goodwill was primarily attributed to the deferred tax liability related to the difference between the carrying amount and tax basis of acquired identifiable intangible assets.

The pro forma impacts of the HigherSchool acquisition on the Company's historical results prior to the acquisition were not material.

9. Intangible Assets

Intangible assets consist of the following:

	Weighted average remaining useful life as of December 31, 2020 (months)	As of December 31,		
			2020	2019
Amortizable intangible assets, net:				
Customer relationships (net of accumulated amortization of $83,419 and $60,553, respectively)	99	$	66,974	71,900
Computer software (net of accumulated amortization of $4,127 and $3,233, respectively)	35		6,430	2,154
Trade names (net of accumulated amortization of $3,455 and $2,792, respectively)	6		1,666	7,478
Total - amortizable intangible assets, net	91	$	75,070	81,532

The Company recorded amortization expense on its intangible assets of $30.8 million, $32.8 million, and $30.2 million during the years ended December 31, 2020, 2019, and 2018, respectively. The Company will continue to amortize intangible assets over their remaining useful lives. As of December 31, 2020, the Company estimates it will record amortization expense as follows:

2021	$ 23,042
2022	9,939
2023	9,830
2024	7,457
2025	4,644
2026 and thereafter	20,158
	$ 75,070

10. Goodwill

The change in the carrying amount of goodwill by reportable operating segment was as follows:

	Loan Servicing and Systems	Education Technology, Services, and Payment Processing	Communications	Asset Generation and Management (a)	Corporate and Other Activities	Total
Balance as of December 31, 2018 and 2019	$ 23,639	70,278	21,112	41,883	—	156,912
Goodwill acquired	—	6,292	—	—	—	6,292
Deconsolidation of ALLO	—	—	(21,112)	—	—	(21,112)
Balance as of December 31, 2020	$ 23,639	76,570	—	41,883	—	142,092

(a) As a result of the Reconciliation Act of 2010, the Company no longer originates new FFELP loans, and net interest income from the Company's existing FFELP loan portfolio will decline over time as the Company's portfolio pays down. As a result, as this revenue stream winds down, goodwill impairment will be triggered for the Asset Generation and Management reporting unit due to the passage of time and depletion of projected cash flows stemming from its FFELP student loan portfolio. Management believes the elimination of new FFELP loan originations will not have an adverse impact on the fair value of the Company's other reporting units.

11. Property and Equipment

Property and equipment consisted of the following:

		As of December 31,	
	Useful life	2020	2019
Non-communications:			
Computer equipment and software	1-5 years	$ 172,664	160,319
Building and building improvements	5-48 years	52,444	37,904
Office furniture and equipment	1-10 years	21,899	21,245
Leasehold improvements	1-15 years	9,168	9,517
Transportation equipment	5-10 years	4,857	5,049
Land	—	3,642	1,400
Construction in progress	—	18,478	13,738
		283,152	249,172
Accumulated depreciation - non-communications		(159,625)	(142,270)
Non-communications, net property and equipment		123,527	106,902
Communications:			
Network plant and fiber	4-15 years	—	254,560
Customer located property	2-4 years	—	27,011
Central office	5-15 years	—	17,672
Transportation equipment	4-10 years	—	6,611
Computer equipment and software	1-5 years	—	5,574
Other	1-39 years	—	3,702
Land	—	—	70
Construction in progress	—	—	54
		—	315,254
Accumulated depreciation - communications		—	(73,897)
Communications, net property and equipment		—	241,357
Total property and equipment, net		$ 123,527	348,259

The Company recorded depreciation expense on its property and equipment of $87.9 million, $72.3 million, and $56.7 million during the years ended December 31, 2020, 2019, and 2018, respectively.

On December 21, 2020, the Company deconsolidated ALLO from the Company's consolidated financial statements. See note 2, "Recent Developments - ALLO Recapitalization," for a description of the transaction and a summary of the deconsolidation impact.

Impairment charges

As part of integrating technology and becoming more efficient and effective in meeting borrower needs, the Company continues to evaluate the best use of its servicing systems on a post-Great Lakes acquisition basis. As a result of this evaluation, in 2018, the Company recorded an impairment charge of $3.9 million (pre-tax) within its Loan Servicing and Systems operating segment related to certain external software development costs that were previously capitalized.

On October 16, 2018, the Company terminated its investment in a proprietary payment processing platform. This decision was made as a result of decreases in price and advancements of technology by established processors in the industry. As a result of this decision, in 2018, the Company recorded an impairment charge of $7.8 million (pre-tax) within its Education Technology, Services, and Payment Processing operating segment. The charge primarily represents computer equipment and external software development costs related to the payment processing platform.

The above impairment charges are included in "impairment expense, net of recoveries" in the consolidated statements of income.

12. Shareholders' Equity

Classes of Common Stock

The Company's common stock is divided into two classes. The Class B common stock has ten votes per share and the Class A common stock has one vote per share on all matters to be voted on by the Company's shareholders. Each Class B share is convertible at any time at the holder's option into one Class A share. With the exception of the voting rights and the conversion feature, the Class A and Class B shares are identical in terms of other rights, including dividend and liquidation rights.

Stock Repurchases

The Company has a stock repurchase program that expires on May 7, 2022 in which it can repurchase up to five million shares of its Class A common stock on the open market, through private transactions, or otherwise. As of December 31, 2020, 3.2 million shares may still be purchased under the Company's stock repurchase program. Shares repurchased by the Company during 2020, 2019, and 2018 are shown in the table below. In accordance with the corporate laws of the state in which the Company is incorporated, all shares repurchased by the Company are legally retired upon acquisition by the Company.

	Total shares repurchased	Purchase price (in thousands)	Average price of shares repurchased (per share)
Year ended December 31, 2020	1,594,394	$ 73,358	$ 46.01
Year ended December 31, 2019	726,273	40,411	55.64
Year ended December 31, 2018	868,147	45,331	52.22

13. 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.

	Year ended December 31,								
	2020			2019			2018		
	Common shareholders	Unvested restricted stock shareholders	Total	Common shareholders	Unvested restricted stock shareholders	Total	Common shareholders	Unvested restricted stock shareholders	Total
Numerator:									
Net income attributable to Nelnet, Inc.	$ 347,451	4,992	352,443	139,946	1,857	141,803	225,170	2,743	227,913
Denominator:									
Weighted-average common shares outstanding - basic and diluted	38,506,351	553,237	39,059,588	39,523,082	524,320	40,047,402	40,416,719	492,303	40,909,022
Earnings per share - basic and diluted	$ 9.02	9.02	9.02	3.54	3.54	3.54	5.57	5.57	5.57

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.

As of December 31, 2020, a cumulative amount of 209,924 shares have been deferred by non-employee directors under the Directors Stock Compensation Plan and will become issuable upon the termination of service by the respective non-employee director on the board of directors. These shares are included in the Company's weighted average shares outstanding calculation.

14. Income Taxes

The Company is subject to income taxes in the United States, Canada, and Australia. Significant judgment is required in evaluating the Company's tax positions and determining the provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain.

As required by the Income Taxes Topic of the FASB Accounting Standards Codification ("ASC Topic 740"), the Company recognizes in the consolidated financial statements only those tax positions determined to be more likely than not of being sustained upon examination, based on the technical merits of the positions. It further requires that a change in judgment related to the expected ultimate resolution of uncertain tax positions be recognized in earnings in the period of such change.

As of December 31, 2020, the total amount of gross unrecognized tax benefits (excluding the federal benefit received from state positions) was $20.3 million, which is included in “other liabilities” on the consolidated balance sheet. Of this total, $16.0 million (net of the federal benefit on state issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate in future periods. The Company currently anticipates uncertain tax positions will decrease by $6.7 million prior to December 31, 2021 as a result of a lapse of applicable statutes of limitations, settlements, correspondence with examining authorities, and recognition or measurement considerations with federal and state jurisdictions; however, actual developments in this area could differ from those currently expected. Of the anticipated $6.7 million decrease, $5.3 million, if recognized, would favorably affect the Company's effective tax rate. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits follows:

	Year ended December 31,	
	2020	2019
Gross balance - beginning of year	$ 20,148	23,445
Additions based on tax positions of prior years	634	651
Additions based on tax positions related to the current year	2,523	1,339
Settlements with taxing authorities	—	(1,810)
Reductions for tax positions of prior years	(69)	(380)
Reductions due to lapse of applicable statutes of limitations	(2,918)	(3,097)
Gross balance - end of year	$ 20,318	20,148

All the reductions shown in the table above that are due to prior year tax positions, settlements, and the lapse of statutes of limitations impacted the effective tax rate.

The Company's policy is to recognize interest and penalties accrued on uncertain tax positions as part of interest expense and other expense, respectively. As of December 31, 2020 and 2019, $5.4 million and $5.0 million in accrued interest and penalties, respectively, were included in “other liabilities” on the consolidated balance sheets. The Company recognized interest expense of $0.4 million, $0.1 million, and $0.4 million related to uncertain tax positions for the years ended December 31, 2020, 2019, and 2018, respectively. The impact to the consolidated statements of income related to penalties for uncertain tax positions was not significant for the years 2020, 2019, and 2018. The impact of timing differences and tax attributes are considered when calculating interest and penalty accruals associated with the unrecognized tax benefits.

The Company and its subsidiaries file a consolidated federal income tax return in the U.S. and the Company or one of its subsidiaries files income tax returns in various state, local, and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations for years prior to 2017. The Company is no longer subject to U.S. state and local income tax examinations by tax authorities prior to 2010. As of December 31, 2020, the Company has tax uncertainties that remain unsettled in the jurisdiction of California (2010 through 2017).

The provision for income taxes consists of the following components:

	Year ended December 31,		
	2020	2019	2018
Current:			
Federal	$ 82,832	38,931	45,822
State	9,815	3,546	1,969
Foreign	239	239	(2)
Total current provision	92,886	42,716	47,789
Deferred:			
Federal	7,269	(4,280)	11,783
State	718	(2,922)	(883)
Foreign	(13)	(63)	81
Total deferred provision	7,974	(7,265)	10,981
Provision for income tax expense	$ 100,860	35,451	58,770

The differences between the income tax provision computed at the statutory federal corporate tax rate and the financial statement provision for income taxes are shown below:

	Year ended December 31,		
	2020	2019	2018
Tax expense at federal rate	21.0 %	21.0 %	21.0 %
Increase (decrease) resulting from:			
State tax, net of federal income tax benefit	2.8	2.5	2.4
Tax credits	(1.1)	(3.0)	(1.9)
Provision for uncertain federal and state tax matters	(0.2)	(0.7)	(1.0)
Other	(0.2)	0.2	—
Effective tax rate	22.3 %	20.0 %	20.5 %

The tax effect of temporary differences that give rise to deferred tax assets and liabilities include the following:

	As of December 31,	
	2020	**2019**
Deferred tax assets:		
Student loans	$ 26,894	15,479
Deferred revenue	18,081	18,037
Accrued expenses	10,661	4,112
Tax credit carryforwards	5,987	9,394
Basis in certain derivative contracts	5,061	—
Lease liability	4,123	5,891
Stock compensation	2,546	2,167
Securitizations	694	1,261
Net operating losses	647	551
Total gross deferred tax assets	74,694	56,892
Less valuation allowance	(569)	(548)
Net deferred tax assets	74,125	56,344
Deferred tax liabilities:		
Partnership basis	64,023	56,741
Debt and equity investments	20,538	3,775
Depreciation	14,092	11,489
Intangible assets	7,703	5,399
Loan origination services	5,040	4,647
Lease right of use asset	4,037	5,684
Basis in certain derivative contracts	—	2,730
Other	661	1,003
Total gross deferred tax liabilities	116,094	91,468
Net deferred tax asset (liability)	$ (41,969)	(35,124)

The Company has performed an evaluation of the recoverability of deferred tax assets. In assessing the realizability of the Company's deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible or eligible for utilization of a tax credit carryforward. Management considers the scheduled reversals of deferred tax liabilities, projected taxable income, carry back opportunities, and tax planning strategies in making the assessment of the amount of the valuation allowance. With the exception of a portion of the Company's state net operating losses, it is management's opinion that it is more likely than not that the deferred tax assets will be realized and should not be reduced by a valuation allowance. The amount of deferred tax assets considered realizable could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

As of December 31, 2020 and 2019, the Company had a current income tax receivable of $21.5 million and $27.3 million, respectively, that is included in "other assets" on the consolidated balance sheets.

15. Segment Reporting

The Company's reportable operating segments include:

- Loan Servicing and Systems
- Education Technology, Services, and Payment Processing
- Communications
- Asset Generation and Management
- Nelnet Bank

The Company earns fee-based revenue through its Loan Servicing and Systems and Education Technology, Services, and Payment Processing operating segments and earned revenue from its Communications operating segment prior to its deconsolidation on December 21, 2020. In addition, the Company earns interest income on its loan portfolio in its Asset Generation and Management operating segment. On November 2, 2020, the Company launched operations of Nelnet Bank. Nelnet bank operates as an internet bank franchise focused primarily on the private education loan marketplace.

The Company's operating segments are defined by the products and services they offer and the types of customers they serve, and they reflect the manner in which financial information is currently evaluated by management. See note 1, "Description of Business," for a description of each operating segment, including the primary products and services offered.

The management reporting process measures the performance of the Company's operating segments based on the management structure of the Company, as well as the methodology used by management to evaluate performance and allocate resources. Executive management (the "chief operating decision maker") evaluates the performance of the Company's operating segments based on their financial results prepared in conformity with U.S. GAAP.

The accounting policies of the Company's operating segments are the same as those described in the summary of significant accounting policies. Intersegment revenues are charged by a segment that provides a product or service to another segment. Intersegment revenues and expenses are included within each segment consistent with the income statement presentation provided to management. Income taxes are allocated based on 24% of income before taxes for each individual operating segment. The difference between the consolidated income tax expense and the sum of taxes calculated for each operating segment is included in income taxes in Corporate and Other Activities.

Corporate and Other Activities

Other business activities and operating segments that are not reportable are combined and included in Corporate and Other Activities. Corporate and Other Activities includes the following items:

- Income earned on certain investment activities, including renewable energy (solar) and real estate
- Interest expense incurred on unsecured and certain other corporate related debt transactions
- Other product and service offerings that are not considered reportable operating segments including, but not limited to, WRCM, the SEC-registered investment advisor subsidiary

Corporate and Other Activities also includes certain corporate activities and overhead functions related to executive management, internal audit, human resources, accounting, legal, enterprise risk management, information technology, occupancy, and marketing. These costs are allocated to each operating segment based on estimated use of such activities and services.

Segment Results

The following tables include the results of each of the Company's reportable operating segments reconciled to the consolidated financial statements.

	Year ended December 31, 2020							
	Loan Servicing and Systems	Education Technology, Services, and Payment Processing	Communications (a)	Asset Generation and Management	Nelnet Bank	Corporate and Other Activities	Eliminations	Total
Total interest income	$ 436	3,036	2	611,474	414	5,775	(1,480)	619,656
Interest expense	121	54	—	328,157	41	3,178	(1,480)	330,071
Net interest income (expense)	315	2,982	2	283,317	373	2,597	—	289,585
Less provision for loan losses	—	—	—	63,029	330	—	—	63,360
Net interest income after provision for loan losses	315	2,982	2	220,288	43	2,597	—	226,225
Other income/expense:								
Loan servicing and systems revenue	451,561	—	—	—	—	—	—	451,561
Intersegment revenue	36,520	20	—	—	—	—	(36,540)	—
Education technology, services, and payment processing revenue	—	282,196	—	—	—	—	—	282,196
Communications revenue	—	—	76,643	—	—	—	—	76,643
Other	9,421	373	1,561	7,189	48	38,969	—	57,561
Gain on sale of loans	—	—	—	33,023	—	—	—	33,023
Gain from deconsolidation of ALLO	—	—	—	—	—	258,588	—	258,588
Impairment expense and provision for beneficial interests	—	—	—	(16,607)	—	(8,116)	—	(24,723)
Derivative settlements, net	—	—	—	3,679	—	—	—	3,679
Derivative market value adjustments, net	—	—	—	(28,144)	—	—	—	(28,144)
Total other income/expense	497,502	282,589	78,204	(860)	48	289,441	(36,540)	1,110,384
Cost of services:								
Cost to provide education technology, services, and payment processing services	—	82,206	—	—	—	—	—	82,206
Cost to provide communications services	—	—	22,812	—	—	—	—	22,812
Total cost of services	—	82,206	22,812	—	—	—	—	105,018
Operating expenses:								
Salaries and benefits	285,526	98,847	30,935	1,747	36	84,741	—	501,832
Depreciation and amortization	37,610	9,459	42,588	—	—	29,043	—	118,699
Other expenses	57,420	14,566	13,327	15,806	135	59,320	—	160,574
Intersegment expenses, net	63,886	14,293	1,732	39,172	—	(82,543)	(36,540)	—
Total operating expenses	444,442	137,165	88,582	56,725	171	90,561	(36,540)	781,105
Income (loss) before income taxes	53,375	66,200	(33,188)	162,703	(80)	201,477	—	450,486
Income tax (expense) benefit	(12,810)	(15,888)	7,965	(39,049)	20	(41,098)	—	(100,860)
Net income (loss)	40,565	50,312	(25,223)	123,654	(60)	160,379	—	349,626
Net loss (income) attributable to noncontrolling interests	—	—	—	—	—	2,817	—	2,817
Net income (loss) attributable to Nelnet, Inc.	$ 40,565	50,312	(25,223)	123,654	(60)	163,196	—	352,443
Total assets as of December 31, 2020	$ 190,297	436,702	—	20,773,968	216,937	1,225,790	(197,534)	22,646,160

(a) On December 21, 2020, the Company deconsolidated ALLO from the Company's consolidated financial statements. See note 2, "Recent Developments - ALLO Recapitalization," for a description of the transaction and a summary of the deconsolidation impact. Accordingly, the operating results for the Communications operating segment in the table above are for the period from January 1 2020 through December 21, 2020.

	Year ended December 31, 2019							
	Loan Servicing and Systems	Education Technology, Services, and Payment Processing	Communications	Asset Generation and Management	Nelnet Bank	Corporate and Other Activities	Eliminations	Total
Total interest income	$ 2,031	9,244	3	931,963	—	9,232	(3,796)	948,677
Interest expense	115	46	—	693,375	—	9,587	(3,796)	699,327
Net interest income (expense)	1,916	9,198	3	238,588	—	(355)	—	249,350
Less provision for loan losses	—	—	—	39,000	—	—	—	39,000
Net interest income after provision for loan losses	1,916	9,198	3	199,588	—	(355)	—	210,350
Other income/expense:								
Loan servicing and systems revenue	455,255	—	—	—	—	—	—	455,255
Intersegment revenue	46,751	—	—	—	—	—	(46,751)	—
Education technology, services, and payment processing revenue	—	277,331	—	—	—	—	—	277,331
Communications revenue	—	—	64,269	—	—	—	—	64,269
Other	9,736	259	1,509	13,088	—	23,327	—	47,918
Gain on sale of loans	—	—	—	17,261	—	—	—	17,261
Gain from deconsolidation of ALLO	—	—	—	—	—	—	—	—
Impairment expense and provision for beneficial interests	—	—	—	—	—	—	—	—
Derivative settlements, net	—	—	—	45,406	—	—	—	45,406
Derivative market value adjustments, net	—	—	—	(76,195)	—	—	—	(76,195)
Total other income/expense	511,742	277,590	65,778	(440)	—	23,327	(46,751)	831,245
Cost of services:								
Cost to provide education technology, services, and payment processing services	—	81,603	—	—	—	—	—	81,603
Cost to provide communications services	—	—	20,423	—	—	—	—	20,423
Total cost of services	—	81,603	20,423	—	—	—	—	102,026
Operating expenses:								
Salaries and benefits	276,136	94,666	21,004	1,545	—	70,152	—	463,503
Depreciation and amortization	34,755	12,820	37,173	—	—	20,300	—	105,049
Other expenses	71,064	22,027	15,165	34,445	—	51,571	—	194,272
Intersegment expenses, net	54,325	13,405	2,962	47,362	—	(71,303)	(46,751)	—
Total operating expenses	436,280	142,918	76,304	83,352	—	70,720	(46,751)	762,824
Income (loss) before income taxes	77,378	62,267	(30,946)	115,796	—	(47,748)	—	176,745
Income tax (expense) benefit	(18,571)	(14,944)	7,427	(27,792)	—	18,428	—	(35,451)
Net income (loss)	58,807	47,323	(23,519)	88,004	—	(29,320)	—	141,294
Net loss (income) attributable to noncontrolling interests	—	—	—	—	—	509	—	509
Net income (loss) attributable to Nelnet, Inc.	$ 58,807	47,323	(23,519)	88,004	—	(28,811)	—	141,803
Total assets as of December 31, 2019	$ 290,311	506,382	303,347	22,128,917	—	627,897	(147,884)	23,708,970

	Year ended December 31, 2018							
	Loan Servicing and Systems	Education Technology, Services, and Payment Processing	Communications	Asset Generation and Management	Nelnet Bank	Corporate and Other Activities	Eliminations	Total
Total interest income	$ 1,351	4,453	4	911,502	—	19,944	(12,989)	924,266
Interest expense	—	9	9,987	662,360	—	10,540	(12,989)	669,906
Net interest income (expense)	1,351	4,444	(9,983)	249,142	—	9,404	—	254,360
Less provision for loan losses	—	—	—	23,000	—	—	—	23,000
Net interest income after provision for loan losses	1,351	4,444	(9,983)	226,142	—	9,404	—	231,360
Other income/expense:								
Loan servicing and systems revenue	440,027	—	—	—	—	—	—	440,027
Intersegment revenue	47,082	—	—	—	—	—	(47,082)	—
Education technology, services, and payment processing revenue	—	221,962	—	—	—	—	—	221,962
Communications revenue	—	—	44,653	—	—	—	—	44,653
Other	7,284	—	1,075	12,723	—	33,724	—	54,805
Gain on sale of loans	—	—	—	—	—	—	—	—
Gain from deconsolidation of ALLO	—	—	—	—	—	—	—	—
Impairment expense and provision for beneficial interests	(3,906)	(7,815)	—	—	—	—	—	(11,721)
Derivative settlements, net	—	—	—	70,478	—	(407)	—	70,071
Derivative market value adjustments, net	—	—	—	(2,159)	—	3,173	—	1,014
Total other income/expense	490,487	214,147	45,728	81,042	—	36,490	(47,082)	820,811
Cost of services:								
Cost to provide education technology, services, and payment processing services	—	59,566	—	—	—	—	—	59,566
Cost to provide communications services	—	—	16,926	—	—	—	—	16,926
Total cost of services	—	59,566	16,926	—	—	—	—	76,492
Operating expenses:								
Salaries and benefits	267,458	81,080	18,779	1,526	—	67,336	—	436,179
Depreciation and amortization	32,074	13,484	23,377	—	—	17,960	—	86,896
Other expenses	63,430	20,322	11,900	15,961	—	54,697	—	166,310
Intersegment expenses, net	59,042	10,681	2,578	47,870	—	(73,088)	(47,082)	—
Total operating expenses	422,004	125,567	56,634	65,357	—	66,905	(47,082)	689,385
Income (loss) before income taxes	69,834	33,458	(37,815)	241,827	—	(21,011)	—	286,294
Income tax (expense) benefit	(16,954)	(8,030)	9,075	(58,038)	—	15,177	—	(58,770)
Net income (loss)	52,880	25,428	(28,740)	183,789	—	(5,834)	—	227,524
Net loss (income) attributable to noncontrolling interests	808	—	—	—	—	(419)	—	389
Net income (loss) attributable to Nelnet, Inc.	$ 53,688	25,428	(28,740)	183,789	—	(6,253)	—	227,913
Total assets as of December 31, 2018	$ 226,445	471,719	286,816	23,806,321	—	563,841	(134,174)	25,220,968

16. Disaggregated Revenue and Deferred Revenue

The following provides additional revenue recognition information for the Company's fee-based reportable operating segments.

Loan Servicing and Systems Revenue

Loan servicing and systems revenue consists of the following items:

- *Loan servicing revenue* - Loan servicing revenue consideration is determined from individual contracts with customers and is calculated monthly based on the dollar value of loans, number of loans, number of borrowers serviced for each customer, or number of transactions. Loan servicing requires a significant level of integration and the individual components are not considered distinct. The Company performs various services, including, but not limited to, (i) application processing, (ii) monthly servicing, (iii) conversion processing, and (iv) fulfillment services, during each distinct service period. Even though the mix and quantity of activities that the Company performs each period may differ, the nature of the activities are substantially the same. Revenue is allocated to the distinct service period, typically a month, and recognized as control transfers as customers simultaneously receive and consume benefits.

- *Software services revenue* - Software services revenue consideration is determined from individual contracts with customers and includes license and maintenance fees associated with loan software products, generally in a remote hosted environment, and computer and software consulting. Usage-based revenue from remote hosted licenses is allocated to the distinct service period, typically a month, and recognized as control transfers as customers simultaneously receive and consume benefits. Revenue from any non-refundable up-front fee is recognized ratably over the contract period, as the fee relates to set-up activities that provide no incremental benefit to the customers. Computer and software consulting is also capable of being distinct and accounted for as a separate performance obligation. Revenue allocated to computer and software consulting is recognized as services are provided.

- *Outsourced services revenue* - Outsourced services revenue consideration is determined from individual contracts with customers and is calculated monthly based on the volume of services. Revenue is allocated to the distinct service period, typically a month, and recognized as control transfers as customers simultaneously receive and consume benefits.

The following table provides disaggregated revenue by service offering:

	Year ended December 31,		
	2020	2019	2018
Government servicing - Nelnet	$ 146,798	157,991	157,091
Government servicing - Great Lakes	179,872	185,656	168,298
Private education and consumer loan servicing	32,492	36,788	41,474
FFELP servicing	20,183	25,043	31,542
Software services	41,999	41,077	32,929
Outsourced services and other	30,217	8,700	8,693
Loan servicing and systems revenue	$ 451,561	455,255	440,027

Education Technology, Services, and Payment Processing Revenue

Education technology, services, and payment processing revenue consists of the following items:

- *Tuition payment plan services* - Tuition payment plan services consideration is determined from individual plan agreements, which are governed by plan service agreements, and includes access to a remote hosted environment and management of payment processing. The management of payment processing is considered a distinct performance obligation when sold with the remote hosted environment. Revenue for each performance obligation is allocated to the distinct service period, the academic school term, and recognized ratably over the service period as customers simultaneously receive and consume benefits.

- *Payment processing* - Payment processing consideration is determined from individual contracts with customers and includes electronic transfer and credit card processing, reporting, virtual terminal solutions, and specialized

integrations to business software for education and non-education markets. Volume-based revenue from payment processing is allocated and recognized to the distinct service period, based on when each transaction is completed, and recognized as control transfers as customers simultaneously receive and consume benefits. The electronic transfer and credit card processing consideration is recognized as revenue on a gross basis as the Company is the principal in the delivery of the payment processing. The Company has concluded it is the principal as it controls the services before delivery to the educational institution or business, it is primarily responsible for the delivery of the services, and it has discretion in setting prices charged to its customers. In addition, the Company has the unilateral ability to accept or reject a transaction based on criteria established by the Company. The Company is liable for the costs of processing the transactions and records such costs within "cost to provide education technology, services, and payment processing services."

- *Education technology and services* - Education technology and services consideration is determined from individual contracts with customers and is based on the services selected by the customer. Services in K-12 private and faith based schools primarily includes (i) assistance with financial needs assessment, (ii) school information system software that automates administrative processes such as admissions, enrollment, scheduling, cafeteria management, attendance, and grade book management, and (iii) professional development and educational instruction services. Revenue for these services is recognized for the consideration the Company has a right to invoice, the amount of which corresponds directly with the value provided to the customer based on the performance completed. Services provided to the higher education market include payment technology and processing that allow for electronic billing and payment of campus charges. These services are considered distinct performance obligations. Revenue for each performance obligation is allocated to the distinct service period, typically a month or based on when each transaction is completed, and recognized as control transfers as customers simultaneously receive and consume benefits.

The following table provides disaggregated revenue by service offering:

	Year ended December 31,		
	2020	2019	2018
Tuition payment plan services	$ 100,674	106,682	85,381
Payment processing	114,304	110,848	84,289
Education technology and services	65,885	58,578	51,155
Other	1,333	1,223	1,137
Education technology, services, and payment processing revenue	$ 282,196	277,331	221,962

Cost to provide education technology, services, and payment processing services is primarily associated with providing payment processing services. Interchange and payment network fees are charged by the card associations or payment networks. Depending upon the transaction type, the fees are a percentage of the transaction’s dollar value, a fixed amount, or a combination of the two methods. Other items included in cost to provide education technology, services, and payment processing services include salaries and benefits and third-party professional service costs directly related to providing professional development and educational instruction services to teachers, school leaders, and students.

Communications Revenue

Communications revenue is derived principally from internet, television, and telephone services and is billed as a flat fee in advance of providing the service. Revenues for usage-based services, such as access charges billed to other telephone carriers for originating and terminating long-distance calls on the Company's network, are billed in arrears. These are each considered distinct performance obligations. Revenue is recognized monthly for the consideration the Company has a right to invoice, the amount of which corresponds directly with the value provided to the customer based on the performance completed. The Company recognizes revenue from these services in the period the services are rendered rather than billed. Revenue received or receivable in advance of the delivery of services is included in deferred revenue. Earned but unbilled usage-based services are recorded in accounts receivable.

The following table provides disaggregated revenue by service offering and customer type. The amounts listed for 2020 reflect activity prior to ALLO's deconsolidation on December 21, 2020:

	Period from January 1 2020 - December 21, 2020	Year ended December 31,	
		2019	2018
Internet	$ 48,362	38,239	24,069
Television	17,091	16,196	12,949
Telephone	11,037	9,705	7,546
Other	153	129	89
Communications revenue	$ 76,643	64,269	44,653
Residential revenue	$ 58,029	48,344	33,434
Business revenue	18,038	15,689	10,976
Other	576	236	243
Communications revenue	$ 76,643	64,269	44,653

Cost to provide communications services is primarily associated with television programming costs. The Company has various contracts to obtain television programming from programming vendors whose compensation is typically based on a flat fee per customer. The cost of the right to exhibit network programming under such arrangements is recorded in the month the programming is available for exhibition. Programming costs are paid each month based on calculations performed by the Company and are subject to periodic audits performed by the programmers. Other items in cost to provide communications services include connectivity, franchise, and other regulatory costs directly related to providing internet and telephone services.

Other Income

The following table provides the components of "other income" on the consolidated statements of income:

	Year ended December 31,		
	2020	2019	2018
Gain on remeasurement of HUDL investment	$ 51,018	—	—
Investment advisory services	10,875	2,941	6,009
Management fee revenue	9,421	9,736	7,284
Borrower late fee income	5,194	12,884	12,302
Income/gains from investments, net	2,205	8,356	9,579
Loss from solar investments	(37,423)	(2,220)	—
Other	16,271	16,221	19,631
Other income	$ 57,561	47,918	54,805

- *Investment advisory fees* - Investment advisory services are provided by WRCM, the Company's SEC-registered investment advisor subsidiary, under various arrangements. The Company earns monthly fees based on the monthly outstanding balance of investments and certain performance measures, which are recognized monthly as the uncertainty of the transaction price is resolved.
- *Management fee revenue* - Management fee revenue is earned for providing administrative support and marketing services provided primarily to Great Lakes' former parent company. Revenue is allocated to the distinct service period, based on when each transaction is completed.
- *Borrower late fee income* - Late fee income is earned by the education lending subsidiaries. Revenue is allocated to the distinct service period, based on when each transaction is completed.

Deferred Revenue

Activity in the deferred revenue balance, which is included in "other liabilities" on the consolidated balance sheets, is shown below:

	Loan Servicing and Systems	Education, Technology, Services, and Payment Processing	Communications	Corporate and Other Activities	Total
Balance as of December 31, 2017	$ 4,968	24,164	1,665	1,479	32,276
Deferral of revenue	5,117	77,297	25,325	5,553	113,292
Recognition of revenue	(5,672)	(70,905)	(24,439)	(5,430)	(106,446)
Balance as of December 31, 2018	4,413	30,556	2,551	1,602	39,122
Deferral of revenue	3,585	93,373	36,024	3,505	136,487
Recognition of revenue	(5,286)	(91,855)	(35,343)	(3,479)	(135,963)
Balance as of December 31, 2019	2,712	32,074	3,232	1,628	39,646
Deferral of revenue	2,490	90,183	43,596	3,209	139,478
Recognition of revenue	(3,824)	(90,409)	(42,903)	(3,286)	(140,422)
Deconsolidation of ALLO	—	—	(3,925)	—	(3,925)
Business acquisition	—	1,419	—	—	1,419
Balance as of December 31, 2020	$ 1,378	33,267	—	1,551	36,196

17. Major Customer

Nelnet Servicing earns loan servicing revenue from a servicing contract with the Department. Revenue earned by Nelnet Servicing related to this contract was $146.8 million, $158.0 million, and $157.1 million for the years ended December 31, 2020, 2019, and 2018, respectively.

In addition, Great Lakes, which was acquired by the Company on February 7, 2018, also earns loan servicing revenue from a similar servicing contract with the Department. Revenue earned by Great Lakes related to this contract was $179.9 million and $185.7 million for the years ended December 31, 2020 and 2019, respectively. Revenue of $168.3 million was earned for the period from February 7, 2018 to December 31, 2018.

The current servicing contracts with the Department are currently scheduled to expire on June 14, 2021, but provide the potential for an additional six-month extension at the Department's discretion through December 14, 2021. The Consolidated Appropriations Act, 2021, signed into law on December 27, 2020, provides that the Department may extend the period of performance for the servicing contracts scheduled to expire on December 14, 2021 for up to two additional years to December 14, 2023.

The Department is conducting a contract procurement process entitled Next Generation Financial Services Environment ("NextGen") for a new framework for the servicing of all student loans owned by the Department. On January 15, 2019, the Department issued solicitations for certain NextGen components, including the NextGen Enhanced Processing Solution ("EPS"), which is for a technology servicing system and certain processing functions the Department planned to use under NextGen to service the Department's student loan customers, and the NextGen Business Processing Operations ("BPO"), which is for the back office and call center operational functions for servicing the Department's student loan customers.

On June 24, 2020, the Department awarded and signed contracts with five other companies in connection with the BPO solicitation. On July 10, 2020, the Department cancelled the solicitation for the EPS component. In the Department's description of its cancellation of the EPS solicitation component, the Department indicated that it continues to be committed to the goals and vision of NextGen, and that it would be introducing a new solicitation to continue the NextGen strategy in the future. On October 28, 2020, the Department issued a new federal loan servicing solicitation for an Interim Servicing Solution ("ISS"). ISS was a follow-on to the existing contracts, which would award a full system and servicing solution to two providers. Under ISS, the selected providers would have provided the technology platform to host the Department's student loan portfolio; customer service (including contact centers) and back-office processing; digital engagement layer including borrower-facing website and mobile-applications; intake, imaging, and fulfillment; and portfolio-level operations. As the companies awarded BPO contracts are onboarded, contact center and back-office operations would have shifted from the ISS contract to the BPO providers. The

Consolidated Appropriations Act, 2021 contains provisions directing certain aspects of the NextGen process, including that any new federal student loan servicing environment shall provide for the participation of multiple student loan servicers and the allocation of borrower accounts to eligible student loan servicers based on performance, and directed the suspension of awarding any ISS contract for at least 90 days. On January 9, 2021, the Department suspended the ISS solicitation. In the Department's description of the suspension, it indicated that in consideration of the Consolidated Appropriations Act, 2021, the Government is reassessing its needs and will amend or cancel the subject solicitation in the future.

18. Leases

The following table provides supplemental balance sheet information related to leases:

	As of December 31,	
	2020	**2019**
Operating lease ROU assets, which is included in "other assets" on the consolidated balance sheet	$ 18,301	32,770
Operating lease liabilities, which is included in "other liabilities" on the consolidated balance sheet	$ 18,733	33,689

The following table provides components of lease expense:

	Year ended December 31,	
	2020	**2019**
Rental expense, which is included in "other expenses" on the consolidated statements of income (a)	$ 11,885	11,171
Rental expense, which is included in "cost to provide communications services" on the consolidated statements of income (a)	1,997	1,609
Total operating rental expense	$ 13,882	12,780

(a) Includes short-term and variable lease costs, which are immaterial.

Weighted average remaining lease term and discount rate are shown below:

	As of December 31,	
	2020	**2019**
Weighted average remaining lease term (years)	5.65	7.29
Weighted average discount rate	2.43 %	3.93 %

Maturity of lease liabilities are shown below:

2021	$ 6,578
2022	3,857
2023	2,938
2024	1,562
2025	1,424
2026 and thereafter	4,437
Total lease payments	20,796
Imputed interest	(2,063)
Total	$ 18,733

The Company adopted the new lease standard using the effective date as its date of initial application (January 1, 2019) as noted above, and as required, the following disclosure is provided for periods prior to adoption. Future minimum lease payments as of December 31, 2018 are shown below:

2019	$ 9,181
2020	8,261
2021	5,776
2022	3,745
2023	2,904
2024 and thereafter	5,479
Total minimum lease payments	$ 35,346

Total rental expense incurred by the Company prior to the adoption of the new lease standard was $8.4 million during 2018.

19. Defined Contribution Benefit Plan

The Company has a 401(k) savings plan that covers substantially all of its employees. Employees may contribute up to 100 percent of their pre-tax salary, subject to IRS limitations. The Company matches up to 100 percent on the first 3 percent of contributions and 50 percent on the next 2 percent. The Company made contributions to the plan of $11.6 million, $10.8 million, and $9.8 million during the years ended December 31, 2020, 2019, and 2018, respectively.

20. Stock Based Compensation Plans

Restricted Stock Plan

The following table summarizes restricted stock activity:

	Year ended December 31,		
	2020	**2019**	**2018**
Non-vested shares at beginning of year	549,845	532,336	398,210
Granted	151,639	186,281	279,441
Vested	(114,282)	(109,651)	(100,035)
Canceled	(34,746)	(59,121)	(45,280)
Non-vested shares at end of year	552,456	549,845	532,336

As of December 31, 2020, there was $16.2 million of unrecognized compensation cost included in equity on the consolidated balance sheet related to restricted stock, which is expected to be recognized as compensation expense in future periods as shown in the table below.

2021	$ 5,912
2022	3,787
2023	2,488
2024	1,604
2025	1,009
2026 and thereafter	1,374
	$ 16,174

For the years ended December 31, 2020, 2019, and 2018, the Company recognized compensation expense of $7.3 million, $6.4 million, and $6.2 million, respectively, related to shares issued under the restricted stock plan, which is included in "salaries and benefits" on the consolidated statements of income.

Employee Share Purchase Plan

The Company has an employee share purchase plan pursuant to which employees are entitled to purchase Class A common stock from payroll deductions at a 15 percent discount from market value. During the years ended December 31, 2020, 2019, and 2018, the Company recognized compensation expense of $0.4 million, $0.3 million, and $0.3 million, respectively, in connection with issuing 36,687 shares, 33,250 shares, and 28,744 shares, respectively, under this plan, which is included in "salaries and benefits" on the consolidated statements of income.

Non-employee Directors Compensation Plan

The Company has a compensation plan for non-employee directors pursuant to which non-employee directors can elect to receive their annual retainer fees in the form of cash or Class A common stock. If a non-employee director elects to receive Class A common stock, the number of shares of Class A common stock that are awarded is equal to the amount of the annual retainer fee otherwise payable in cash divided by 85 percent of the fair market value of a share of Class A common stock on the date the fee is payable. Non-employee directors who choose to receive Class A common stock may also elect to defer receipt of the Class A common stock until termination of their service on the board of directors.

For the years ended December 31, 2020, 2019, and 2018, the Company recognized $1.2 million, $1.2 million, and $1.0 million, respectively, of expense related to this plan, which is included in "other expenses" on the consolidated statements of income. The following table provides the number of shares awarded under this plan for the years ended December 31, 2020, 2019, and 2018.

	Shares issued - not deferred	Shares issued- deferred	Total
Year ended December 31, 2020	12,740	16,513	29,253
Year ended December 31, 2019	9,588	11,212	20,800
Year ended December 31, 2018	8,029	10,680	18,709

As of December 31, 2020, a cumulative amount of 209,924 shares have been deferred by directors and will be issued upon the termination of their service on the board of directors. These shares are included in the Company's weighted average shares outstanding calculation.

21. Related Parties (dollar amounts in this note are not in thousands)

Transactions with Union Bank and Trust Company

Union Bank and Trust Company ("Union Bank") is controlled by Farmers & Merchants Investment Inc. (“F&M”), which owns a majority of Union Bank's common stock and a minority share of Union Bank's non-voting non-convertible preferred stock. Michael S. Dunlap, Executive Chairman and a member of the board of directors and a significant shareholder of the Company, along with his spouse and children, owns or controls a significant portion of the stock of F&M, and Mr. Dunlap's sister, Angela L. Muhleisen, along with her spouse and children, also owns or controls a significant portion of F&M stock. Mr. Dunlap serves as a Director and Chairman of F&M, and as a Director of Union Bank. Ms. Muhleisen serves as a Director and Chief Executive Officer of F&M and as a Director, Chairperson, President, and Chief Executive Officer of Union Bank. Union Bank is deemed to have beneficial ownership of a significant number of shares of the Company because it serves in a capacity of trustee or account manager for various trusts and accounts holding shares of the Company, and may share voting and/or investment power with respect to such shares. Mr. Dunlap and Ms. Muhleisen beneficially own a significant percent of the voting rights of the Company's outstanding common stock.

The Company has entered into certain contractual arrangements with Union Bank. These transactions are summarized below.

<u>Loan Purchases</u>

The Company purchased $144.9 million (par value) and $67.7 million (par value) of private education loans from Union Bank in 2020 and 2019, respectively. There were no private education loan purchases in 2018. In addition, the Company purchased $32.6 million (par value) and $74.7 million (par value) of consumer loans from Union Bank in 2019 and 2018, respectively. There were no consumer loan purchases in 2020. The net premiums paid by the Company on the loan acquisitions was $2.6 million and $1.2 million in 2020 and 2019, respectively. The premiums paid by the Company in 2018 were not significant.

The Company has an agreement with Union Bank in which the Company provides marketing, origination, and loan servicing services to Union Bank related to private education loans. Union Bank paid $2.0 million and $1.8 million in marketing fees to the Company in 2020 and 2019, respectively, under this agreement. Marketing fees paid in 2018 were not significant.

Loan Servicing

The Company serviced $331.3 million, $395.5 million, and $405.5 million of FFELP and private education loans for Union Bank as of December 31, 2020, 2019, and 2018, respectively. Servicing and origination fee revenue earned by the Company from servicing loans for Union Bank was $0.7 million, $0.6 million, and $0.5 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Funding - Participation Agreements

The Company maintains an agreement with Union Bank, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in student loans (the "FFELP Participation Agreement"). The Company uses this facility as a source to fund FFELP student loans. As of December 31, 2020 and 2019, $874.2 million and $749.6 million, respectively, of loans were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. The agreement automatically renews annually and is terminable by either party upon five business days' notice. This agreement provides beneficiaries of Union Bank's grantor trusts with access to investments in interests in student loans, while providing liquidity to the Company on a short-term basis. The Company can participate loans to Union Bank to the extent of availability under the grantor trusts, up to $900 million or an amount in excess of $900 million if mutually agreed to by both parties. Loans participated under this agreement have been accounted for by the Company as loan sales. Accordingly, the participation interests sold are not included on the Company's consolidated balance sheets.

The Company maintains an agreement with Union Bank, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in student loan asset-backed securities. As of December 31, 2020, $118.6 million of student loan asset-backed securities were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. The agreement automatically renews annually and is terminable by either party upon five business days' notice. The Company can participate student loan asset-backed securities to Union Bank to the extent of availability under the grantor trusts, up to $100.0 million or an amount in excess of $100.0 million if mutually agreed to by both parties. Student loan asset-backed securities under this agreement have been accounted for by the Company as a secured borrowing.

Funding - Real Estate

401 Building, LLC ("401 Building") is an entity that was established in 2015 for the sole purpose of acquiring, developing, and owning a commercial real estate property in Lincoln, Nebraska. The Company owns 50% of 401 Building. On May 1, 2018, Union Bank, as lender, received a $1.5 million promissory note from 401 Building. The promissory note carries an interest rate of 6.00% and has a maturity date of December 1, 2032.

330-333, LLC ("330-333") is an entity that was established in 2016 for the sole purpose of acquiring, developing, and owning a commercial real estate property in Lincoln, Nebraska. The Company owns 50% of 330-333. On October 22, 2019, Union Bank, as lender, received a $162,000 promissory note from 330-333. The promissory note carries an interest rate of 6.00% and has a maturity date of December 1, 2032.

12100.5 West Center, LLC ("West Center") is an entity that was established in 2016 for the sole purpose of acquiring, developing, and owning a commercial real estate property in Omaha, Nebraska. The Company owns 33.33% of West Center. On October 29, 2019, Union Bank, as lender, received a $2.9 million promissory note from West Center. The promissory note carries an interest rate of 3.85% and has a maturity date of October 30, 2024.

Operating Cash Accounts

The majority of the Company's cash operating accounts are maintained at Union Bank. The Company also invests amounts in the Short term Federal Investment Trust ("STFIT") of the Student Loan Trust Division of Union Bank, which are included in "cash and cash equivalents - held at a related party" and "restricted cash - due to customers" on the accompanying consolidated balance sheets. As of December 31, 2020 and 2019, the Company had $285.6 million and $390.5 million, respectively, invested in the STFIT or deposited at Union Bank in operating accounts, of which $197.6 million and $270.5 million as of December 31, 2020 and 2019, respectively, represented cash collected for customers. Interest income earned by the Company on the amounts

invested in the STFIT and in cash operating accounts for the years ended December 31, 2020, 2019, and 2018, was $0.5 million, $1.6 million, and $1.0 million, respectively.

529 Plan

The Company provides certain 529 Plan administration services to certain college savings plans (the "College Savings Plans") through a contract with Union Bank, as the program manager. Union Bank is entitled to a fee as program manager pursuant to its program management agreement with the College Savings Plans. For the years ended December 31, 2020, 2019, and 2018, the Company has received fees of $1.3 million, $3.7 million, and $3.2 million, respectively, from Union Bank related to the administration services provided to the College Savings Plans.

During 2020, certain call center services were provided by the Company to Union Bank for College Savings Plan clients. Fees received from Union Bank for such services were not significant.

Additionally, Union Bank, as the program manager for the College Savings Plans, has agreed to allocate plan bank deposits to Nelnet Bank. As of December 31, 2020, Nelnet Bank had received $48.4 million in deposits from the funds offered under the College Savings Plans.

Lease Arrangements

Union Bank leases approximately 4,000 square feet in the Company's corporate headquarters building. Union Bank paid the Company approximately $80,000, $79,000, and $76,000 for commercial rent and storage income during 2020, 2019, and 2018, respectively. The lease agreement expires on June 30, 2023.

Other Fees Paid to Union Bank

During the years ended December 31, 2020, 2019, and 2018, the Company paid Union Bank approximately $279,000, $213,000, and $128,000, respectively, in cash management, trustee, and health savings account maintenance fees.

Other Fees Received from Union Bank

During the years ended December 31, 2020, 2019, and 2018, Union Bank paid the Company approximately $317,000, $317,000, and $231,000, respectively, under certain employee sharing arrangements. During the years ended December 31, 2020, 2019, and 2018, Union Bank paid the Company approximately $273,000, $92,000, and $34,000, respectively, for communications services. In addition, during the years ended December 31, 2019 and 2018, Union Bank paid the Company approximately $1,000 and $4,000 in payment processing fees (net of merchant fees of approximately $4,000 and $13,000), respectively. No such fees were received from Union Bank during 2020.

401(k) Plan Administration

Union Bank administers the Company's 401(k) defined contribution plan. Fees paid to Union Bank to administer the plan are paid by the plan participants and were approximately $447,000, $366,000, and $313,000 during the years ended December 31, 2020, 2019, and 2018, respectively.

Investment Services

Union Bank has established various trusts whereby Union Bank serves as trustee for the purpose of purchasing, holding, managing, and selling investments in student loan asset-backed securities. WRCM, an SEC-registered investment advisor and a subsidiary of the Company, has a management agreement with Union Bank under which WRCM performs various advisory and management services on behalf of Union Bank with respect to investments in securities by the trusts, including identifying securities for purchase or sale by the trusts. The agreement provides that Union Bank will pay to WRCM annual fees of 25 basis points on the outstanding balance of the investments in the trusts. As of December 31, 2020, the outstanding balance of investments in the trusts was $1.2 billion. In addition, Union Bank will pay additional fees to WRCM of up to 50 percent of the gains from the sale of securities from the trusts or securities being called prior to the full contractual maturity. For the years ended December 31, 2020, 2019, and 2018, the Company earned $9.8 million, $1.8 million, and $4.5 million, respectively, of fees under this agreement.

WRCM also has management agreements with Union Bank under which it is designated to serve as investment advisor with respect to the assets (principally Nelnet stock) within several trusts established by Mr. Dunlap and his spouse, and Ms. Muhleisen and her spouse. Union Bank serves as trustee for the trusts. Per the terms of the agreements, Union Bank pays

WRCM five basis points of the aggregate value of the assets of the trusts as of the last day of each calendar quarter. As of December 31, 2020, WRCM was the investment advisor with respect to a total 480,000 shares and 4.8 million shares of the Company's Class A and Class B common stock, respectively, held directly by these trusts. For the years ended December 31, 2020, 2019, and 2018, the Company earned approximately $141,000, $144,000, and $141,000, respectively, of fees under these agreements.

WRCM has established private investment funds for the primary purpose of purchasing, selling, investing, and trading, directly or indirectly, in student loan asset-backed securities, and to engage in financial transactions related thereto. Mr. Dunlap, Jeffrey R. Noordhoek (an executive officer of the Company), Ms. Muhleisen and her spouse, and WRCM have invested in certain of these funds. Based upon the current level of holdings by non-affiliated limited partners, the management agreements provide non-affiliated limited partners the ability to remove WRCM as manager without cause. WRCM earns 50 basis points (annually) on the outstanding balance of the investments in these funds, of which WRCM pays approximately 50 percent of such amount to Union Bank as custodian. As of December 31, 2020, the outstanding balance of investments in these funds was $134.3 million. The Company paid Union Bank $0.3 million in each of 2020, 2019, and 2018, as custodian of the funds.

<u>Nelnet Bank</u>

Upon its establishment on November 2, 2020, Nelnet Bank entered into agreements with Union Bank in which Union Bank provides investment custodial services and correspondent bank services. Fees paid during 2020 by Nelnet Bank to Union Bank under these agreements were not significant.

Transactions with F&M

The Company, F&M, and the holding company of BankFirst of Norfolk, Nebraska ("BankFirst"), of which Mr. Dunlap is a member of the Board of Directors, have co-invested a total of $10.3 million, $4.6 million, and $1.7 million, respectively, in a Company-managed limited liability company that invests in renewable energy (solar). As part of these transactions, the Company receives management and performance fees under a management agreement. For the years ended December 31, 2020 and 2019, the Company earned approximately $46,000 and $69,000 and approximately $15,000 and $69,000 of management fees from F&M and BankFirst, respectively, under this agreement.

Transactions with Union Financial Services (“UFS”)

UFS is owned 50 percent by Mr. Dunlap. Historically, the Company owned a 65 percent interest in an aircraft due to the frequent business travel needs of the Company's executives and the limited availability of commercial flights in Lincoln, Nebraska, where the Company's headquarters are located. UFS owned the remaining interest in the same aircraft. On December 31, 2018, the Company purchased an additional 17.5 percent interest in the aircraft from UFS for $717,500, which reflected what available information indicated was the aircraft's fair market value at the time of sale. As a result of this transaction, the Company's ownership in the aircraft increased to 82.5 percent. On December 31, 2018, UFS also contributed a 17.5 percent interest in the aircraft to an entity owned by Mr. Dunlap.

Transactions with Agile Sports Technologies, Inc. (doing business as "Hudl")

David Graff, who has served on the Company's Board of Directors since 2014, is CEO, co-founder, and a director of Hudl. On May 20, 2020, the Company made an additional equity investment in Hudl, as one of the participants in an equity raise completed by Hudl. See Note 7, “Investments” for additional information on this equity raise. The Company and Mr. Dunlap, along with his children, currently hold combined direct and indirect equity ownership interests in Hudl of 19.6% and 3.7%, respectively, which did not materially change as a result of the May 2020 transaction. The Company's and Mr. Dunlap's direct and indirect equity ownership interests in Hudl consist of preferred stock with certain liquidation preferences that are considered substantive. Accordingly, for accounting purposes, the Company's and Mr. Dunlap's equity ownership interests are not considered in-substance common stock and the Company is accounting for its equity investment in Hudl using the measurement alternative method.

On July 26, 2019, the Company, as lender, received a $16.0 million promissory note from Hudl. The promissory note carried a 14 percent interest rate and was due 180 days from the date of issuance. In connection with this promissory note, the Company entered into a Subordination Agreement with Union Bank, effective as of July 26, 2019, which required the Company to subordinate its promissory note from Hudl to existing notes Union Bank holds from Hudl. The $16.0 million promissory note from Hudl was paid in full to the Company in August 2019.

The Company makes investments to further diversify the Company both within and outside of its historical core education-related businesses, including investments in real estate. Recent real estate investments have been focused on the development of commercial properties in the Midwest, and particularly in Lincoln, Nebraska, where the Company's headquarters are located. One investment includes the development of a building in Lincoln's Haymarket District that is the headquarters of Hudl, in which Hudl is the primary tenant in this building.

Transaction with Assurity Life Insurance Company ("Assurity")

Thomas Henning, who has served on the Company's Board of Directors since 2003, is the President and Chief Executive Officer of Assurity. During the years ended December 31, 2020, 2019, and 2018, Nelnet Business Services, a subsidiary of the Company, paid $1.8 million, $1.7 million, and $1.7 million, respectively, to Assurity for insurance premiums for insurance on certain tuition payment plans. As part of providing the tuition payment plan insurance to Nelnet Business Services, Assurity entered into a reinsurance agreement with the Company's insurance subsidiary, under which Assurity paid the Company's insurance subsidiary reinsurance premiums of $1.4 million, $1.3 million, and $1.3 million in 2020, 2019, and 2018, respectively, and the Company's insurance subsidiary paid claims on such reinsurance to Assurity of $1.0 million, $0.9 million, and $0.9 million in 2020, 2019, and 2018, respectively. In addition, Assurity pays Nelnet Business Services a partial refund annually based on claim experience, which was approximately $64,000, $56,000, and $84,000 for the years ended December 31, 2020, 2019, and 2018, respectively.

During 2020, Assurity invested approximately $1.2 million in a Company-managed limited liability company that invests in renewable energy (solar). As part of this transaction, the Company receives management and performance fees under a management agreement. During the year ended December 31, 2020, the Company earned approximately $12,000 in management fees from Assurity under this agreement.

22. Fair Value

The following tables present the Company’s financial assets and liabilities that are measured at fair value on a recurring basis. There were no transfers into or out of level 1, level 2, or level 3 for the year ended December 31, 2020.

	As of December 31, 2020			As of December 31, 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets:						
Investments (a):						
Student loan asset-backed and other debt securities - available-for-sale	$ —	348,504	348,504	—	52,597	52,597
Equity securities	10,114	—	10,114	6	—	6
Equity securities measured at net asset value (b)			31,927			12,894
Debt securities - available-for-sale	103	—	103	104	—	104
Total investments	10,217	348,504	390,648	110	52,597	65,601
Total assets	$ 10,217	348,504	390,648	110	52,597	65,601

(a) Investments represent investments recorded at fair value on a recurring basis. Level 1 investments are measured based upon quoted prices and include investments traded on an active exchange, such as the New York Stock Exchange, and corporate bonds, mortgage-backed securities, U.S. government bonds, and U.S. Treasury securities that trade in active markets. Level 2 investments include student loan asset-backed securities and municipal bonds. The fair value for the student loan asset-backed securities is determined using indicative quotes from broker-dealers or an income approach valuation technique (present value using the discount rate adjustment technique) that considers, among other things, rates currently observed in publicly traded debt markets for debt of similar terms issued by companies with comparable credit risk.

(b) In accordance with the Fair Value Measurements Topic of the FASB Accounting Standards Codification, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

The following table summarizes the fair values of all of the Company's financial instruments on the consolidated balance sheets:

	As of December 31, 2020				
	Fair value	Carrying value	Level 1	Level 2	Level 3
Financial assets:					
Loans receivable	$ 20,454,132	19,391,045	—	—	20,454,132
Accrued loan interest receivable	794,611	794,611	—	794,611	—
Cash and cash equivalents	121,249	121,249	121,249	—	—
Investments (at fair value)	390,648	390,648	10,217	348,504	—
Beneficial interest in loan securitizations	58,709	58,331	—	—	58,709
Restricted cash	553,175	553,175	553,175	—	—
Restricted cash – due to customers	283,971	283,971	283,971	—	—
Financial liabilities:					
Bonds and notes payable	19,270,810	19,320,726	—	19,270,810	—
Accrued interest payable	28,701	28,701	—	28,701	—
Bank deposits	54,599	54,633	48,422	6,177	—
Due to customers	301,471	301,471	301,471	—	—

	As of December 31, 2019				
	Fair value	Carrying value	Level 1	Level 2	Level 3
Financial assets:					
Loans receivable	$ 21,477,630	20,669,371	—	—	21,477,630
Accrued loan interest receivable	733,497	733,497	—	733,497	—
Cash and cash equivalents	133,906	133,906	133,906	—	—
Investments (at fair value)	65,601	65,601	110	52,597	—
Beneficial interest in loan securitizations	33,258	33,187	—	—	33,258
Restricted cash	650,939	650,939	650,939	—	—
Restricted cash – due to customers	437,756	437,756	437,756	—	—
Financial liabilities:					
Bonds and notes payable	20,479,095	20,529,054	—	20,479,095	—
Accrued interest payable	47,285	47,285	—	47,285	—
Due to customers	437,756	437,756	437,756	—	—

The methodologies for estimating the fair value of financial assets and liabilities that are measured at fair value on a recurring basis are previously discussed. The remaining financial assets and liabilities were estimated using the following methods and assumptions:

Loans Receivable

Fair values for loans receivable were determined by modeling loan cash flows using stated terms of the assets and internally-developed assumptions. The significant assumptions used to project cash flows are prepayment speeds, default rates, cost of funds, required return on equity, and future interest rate and index relationships. A number of significant inputs into the models are internally derived and not observable to market participants.

Beneficial Interest in Loan Securitizations

Fair values for beneficial interest in loan securitizations were determined by modeling securitization cash flows and internally-developed assumptions. The significant assumptions used to project cash flows are prepayment speeds, default rates, cost of funds, required return on equity, and future interest rate and index relationships. A number of significant inputs into the models are internally derived and not observable to market participants.

Cash and Cash Equivalents, Restricted Cash, Restricted Cash – Due to Customers, Accrued Loan Interest Receivable, Accrued Interest Payable, and Due to Customers

The carrying amount approximates fair value due to the variable rate of interest and/or the short maturities of these instruments.

Bonds and Notes Payable

The fair value of bonds and notes payable was determined from quotes from broker-dealers or through standard bond pricing models using the stated terms of the borrowings, observable yield curves, market credit spreads, and weighted average life of underlying collateral. Fair value adjustments for unsecured corporate debt are made based on indicative quotes from observable trades.

Bank Deposits

Some of the Company’s deposits are fixed-rate and the fair value for these deposits are estimated using discounted cash flows based on rates currently offered for deposits of similar maturities. These are level 2 valuations. The fair value of the remaining deposits equal the amounts payable on demand at the balance sheet date and are reported at their carrying value. These are level 1 valuations.

Limitations

The fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Therefore, the calculated fair value estimates in many instances cannot be substantiated by comparison to independent markets and, in many cases, may not be realizable in a current sale of the instrument. Changes in assumptions could significantly affect the estimates.

23. Legal Proceedings

The Company is subject to various claims, lawsuits, and proceedings that arise in the normal course of business. These matters frequently involve claims by student loan borrowers disputing the manner in which their student loans have been serviced or the accuracy of reports to credit bureaus, claims by student loan borrowers or other consumers alleging that state or Federal consumer protection laws have been violated in the process of collecting loans or conducting other business activities, and disputes with other business entities. In addition, from time to time, the Company receives information and document requests from state or federal regulators concerning its business practices. The Company cooperates with these inquiries and responds to the requests. While the Company cannot predict the ultimate outcome of any regulatory examination, inquiry, or investigation, the Company believes its activities have materially complied with applicable law, including the Higher Education Act, the rules and regulations adopted by the Department thereunder, and the Department's guidance regarding those rules and regulations. On the basis of present information, anticipated insurance coverage, and advice received from counsel, it is the opinion of the Company's management that the disposition or ultimate determination of these claims, lawsuits, and proceedings will not have a material adverse effect on the Company's business, financial position, or results of operations.

24. Quarterly Financial Information (Unaudited)

	2020			
	First quarter	Second quarter	Third quarter	Fourth quarter
Net interest income	$ 55,073	66,635	81,322	86,556
(Provision) negative provision for loan losses	(76,299)	(2,999)	5,821	10,116
Net interest income (loss) after provision (negative provision) for loan losses	(21,226)	63,636	87,143	96,672
Loan servicing and systems revenue	112,735	111,042	113,794	113,990
Education technology, services, and payment processing revenue	83,675	59,304	74,121	65,097
Communications revenue	18,181	18,998	20,211	19,253
Other	8,281	60,127	1,502	(12,350)
Gain on sale of loans	18,206	—	14,817	—
Gain from deconsolidation of ALLO	—	—	—	258,588
Impairment expense and provision for beneficial interests	(34,087)	(332)	—	9,696
Derivative market value adjustments and derivative settlements, net	(16,365)	1,910	1,049	(11,059)
Cost to provide education technology, services, and payment processing services	(22,806)	(15,376)	(25,243)	(18,782)
Cost to provide communications services	(5,582)	(5,743)	(5,914)	(5,573)
Salaries and benefits	(119,878)	(119,247)	(126,096)	(136,612)
Depreciation and amortization	(27,648)	(29,393)	(30,308)	(31,350)
Other expenses	(43,384)	(37,052)	(34,744)	(45,391)
Income tax benefit (expense)	10,133	(21,264)	(19,156)	(70,573)
Net (loss) income	(39,765)	86,610	71,176	231,606
Net (income) loss attributable to noncontrolling interests	(767)	(128)	327	3,385
Net (loss) income attributable to Nelnet, Inc.	$ (40,532)	86,482	71,503	234,991
Earnings per common share:				
Net (loss) income attributable to Nelnet, Inc. shareholders - basic and diluted	$ (1.01)	2.21	1.86	6.10

	2019			
	First quarter	Second quarter	Third quarter	Fourth quarter
Net interest income	$ 58,816	59,825	66,457	64,252
Provision for loan losses	(7,000)	(9,000)	(10,000)	(13,000)
Net interest income after provision for loan losses	51,816	50,825	56,457	51,252
Loan servicing and systems revenue	114,898	113,985	113,286	113,086
Education technology, services, and payment processing revenue	79,159	60,342	74,251	63,578
Communications revenue	14,543	15,758	16,470	17,499
Other	9,067	14,440	13,439	10,973
Gain on sale of loans	—	1,712	—	15,549
Derivative market value adjustments and derivative settlements, net	(11,539)	(24,088)	1,668	3,170
Cost to provide education technology, services, and payment processing services	(21,059)	(15,871)	(25,671)	(19,002)
Cost to provide communications services	(4,759)	(5,101)	(5,236)	(5,327)
Salaries and benefits	(111,059)	(111,214)	(116,670)	(124,561)
Depreciation and amortization	(24,213)	(24,484)	(27,701)	(28,651)
Other expenses	(43,816)	(45,417)	(58,329)	(46,710)
Income tax expense	(11,391)	(6,209)	(8,829)	(9,022)
Net income	41,647	24,678	33,135	41,834
Net loss (income) attributable to noncontrolling interests	(56)	(59)	77	546
Net income attributable to Nelnet, Inc.	$ 41,591	24,619	33,212	42,380
Earnings per common share:				
Net income attributable to Nelnet, Inc. shareholders - basic and diluted	$ 1.03	0.61	0.83	1.06

25. Condensed Parent Company Financial Statements

The following represents the condensed balance sheets as of December 31, 2020 and 2019 and condensed statements of income, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2020 for Nelnet, Inc.

The Company is limited in the amount of funds that can be transferred to it by its subsidiaries through intercompany loans, advances, or cash dividends. These limitations relate to the restrictions by trust indentures under the lending subsidiaries debt financing arrangements.

Balance Sheets

(Parent Company Only)

As of December 31, 2020 and 2019

	2020	2019
Assets:		
Cash and cash equivalents	$ 69,687	73,144
Investments and notes receivable	707,332	137,229
Investment in subsidiary debt	38,903	13,818
Restricted cash	93,271	9,567
Investment in subsidiaries	1,963,413	2,181,122
Notes receivable from subsidiaries	21,209	42,552
Other assets	115,631	100,059
Total assets	$ 3,009,446	2,557,491
Liabilities:		
Notes payable	$ 236,317	67,655
Other liabilities	140,710	97,952
Total liabilities	377,027	165,607
Equity:		
Nelnet, Inc. shareholders' equity:		
Common stock	384	398
Additional paid-in capital	3,794	5,715
Retained earnings	2,621,762	2,377,627
Accumulated other comprehensive earnings	6,102	2,972
Total Nelnet, Inc. shareholders' equity	2,632,042	2,386,712
Noncontrolling interest	377	5,172
Total equity	2,632,419	2,391,884
Total liabilities and shareholders' equity	$ 3,009,446	2,557,491

Statements of Income

(Parent Company Only)

Years ended December 31, 2020, 2019, and 2018

	2020	2019	2018
Investment interest income	$ 4,110	4,925	17,707
Interest expense on bonds and notes payable	3,179	9,588	9,270
Net interest income (expense)	931	(4,663)	8,437
Other income/expense:			
Other income	40,904	8,384	13,944
Gain from debt repurchases	1,962	136	359
Equity in subsidiaries income	132,101	182,346	158,364
Gain from deconsolidation of ALLO	258,588	—	—
Derivative market value adjustments and derivative settlements, net	(24,465)	(30,789)	71,085
Total other income/expense	409,090	160,077	243,752
Operating expenses	14,006	19,561	4,795
Income before income taxes	396,015	135,853	247,394
Income tax (expense) benefit	(43,577)	5,950	(19,481)
Net income	352,438	141,803	227,913
Net loss attributable to noncontrolling interest	5	—	—
Net income attributable to Nelnet, Inc.	$ 352,443	141,803	227,913

Statements of Comprehensive Income

(Parent Company Only)

Years ended December 31, 2020, 2019, and 2018

	2020	2019	2018
Net income	$ 352,438	141,803	227,913
Other comprehensive income (loss):			
Available-for-sale securities:			
Unrealized holding gains (losses) arising during period, net	6,637	(1,199)	1,056
Reclassification adjustment for gains recognized in net income, net of losses	(2,521)	—	(978)
Income tax effect	(986)	288	(69)
Total other comprehensive income (loss)	3,130	(911)	9
Comprehensive income	355,568	140,892	227,922
Comprehensive loss attributable to noncontrolling interest	5	—	—
Comprehensive income attributable to Nelnet, Inc.	$ 355,573	140,892	227,922

Statements of Cash Flows
(Parent Company Only)
Years ended December 31, 2020, 2019, and 2018

	2020	2019	2018
Net income attributable to Nelnet, Inc.	$ 352,443	141,803	227,913
Net loss attributable to noncontrolling interest	(5)	—	—
Net income	352,438	141,803	227,913
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	534	467	442
Derivative market value adjustments	28,144	76,195	(1,014)
(Payments to) proceeds from termination of derivative instruments, net	—	(12,530)	10,283
(Payments to) proceeds from clearinghouse - initial and variation margin, net	(26,747)	(70,685)	40,382
Equity in earnings of subsidiaries	(132,101)	(182,346)	(158,364)
Gain from deconsolidation of ALLO, including cash impact	(287,579)	—	—
Gain from debt repurchases	(1,962)	(136)	(359)
Gain from investments, net	(46,019)	(3,969)	(11,177)
Deferred income tax expense (benefit)	23,747	(19,183)	21,814
Non-cash compensation expense	16,739	6,781	6,539
Impairment expense	7,784	—	—
Other	(329)	(481)	(4,770)
(Increase) decrease in other assets	(17,410)	(10,672)	25,252
Increase (decrease) in other liabilities	26,009	29,384	(9,621)
Net cash (used in) provided by operating activities	(56,752)	(45,372)	147,320
Cash flows from investing activities:			
Purchases of available-for-sale securities	(342,563)	—	(46,382)
Proceeds from sales of available-for-sale securities	168,555	—	75,605
Capital distributions/contributions from/to subsidiaries, net	99,830	449,602	(334,280)
Decrease (increase) in notes receivable from subsidiaries	21,343	14,421	(31,325)
(Purchases of) proceeds from subsidiary debt, net	(25,085)	—	61,841
Increase in guaranteed payment from subsidiary	—	—	(70,270)
Purchases of other investments	(54,637)	(47,106)	(28,610)
Proceeds from other investments	8,564	27,926	7,783
Net cash (used in) provided by investing activities	(123,993)	444,843	(365,638)
Cash flows from financing activities:			
Payments on notes payable	(20,381)	(361,272)	(8,651)
Proceeds from issuance of notes payable	190,520	60,000	300,000
Payments of debt issuance costs	(49)	(1,129)	(827)
Dividends paid	(31,778)	(29,485)	(26,839)
Repurchases of common stock	(73,358)	(40,411)	(45,331)
Proceeds from issuance of common stock	1,653	1,552	1,359
Acquisition of noncontrolling interest	(600)	—	(13,449)
Issuance of noncontrolling interest	194,985	878	13
Net cash provided by (used in) financing activities	260,992	(369,867)	206,275
Net increase (decrease) in cash, cash equivalents, and restricted cash	80,247	29,604	(12,043)
Cash, cash equivalents, and restricted cash, beginning of period	82,711	53,107	65,150
Cash, cash equivalents, and restricted cash, end of period	$ 162,958	82,711	53,107
Cash disbursements made for:			
Interest	$ 2,577	9,501	8,628
Income taxes, net of refunds and credits	$ 29,685	17,672	473
Noncash investing and financing activities:			
Recapitalization of accrued interest payable to accrued guaranteed payment	$ —	—	6,674
Recapitalization of note payable to guaranteed payment	$ —	—	186,429
Recapitalization of guaranteed payment to investment in subsidiary	$ —	—	273,360
Contribution to subsidiary, net	$ 49,066	—	—

APPENDIX A

Description of
The Federal Family Education Loan Program

The Federal Family Education Loan Program

The Higher Education Act provided for a program of federal insurance for student loans as well as reinsurance of student loans guaranteed or insured by state agencies or private non-profit corporations.

The Higher Education Act authorized certain student loans to be insured and reinsured under the Federal Family Education Loan Program ("FFELP"). The Student Aid and Fiscal Responsibility Act, enacted into law on March 30, 2010, as part of the Health Care and Education Reconciliation Act of 2010, terminated the authority to make FFELP loans. As of July 1, 2010, no new FFELP loans have been made.

Generally, a student was eligible for loans made under the Federal Family Education Loan Program only if he or she:

- Had been accepted for enrollment or was enrolled in good standing at an eligible institution of higher education;
- Was carrying or planning to carry at least one-half the normal full-time workload, as determined by the institution, for the course of study the student was pursuing;
- Was not in default on any federal education loans;
- Had not committed a crime involving fraud in obtaining funds under the Higher Education Act which funds had not been fully repaid; and
- Met other applicable eligibility requirements.

Eligible institutions included higher educational institutions and vocational schools that complied with specific federal regulations. Each loan is evidenced by an unsecured note.

The Higher Education Act also establishes maximum interest rates for each of the various types of loans. These rates vary not only among loan types, but also within loan types depending upon when the loan was made or when the borrower first obtained a loan under the Federal Family Education Loan Program. The Higher Education Act allows lesser rates of interest to be charged.

Types of loans

Four types of loans were available under the Federal Family Education Loan Program:

- Subsidized Stafford Loans
- Unsubsidized Stafford Loans
- PLUS Loans
- Consolidation Loans

These loan types vary as to eligibility requirements, interest rates, repayment periods, loan limits, eligibility for interest subsidies, and special allowance payments. Some of these loan types have had other names in the past. References to these various loan types include, where appropriate, their predecessors.

The primary loan under the Federal Family Education Loan Program is the Subsidized Stafford Loan. Students who were not eligible for Subsidized Stafford Loans based on their economic circumstances might have obtained Unsubsidized Stafford Loans. Graduate or professional students and parents of dependent undergraduate students might have obtained PLUS Loans. Consolidation Loans were available to borrowers with existing loans made under the Federal Family Education Loan Program and other federal programs to consolidate repayment of the borrower's existing loans. Prior to July 1, 1994, the Federal Family Education Loan Program also offered Supplemental Loans for Students ("SLS Loans") to graduate and professional students and independent undergraduate students and, under certain circumstances, dependent undergraduate students, to supplement their Stafford Loans.

Subsidized Stafford Loans

General. Subsidized Stafford Loans were eligible for insurance and reinsurance under the Higher Education Act if the eligible student to whom the loan was made was accepted or was enrolled in good standing at an eligible institution of higher education or vocational school and carried at least one-half the normal full-time workload at that institution. Subsidized Stafford Loans had limits as to the maximum amount which could be borrowed for an academic year and in the aggregate for both undergraduate and graduate or professional study. Both annual and aggregate limitations excluded loans made under the PLUS Loan Program. The Secretary of Education had discretion to raise these limits to accommodate students undertaking specialized training requiring exceptionally high costs of education.

Subsidized Stafford Loans were made only to student borrowers who met the needs tests provided in the Higher Education Act. Provisions addressing the implementation of needs analysis and the relationship between unmet need for financing and the availability of Subsidized Stafford Loan Program funding have been the subject of frequent and extensive amendments.

Interest rates for Subsidized Stafford Loans. For Stafford Loans first disbursed to a "new" borrower (a "new" borrower is defined for purposes of this section as one who had no outstanding balance on a FFELP loan on the date the new promissory note was signed) for a period of enrollment beginning before January 1, 1981, the applicable interest rate is fixed at 7%.

For Stafford Loans first disbursed to a "new" borrower, for a period of enrollment beginning on or after January 1, 1981, but before September 13, 1983, the applicable interest rate is fixed at 9%.

For Stafford Loans first disbursed to a "new" borrower, for a period of enrollment beginning on or after September 13, 1983, but before July 1, 1988, the applicable interest rate is fixed at 8%.

For Stafford Loans first disbursed to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not on a Stafford Loan, where the new loan is intended for a period of enrollment beginning before July 1, 1988, the applicable interest rate is fixed at 8%.

For Stafford Loans first disbursed before October 1, 1992, to a "new" borrower or to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not a Stafford Loan, where the new loan is intended for a period of enrollment beginning on or after July 1, 1988, the applicable interest rate is as follows:

- Original fixed interest rate of 8% for the first 48 months of repayment. Beginning on the first day of the 49th month of repayment, the interest rate increased to a fixed rate of 10% thereafter. Loans in this category were subject to excess interest rebates and have been converted to a variable interest rate based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.25%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for loans in this category is 10%.

For Stafford Loans first disbursed on or after July 23, 1992, but before July 1, 1994, to a borrower with an outstanding Stafford Loan made with a 7%, 8%, 9%, or 8%/10% fixed interest rate, the original, applicable interest rate is the same as the rate provided on the borrower's previous Stafford Loan (i.e., a fixed rate of 7%, 8%, 9%, or 8%/10%). Loans in this category were subject to excess interest rebates and have been converted to a variable interest rate based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is equal to the loan's previous fixed rate (i.e., 7%, 8%, 9%, or 10%).

For Stafford Loans first disbursed on or after October 1, 1992, but before December 20, 1993, to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not on a Stafford Loan, the original, applicable interest rate is fixed at 8%. Loans in this category were subject to excess interest rebates and have been converted to a variable interest rate based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 8%.

For Stafford Loans first disbursed on or after October 1, 1992, but before July 1, 1994, to a "new" borrower, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 9%.

For Stafford Loans first disbursed on or after December 20, 1993, but before July 1, 1994, to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not on a Stafford Loan, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 9%.

For Stafford Loans first disbursed on or after July 1, 1994, but before July 1, 1995, where the loan is intended for a period of enrollment that includes or begins on or after July 1, 1994, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 8.25%.

For Stafford Loans first disbursed on or after July 1, 1995, but before July 1, 1998, the applicable interest rate is as follows:

- When the borrower is in school, in grace, or in an authorized period of deferment, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 2.5%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.

- When the borrower is in repayment or in a period of forbearance, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.

For Stafford Loans first disbursed on or after July 1, 1998, but before July 1, 2006, the applicable interest rate is as follows:

- When the borrower is in school, in grace, or in an authorized period of deferment, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 1.7%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.

- When the borrower is in repayment or in a period of forbearance, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 2.3%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.

For Stafford Loans first disbursed on or after July 1, 2006, the applicable interest rate is fixed at 6.80%. However, for Stafford Loans for undergraduates, the applicable interest rate was reduced in phases for which the first disbursement was made on or after:

- July 1, 2008 and before July 1, 2009, the applicable interest rate is fixed at 6.00%,

- July 1, 2009 and before July 1, 2010, the applicable interest rate is fixed at 5.60%.

Unsubsidized Stafford Loans

General. The Unsubsidized Stafford Loan program was created by Congress in 1992 for students who did not qualify for Subsidized Stafford Loans due to parental and/or student income and assets in excess of permitted amounts. These students were entitled to borrow the difference between the Stafford Loan maximum for their status (dependent or independent) and their Subsidized Stafford Loan eligibility through the Unsubsidized Stafford Loan Program. The general requirements for Unsubsidized Stafford Loans, including special allowance payments, are essentially the same as those for Subsidized Stafford Loans. However, the terms of the Unsubsidized Stafford Loans differ materially from Subsidized Stafford Loans in that the federal government will not make interest subsidy payments and the loan limitations were determined without respect to the expected family contribution. The borrower is required to either pay interest from the time the loan is disbursed or the accruing interest is capitalized when repayment begins at the end of a deferment or forbearance, when the borrower is determined to no longer have a partial financial hardship under the Income-Based Repayment plan or when the borrower leaves the plan. Unsubsidized Stafford Loans were not available before October 1, 1992. A student meeting the general eligibility requirements for a loan under the Federal Family Education Loan Program was eligible for an Unsubsidized Stafford Loan without regard to need.

Interest rates for Unsubsidized Stafford Loans. Unsubsidized Stafford Loans are subject to the same interest rate provisions as Subsidized Stafford Loans, with the exception of Unsubsidized Stafford Loans first disbursed on or after July 1, 2008, which retain a fixed interest rate of 6.80%.

PLUS Loans

General. PLUS Loans were made to parents, and under certain circumstances spouses of remarried parents, of dependent undergraduate students. Effective July 1, 2006, graduate and professional students were eligible borrowers under the PLUS Loan program. For PLUS Loans made on or after July 1, 1993, the borrower could not have an adverse credit history as determined by criteria established by the Secretary of Education. The basic provisions applicable to PLUS Loans are similar to those of Stafford Loans with respect to the involvement of guarantee agencies and the Secretary of Education in providing federal insurance and reinsurance on the loans. However, PLUS Loans differ significantly, particularly from the Subsidized Stafford Loans, in that federal interest subsidy payments are not available under the PLUS Loan Program and special allowance payments are more restricted.

Interest rates for PLUS Loans. For PLUS Loans first disbursed on or after January 1, 1981, but before October 1, 1981, the applicable interest rate is fixed at 9%.

For PLUS Loans first disbursed on or after October 1, 1981, but before November 1, 1982, the applicable interest rate is fixed at 14%.

For PLUS Loans first disbursed on or after November 1, 1982, but before July 1, 1987, the applicable interest rate is fixed at 12%.

Beginning July 1, 2001, for PLUS Loans first disbursed on or after July 1, 1987, but before October 1, 1992, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury bill yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.25%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 12%. Prior to July 1, 2001, PLUS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.25%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 12%. PLUS Loans originally made at a fixed interest rate, which have been refinanced for purposes of securing a variable interest rate, are subject to the variable interest rate calculation described in this paragraph.

Beginning July 1, 2001, for PLUS Loans first disbursed on or after October 1, 1992, but before July 1, 1994, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 10%. Prior to July 1, 2001, PLUS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.1%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 10%.

Beginning July 1, 2001, for PLUS Loans first disbursed on or after July 1, 1994, but before July 1, 1998, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 9%. Prior to July 1, 2001, PLUS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.1%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 9%.

For PLUS Loans first disbursed on or after July 1, 1998, but before July 1, 2006, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 9%.

For PLUS Loans first disbursed on or after July 1, 2006, the applicable interest rate is fixed at 8.5%.

SLS Loans

General. SLS Loans were limited to graduate or professional students, independent undergraduate students, and dependent undergraduate students, if the students' parents were unable to obtain a PLUS Loan. Except for dependent undergraduate students, eligibility for SLS Loans was determined without regard to need. SLS Loans were similar to Stafford Loans with respect to the involvement of guarantee agencies and the Secretary of Education in providing federal insurance and reinsurance on the loans. However, SLS Loans differed significantly, particularly from Subsidized Stafford Loans, because federal interest subsidy payments were not available under the SLS Loan Program and special allowance payments were more restricted. The SLS Loan Program was discontinued on July 1, 1994.

Interest rates for SLS Loans. The applicable interest rates on SLS Loans made before October 1, 1992, and on SLS Loans originally made at a fixed interest rate, which have been refinanced for purposes of securing a variable interest rate, are identical to the applicable interest rates described for PLUS Loans made before October 1, 1992.

For SLS Loans first disbursed on or after October 1, 1992, but before July 1, 1994, the applicable interest rate is as follows:

- Beginning July 1, 2001, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 11%. Prior to July 1, 2001, SLS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.1%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 11%.

Consolidation Loans

General. The Higher Education Act authorized a program under which certain borrowers could consolidate their various federally insured education loans into a single loan insured and reinsured on a basis similar to Stafford Loans. Consolidation Loans could be obtained in an amount sufficient to pay outstanding principal, unpaid interest, late charges, and collection costs on federally insured or reinsured student loans incurred under the Federal Family Education Loan and Direct Loan Programs, including PLUS Loans made to the consolidating borrower, as well as loans made under the Perkins Loan (formally National Direct Student Loan Program), Federally Insured Student Loan (FISL), Nursing Student Loan (NSL), Health Education Assistance Loan (HEAL), and Health Professions Student Loan (HPSL) Programs. To be eligible for a FFELP Consolidation Loan, a borrower had to:

- Have outstanding indebtedness on student loans made under the Federal Family Education Loan Program and/or certain other federal student loan programs; and

- Be in repayment status or in a grace period on loans to be consolidated.

Borrowers who were in default on loans to be consolidated had to first make satisfactory arrangements to repay the loans to the respective holder(s) or had to agree to repay the consolidating lender under an income-based repayment arrangement in order to include the defaulted loans in the Consolidation Loan. For applications received on or after January 1, 1993, borrowers could add additional loans to a Consolidation Loan during the 180-day period following the origination of the Consolidation Loan.

A married couple who agreed to be jointly liable on a Consolidation Loan for which the application was received on or after January 1, 1993, but before July 1, 2006, was treated as an individual for purposes of obtaining a Consolidation Loan.

Interest rates for Consolidation Loans. For Consolidation Loans disbursed before July 1, 1994, the applicable interest rate is fixed at the greater of:

- 9%, or

- The weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent.

For Consolidation Loans disbursed on or after July 1, 1994, based on applications received by the lender before November 13, 1997, the applicable interest rate is fixed and is based on the weighted average of the interest rates on the loans consolidated, rounded up to the nearest whole percent.

For Consolidation Loans on which the application was received by the lender between November 13, 1997, and September 30, 1998, inclusive, the applicable interest rate is variable according to the following:

- For the portion of the Consolidation Loan which is comprised of FFELP, Direct, FISL, Perkins, HPSL, or NSL loans, the variable interest rate is based on the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate for this portion of the Consolidation Loan is adjusted annually on July 1. The maximum interest rate for this portion of the Consolidation Loan is 8.25%.

- For the portion of the Consolidation Loan which is attributable to HEAL Loans (if applicable), the variable interest rate is based on the average of the bond equivalent rates of the 91-day Treasury bills auctioned for the quarter ending June 30, plus 3.0%. The variable interest rate for this portion of the Consolidation Loan is adjusted annually on July 1. There is no maximum interest rate for the portion of a Consolidation Loan that is represented by HEAL Loans.

For Consolidation Loans on which the application was received by the lender on or after October 1, 1998, the applicable interest rate is determined according to the following:

- For the portion of the Consolidation Loan which is comprised of FFELP, Direct, FISL, Perkins, HPSL, or NSL loans, the applicable interest rate is fixed and is based on the weighted average of the interest rates on the non-HEAL loans being consolidated, rounded up to the nearest one-eighth of one percent. The maximum interest rate for this portion of the Consolidation Loan is 8.25%.

- For the portion of the Consolidation Loan which is attributable to HEAL Loans (if applicable), the applicable interest rate is variable and is based on the average of the bond equivalent rates of the 91-day Treasury bills auctioned for the quarter ending June 30, plus 3.0%. The variable interest rate for this portion of the Consolidation Loan is adjusted annually on July 1. There is no maximum interest rate for the portion of the Consolidation Loan that is represented by HEAL Loans.

For a discussion of required payments that reduce the return on Consolidation Loans, see "Fees - Rebate fee on Consolidation Loans" in this Appendix.

Interest rate during active duty

The Higher Education Opportunity Act of 2008 revised the Servicemembers Civil Relief Act to include FFEL Program loans. Interest charges on FFEL Program loans are capped at 6% during a period of time on or after August 14, 2008, in which a borrower has served or is serving on active duty in the Armed Forces, National Oceanic and Atmospheric Administration, Public Health Services, or National Guard. The interest charge cap includes the interest rate in addition to any fees, service charges, and other charges related to the loan. The cap is applicable to loans made prior to the date the borrower was called to active duty.

Maximum loan amounts

Each type of loan was subject to certain limits on the maximum principal amount, with respect to a given academic year and in the aggregate. Consolidation Loans were limited only by the amount of eligible loans to be consolidated. PLUS Loans were limited to the difference between the cost of attendance and the other aid available to the student. Stafford Loans, subsidized and unsubsidized, were subject to both annual and aggregate limits according to the provisions of the Higher Education Act.

Loan limits for Subsidized Stafford and Unsubsidized Stafford Loans. Dependent and independent undergraduate students were subject to the same annual loan limits on Subsidized Stafford Loans; independent students were allowed greater annual loan limits on Unsubsidized Stafford Loans. A student who had not successfully completed the first year of a program of undergraduate education could borrow up to $3,500 in Subsidized Stafford Loans in an academic year. A student who had successfully completed the first year, but who had not successfully completed the second year, could borrow up to $4,500 in Subsidized Stafford Loans per academic year. An undergraduate student who had successfully completed the first and second years, but who had not successfully completed the remainder of a program of undergraduate education, could borrow up to $5,500 in Subsidized Stafford Loans per academic year.

Dependent students could borrow an additional $2,000 in Unsubsidized Stafford Loans for each year of undergraduate study. Independent students could borrow an additional $6,000 of Unsubsidized Stafford Loans for each of the first two years and an additional $7,000 for the third, fourth, and fifth years of undergraduate study. For students enrolled in programs of less than an academic year in length, the limits were generally reduced in proportion to the amount by which the programs were less than one year in length. A graduate or professional student could borrow up to $20,500 in an academic year where no more than $8,500 was representative of Subsidized Stafford Loan amounts.

The maximum aggregate amount of Subsidized Stafford and Unsubsidized Stafford Loans, including that portion of a Consolidation Loan used to repay such loans, which a dependent undergraduate student may have outstanding is $31,000 (of which only $23,000 may be Subsidized Stafford Loans). An independent undergraduate student may have an aggregate maximum of $57,500 (of which only $23,000 may be Subsidized Stafford Loans). The maximum aggregate amount of Subsidized Stafford and Unsubsidized Stafford Loans, including the portion of a Consolidation Loan used to repay such loans, for a graduate or professional student, including loans for undergraduate education, is $138,500, of which only $65,500 may be Subsidized Stafford Loans. In some instances, schools could certify loan amounts in excess of the limits, such as for certain health profession students.

Loan limits for PLUS Loans. For PLUS Loans made on or after July 1, 1993, the annual amounts of PLUS Loans were limited only by the student's unmet need. There was no aggregate limit for PLUS Loans.

Repayment

Repayment periods. Loans made under the Federal Family Education Loan Program, other than Consolidation Loans and loans being repaid under an income-based or extended repayment schedule, must provide for repayment of principal in periodic installments over a period of not less than five, nor more than ten years. A borrower may request, with concurrence of the lender, to repay the loan in less than five years with the right to subsequently extend the minimum repayment period to five years. Since the 1998 Amendments, lenders have been required to offer extended repayment schedules to new borrowers disbursed on or after October 7, 1998 who accumulate outstanding FFELP Loans of more than $30,000, in which case the repayment period may extend up to 25 years, subject to certain minimum repayment amounts. Consolidation Loans must be repaid within maximum repayment periods which vary depending upon the principal amount of the borrower's outstanding student loans, but may not exceed 30 years. For Consolidation Loans for which the application was received prior to January 1, 1993, the repayment period cannot exceed 25 years. Periods of authorized deferment and forbearance are excluded from the maximum repayment period. In addition, if the repayment schedule on a loan with a variable interest rate does not provide for adjustments to the amount of the monthly installment payment, the maximum repayment period may be extended for up to three years.

Repayment of principal on a Stafford Loan does not begin until a student drops below at least a half-time course of study. For Stafford Loans for which the applicable rate of interest is fixed at 7%, the repayment period begins between nine and twelve months after the borrower ceases to pursue at least a half-time course of study, as indicated in the promissory note. For other Stafford Loans, the repayment period begins six months after the borrower ceases to pursue at least a half-time course of study. These periods during which payments of principal are not due are the “grace periods.”

In the case of SLS, PLUS, and Consolidation Loans, the repayment period begins on the date of final disbursement of the loan, except that the borrower of a SLS Loan who also has a Stafford Loan may postpone repayment of the SLS Loan to coincide with the commencement of repayment of the Stafford Loan.

During periods in which repayment of principal is required, unless the borrower is repaying under an income-based repayment schedule, payments of principal and interest must in general be made at a rate of at least $600 per year, except that a borrower and lender may agree to a lesser rate at any time before or during the repayment period. However, at a minimum, the payments must satisfy the interest that accrues during the year. Borrowers may make accelerated payments at any time without penalty.

Income-sensitive repayment schedule. Since 1993, lenders have been required to offer income-sensitive repayment schedules, in addition to standard and graduated repayment schedules, for Stafford, SLS, and Consolidation Loans. Beginning in 2000, lenders have been required to offer income-sensitive repayment schedules to PLUS borrowers as well. Use of income-sensitive repayment schedules may extend the maximum repayment period for up to five years if the payment amount established from the borrower's income will not repay the loan within the maximum applicable repayment period.

Income-based repayment schedule. Effective July 1, 2009, a borrower in the Federal Family Education Loan Program or Federal Direct Loan Program, other than a PLUS Loan made to a parent borrower or any Consolidation Loan that repaid one or more parent PLUS loans, may qualify for an income-based repayment schedule regardless of the disbursement dates of the loans if he or she has a partial financial hardship. A borrower has a financial hardship if the annual loan payment amount based on a 10-year repayment schedule exceeds 15% of the borrower's adjusted gross income, minus 150% of the poverty line for the borrower's actual family size. Interest will be paid by the Secretary of Education for subsidized loans for the first three years for any borrower whose scheduled monthly payment is not sufficient to cover the accrued interest. Interest will capitalize at the end of the partial financial hardship period, or when the borrower begins making payments under a standard repayment schedule. The Secretary of Education will cancel any outstanding balance after 25 years if a borrower who has made payments under this schedule meets certain criteria.

Deferment periods. No principal payments need be made during certain periods of deferment prescribed by the Higher Education Act. For a borrower who first obtained a Stafford or SLS loan which was disbursed before July 1, 1993, deferments are available:

- During a period not exceeding three years while the borrower is a member of the Armed Forces, an officer in the Commissioned Corps of the Public Health Service or, with respect to a borrower who first obtained a student loan disbursed on or after July 1, 1987, or a student loan for a period of enrollment beginning on or after July 1, 1987, an active duty member of the National Oceanic and Atmospheric Administration Corps;
- During a period not exceeding three years while the borrower is a volunteer under the Peace Corps Act;
- During a period not exceeding three years while the borrower is a full-time paid volunteer under the Domestic Volunteer Act of 1973;

- During a period not exceeding three years while the borrower is a full-time volunteer in service which the Secretary of Education has determined is comparable to service in the Peace Corp or under the Domestic Volunteer Act of 1970 with an organization which is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code;

- During a period not exceeding two years while the borrower is serving an internship necessary to receive professional recognition required to begin professional practice or service, or a qualified internship or residency program;

- During a period not exceeding three years while the borrower is temporarily totally disabled, as established by sworn affidavit of a qualified physician, or while the borrower is unable to secure employment because of caring for a dependent who is so disabled;

- During a period not exceeding two years while the borrower is seeking and unable to find full-time employment;

- During any period that the borrower is pursuing a full-time course of study at an eligible institution (or, with respect to a borrower who first obtained a student loan disbursed on or after July 1, 1987, or a student loan for a period of enrollment beginning on or after July 1, 1987, is pursuing at least a half-time course of study);

- During any period that the borrower is pursuing a course of study in a graduate fellowship program;

- During any period the borrower is receiving rehabilitation training services for qualified individuals, as defined by the Secretary of Education;

- During a period not exceeding six months per request while the borrower is on parental leave;

- Only with respect to a borrower who first obtained a student loan disbursed on or after July 1, 1987, or a student loan for a period of enrollment beginning on or after July 1, 1987, during a period not exceeding three years while the borrower is a full-time teacher in a public or nonprofit private elementary or secondary school in a "teacher shortage area" (as prescribed by the Secretary of Education), and during a period not exceeding one year for mothers, with preschool age children, who are entering or re-entering the work force and who are paid at a rate of no more than $1 per hour more than the federal minimum wage; and

- For loans that are in repayment status on or before September 28, 2018, the borrower is eligible for deferment during periods the borrower is undergoing treatment for cancer and the 6 months following treatment.

For a borrower who first obtained a loan on or after July 1, 1993, deferments are available:

- During any period that the borrower is pursuing at least a half-time course of study at an eligible institution;

- During any period that the borrower is pursuing a course of study in a graduate fellowship program;

- During any period the borrower is receiving rehabilitation training services for qualified individuals, as defined by the Secretary of Education;

- During a period not exceeding three years while the borrower is seeking and unable to find full-time employment;

- During a period not exceeding three years for any reason which has caused or will cause the borrower economic hardship. Economic hardship includes working full-time and earning an amount that does not exceed the greater of the federal minimum wage or 150% of the poverty line applicable to a borrower's family size and state of residence. Additional categories of economic hardship are based on the receipt of payments from a state or federal public assistance program, service in the Peace Corps, or until July 1, 2009, the relationship between a borrower's educational debt burden and his or her income; and

- For loans that are in repayment status on or before September 28, 2018, the borrower is eligible for deferment during periods the borrower is undergoing treatment for cancer and the 6 months following treatment.

Effective October 1, 2007, a borrower serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency may obtain a military deferment for all outstanding Title IV loans in repayment. For all periods of active duty service that include October 1, 2007 or begin on or after that date, the deferment period includes the borrower's service period and 180 days following the demobilization date.

A borrower serving on or after October 1, 2007, may receive up to 13 months of active duty student deferment after the completion of military service if he or she meets the following conditions:

- Is a National Guard member, Armed Forces reserves member, or retired member of the Armed Forces;
- Is called or ordered to active duty; and
- Is enrolled at the time of, or was enrolled within six months prior to, the activation in a program at an eligible institution.

The active duty student deferment ends the earlier of when the borrower returns to an enrolled status, or at the end of 13 months.

PLUS Loans first disbursed on or after July 1, 2008, are eligible for the following deferment options:

- A parent PLUS borrower, upon request, may defer the repayment of the loan during any period during which the student for whom the loan was borrowed is enrolled at least half time. Also upon request, the borrower can defer the loan for the six-month period immediately following the date on which the student for whom the loan was borrowed ceases to be enrolled at least half time, or if the parent borrower is also a student, the date after he or she ceases to be enrolled at least half time.
- A graduate or professional student PLUS borrower may defer the loan for the six-month period immediately following the date on which he or she ceases to be enrolled at least half time. This option does not require a request and may be granted each time the borrower ceases to be enrolled at least half time.

Prior to the 1992 Amendments, only some of the deferments described above were available to PLUS and Consolidation Loan borrowers. Prior to the 1986 Amendments, PLUS Loan borrowers were not entitled to certain deferments.

Forbearance periods. The Higher Education Act also provides for periods of forbearance during which the lender, in case of a borrower's temporary financial hardship, may postpone any payments. A borrower is entitled to forbearance for a period not exceeding three years while the borrower's debt burden under Title IV of the Higher Education Act (which includes the Federal Family Education Loan Program) equals or exceeds 20% of the borrower's gross income. A borrower is also entitled to forbearance while he or she is serving in a qualifying internship or residency program, a “national service position” under the National and Community Service Trust Act of 1993, a qualifying position for loan forgiveness under the Teacher Loan Forgiveness Program, or a position that qualifies him or her for loan repayment under the Student Loan Repayment Program administered by the Department of Defense. In addition, administrative forbearances are provided in circumstances such as, but not limited to, a local or national emergency, a military mobilization, or when the geographical area in which the borrower or endorser resides has been designated a disaster area by the President of the United States or Mexico, the Prime Minister of Canada, or by the governor of a state.

Interest payments during grace, deferment, forbearance, and applicable income-based repayment ("IBR") periods. The Secretary of Education makes interest payments on behalf of the borrower for Subsidized loans while the borrower is in school, grace, deferment, and during the first 3 years of the IBR plan for any remaining interest that is not satisfied by the IBR payment amount. Interest that accrues during forbearance periods, and, if the loan is not eligible for interest subsidy payments during school, grace, deferment, and IBR periods, may be paid monthly or quarterly by the borrower. At the appropriate time, any unpaid accrued interest may be capitalized by the lender.

For a borrower who is eligible for the Cancer Treatment Deferment, interest that accrues during the period of deferment on any subsidized loan is subsidized. For cancer treatment deferment periods on any Unsubsidized Stafford Loan, the interest during such periods is not charged to the borrower.

Fees

Guarantee fee and Federal default fee. For loans for which the date of guarantee of principal was on or after July 1, 2006, a guarantee agency was required to collect and deposit into the Federal Student Loan Reserve Fund a Federal default fee in an amount equal to 1% of the principal amount of the loan. The fee was collected either by deduction from the proceeds of the loan or by payment from other non-Federal sources. Federal default fees could not be charged to borrowers of Consolidation Loans.

Origination fee. Beginning with loans first disbursed on or after July 1, 2006, the maximum origination fee which could be charged to a Stafford Loan borrower decreased according to the following schedule:

- 1.5% with respect to loans for which the first disbursement was made on or after July 1, 2007, and before July 1, 2008;
- 1.0% with respect to loans for which the first disbursement was made on or after July 1, 2008, and before July 1, 2009; and
- 0.5% with respect to loans for which the first disbursement was made on or after July 1, 2009, and before July 1, 2010.

A lender could charge a lesser origination fee to Stafford Loan borrowers as long as the lender did so consistently with respect to all borrowers who resided in or attended school in a particular state. Regardless of whether the lender passed all or a portion of the origination fee on to the borrower, the lender had to pay the origination fee owed on each loan it made to the Secretary of Education.

An eligible lender was required to charge the borrower of a PLUS Loan an origination fee equal to 3% of the principal amount of the loan. This fee had to be deducted proportionately from each disbursement of the PLUS Loan and had to be remitted to the Secretary of Education.

Lender fee. The lender of any loan made under the Federal Family Education Loan Program was required to pay a fee to the Secretary of Education. For loans made on or after October 1, 2007, the fee was equal to 1.0% of the principal amount of such loan. This fee could not be charged to the borrower.

Rebate fee on Consolidation Loans. The holder of any Consolidation Loan made on or after October 1, 1993, was required to pay to the Secretary of Education a monthly rebate fee. For loans made on or after October 1, 1993, from applications received prior to October 1, 1998, and after January 31, 1999, the fee is equal to 0.0875% (1.05% per annum) of the principal and accrued interest on the Consolidation Loan. For loans made from applications received during the period beginning on or after October 1, 1998, through January 31, 1999, the fee is 0.0517% (0.62% per annum).

Interest subsidy payments

Interest subsidy payments are interest payments paid on the outstanding principal balance of an eligible loan before the time the loan enters repayment and during deferment periods. The Secretary of Education and the guarantee agencies enter into interest subsidy agreements whereby the Secretary of Education agrees to pay interest subsidy payments on a quarterly basis to the holders of eligible guaranteed loans for the benefit of students meeting certain requirements, subject to the holders' compliance with all requirements of the Higher Education Act. Subsidized Stafford Loans are eligible for interest payments. Consolidation Loans for which the application was received on or after January 1, 1993, are eligible for interest subsidy payments. Consolidation Loans made from applications received on or after August 10, 1993, are eligible for interest subsidy payments only if all underlying loans consolidated were Subsidized Stafford Loans. Consolidation Loans for which the application is received by an eligible lender on or after November 13, 1997, are eligible for interest subsidy payments on that portion of the Consolidation Loan that repaid subsidized FFELP Loans or similar subsidized loans made under the Direct Loan Program. The portion of the Consolidation Loan that repaid HEAL Loans is not eligible for interest subsidy, regardless of the date the Consolidation Loan was made.

Special allowance payments

The Higher Education Act provides for special allowance payments (SAP) to be made by the Secretary of Education to eligible lenders. The rates for special allowance payments are based on formulas that differ according to the type of loan, the date the loan was originally made or insured, and the type of funds used to finance the loan (taxable or tax-exempt).

Stafford Loans. The effective formulas for special allowance payment rates for Subsidized Stafford and Unsubsidized Stafford Loans are summarized in the following chart. The T-Bill Rate mentioned in the chart refers to the average of the bond equivalent yield of the 91-day Treasury bills auctioned during the preceding quarter.

Date of Loans	Annualized SAP Rate
On or after October 1, 1981	T-Bill Rate less Applicable Interest Rate + 3.5%
On or after November 16, 1986	T-Bill Rate less Applicable Interest Rate + 3.25%
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after July 1, 1995	T-Bill Rate less Applicable Interest Rate + 3.1%[1]
On or after July 1, 1998	T-Bill Rate less Applicable Interest Rate + 2.8%[2]
On or after January 1, 2000	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.34%[3][6]
On or after October 1, 2007 and held by a Department of Education certified not-for-profit holder or Eligible Lender Trustee holding on behalf of a Department of Education certified not-for-profit entity	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.94%[4][6]
All other loans on or after October 1, 2007	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.79%[5][6]

[1] Substitute 2.5% in this formula while such loans are in-school, grace, or deferment status

[2] Substitute 2.2% in this formula while such loans are in-school, grace, or deferment status.

[3] Substitute 1.74% in this formula while such loans are in-school, grace, or deferment status.

[4] Substitute 1.34% in this formula while such loans are in-school, grace, or deferment status.

[5] Substitute 1.19% in this formula while such loans are in-school, grace, or deferment status.

[6] The Military Construction and Veterans Affairs and Related Agencies Appropriations Act of 2012 provides an alternate calculation method that substitutes for 3 Month Commercial Paper Rate "1 Month London Inter Bank Offered Rate (LIBOR) for United States dollars in effect for each of the days in such quarter as compiled and released by the British Banker's Association." This method has to be selected by each lender or beneficial holder before April 1, 2012 and applies to all loans held under the same lender identification number for the quarter beginning April 1, 2012 and all succeeding 3-month periods.

PLUS, SLS, and Consolidation Loans. The formula for special allowance payments on PLUS, SLS, and Consolidation Loans are as follows:

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after January 1, 2000	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.64%[1]
PLUS loans on or after October 1, 2007 and held by a Department of Education certified not-for-profit holder or Eligible Lender Trustee holding on behalf of a Department of Education certified not-for-profit entity	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.94%[1]
All other PLUS loans on or after October 1, 2007	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.79%[1]
Consolidation loans on or after October 1, 2007 and held by a Department of Education certified not-for-profit holder or Eligible Lender Trustee holding on behalf of a Department of Education certified not-for-profit entity	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.24%[1]
All other Consolidation loans on or after October 1, 2007	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.09%[1]

[1] The Military Construction and Veterans Affairs and Related Agencies Appropriations Act of 2012 provides an alternate calculation method that substitutes for 3 Month Commercial Paper Rate "1 Month London Inter Bank Offered Rate (LIBOR) for United States dollars in effect for each of the days in such quarter as compiled and released by the British Banker's Association." This method has to be selected by each lender or beneficial holder before April 1, 2012 and applies to all loans held under the same lender identification number for the quarter beginning April 1, 2012 and all succeeding 3-month periods.

For PLUS and SLS Loans made prior to July 1, 1994, and PLUS loans made on or after July 1, 1998, which bear interest at rates adjusted annually, special allowance payments are made only in quarters during which the interest rate ceiling on such loans operates to reduce the rate that would otherwise apply based upon the applicable formula. See "Interest Rates for PLUS Loans" and "Interest Rates for SLS Loans." Special allowance payments are available on variable rate PLUS Loans and SLS

Loans made on or after July 1, 1987, and before July 1, 1994, and on any PLUS Loans made on or after July 1, 1998, and before January 1, 2000, only if the variable rate, which is reset annually, based on the weekly average one-year constant maturity Treasury yield for loans made before July 1, 1998, and based on the 91-day or 52-week Treasury bill, as applicable for loans made on or after July 1, 1998, exceeds the applicable maximum borrower rate. The maximum borrower rate is between 9% and 12% per annum. The portion, if any, of a Consolidation Loan that repaid a HEAL Loan is ineligible for special allowance payments.

Recapture of excess interest. The Higher Education Reconciliation Act of 2005 provides that, with respect to a loan for which the first disbursement of principal was made on or after April 1, 2006, if the applicable interest rate for any three-month period exceeds the special allowance support level applicable to the loan for that period, an adjustment must be made by calculating the excess interest and crediting such amounts to the Secretary of Education not less often than annually. The amount of any adjustment of interest for any quarter will be equal to:

- The applicable interest rate minus the special allowance support level for the loan, multiplied by
- The average daily principal balance of the loan during the quarter, divided by
- Four.

Special allowance payments for loans financed by tax-exempt bonds. The effective formulas for special allowance payment rates for Stafford Loans and Unsubsidized Stafford Loans differ depending on whether loans to borrowers were acquired or originated with the proceeds of tax-exempt obligations. The formula for special allowance payments for loans financed with the proceeds of tax-exempt obligations originally issued prior to October 1, 1993 is:

$$\frac{\text{T-Bill Rate less Applicable Interest Rate} + 3.5\%}{2}$$

provided that the special allowance applicable to the loans may not be less than 9.5% less the Applicable Interest Rate. Special rules apply with respect to special allowance payments made on loans

- Originated or acquired with funds obtained from the refunding of tax-exempt obligations issued prior to October 1, 1993, or
- Originated or acquired with funds obtained from collections on other loans made or purchased with funds obtained from tax-exempt obligations initially issued prior to October 1, 1993.

Amounts derived from recoveries of principal on loans eligible to receive a minimum 9.5% special allowance payment may only be used to originate or acquire additional loans by a unit of a state or local government, or non-profit entity not owned or controlled by or under common ownership of a for-profit entity and held directly or through any subsidiary, affiliate or trustee, which entity has a total unpaid balance of principal equal to or less than $100,000,000 on loans for which special allowances were paid in the most recent quarterly payment prior to September 30, 2005. Such entities may originate or acquire additional loans with amounts derived from recoveries of principal until December 31, 2010. Loans acquired with the proceeds of tax-exempt obligations originally issued after October 1, 1993, receive special allowance payments made on other loans. Beginning October 1, 2006, in order to receive 9.5% special allowance payments, a lender must undergo an audit arranged by the Secretary of Education attesting to proper billing for 9.5% payments on only eligible “first generation” and “second generation” loans. First generation loans include those loans acquired using funds directly from the issuance of the tax-exempt obligation. Second-generation loans include only those loans acquired using funds obtained directly from first-generation loans. Furthermore, the lender must certify compliance of its 9.5% billing on such loans with each request for payment.

Adjustments to special allowance payments. Special allowance payments and interest subsidy payments are reduced by the amount which the lender is authorized or required to charge as an origination fee. In addition, the amount of the lender origination fee is collected by offset to special allowance payments and interest subsidy payments. The Higher Education Act provides that if special allowance payments or interest subsidy payments have not been made within 30 days after the Secretary of Education receives an accurate, timely, and complete request, the special allowance payable to the lender must be increased by an amount equal to the daily interest accruing on the special allowance and interest subsidy payments due the lender.

PROXY

121 SOUTH 13TH STREET, SUITE 100
LINCOLN, NE 68508

p 402.458.2370
www.nelnet.com

April 8, 2021

Dear Shareholder:

On behalf of the Board of Directors, we are pleased to invite you to Nelnet, Inc.'s Annual Shareholders' Meeting to be held on Thursday, May 20, 2021 at 8:30 a.m. Central Time at the Hudl Building, 600 P Street, Suite 100, Lincoln, Nebraska. Due to ongoing public health concerns regarding the COVID-19 pandemic and to support the health and well-being of our shareholders, we are again offering a hybrid virtual meeting format whereby shareholders may attend, participate in, and vote at the Annual Meeting online at *http://www.virtualshareholdermeeting.com/NNI2021*, and we encourage shareholders to attend and participate in the Annual Meeting virtually, rather than in person. The notice of the meeting and proxy statement on the following pages contain information about the meeting.

Your participation in the Annual Meeting is important. We hope that you will be able to attend the meeting virtually and encourage you to read our annual report and proxy statement. At the meeting, members of the Company's management team will discuss the Company's results of operations and business plans and will be available to answer your questions. Regardless of whether you plan to attend, we urge you to vote your proxy at your earliest convenience.

Thank you for your support of Nelnet, Inc.

Sincerely,

Michael S. Dunlap
Executive Chairman of the Board of Directors

Nelnet, Inc.

121 South 13th Street, Suite 100, Lincoln, Nebraska 68508

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 8, 2021

TIME AND DATE	8:30 a.m., Central Time, on Thursday, May 20, 2021
PLACE	Hudl Building 600 P Street, Suite 100 Lincoln, Nebraska 68508 Due to ongoing public health concerns regarding the COVID-19 pandemic and to support the health and well-being of our shareholders, we are again offering a hybrid virtual meeting format whereby shareholders may attend, participate in, and vote at the meeting online at *http://www.virtualshareholdermeeting.com/NNI2021*, and we encourage shareholders to attend and participate in the meeting virtually, rather than in person.
ITEMS OF BUSINESS	(1) To elect three Class I directors nominated by the Board of Directors to serve for three-year terms until the 2024 Annual Meeting of Shareholders (2) To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2021 (3) To conduct an advisory vote to approve the Company's executive compensation (4) To transact such other business as may be properly introduced
RECORD DATE	You can vote if you were a shareholder as of the close of business on March 29, 2021
OTHER INFORMATION	The Letter to Shareholders from the Chief Executive Officer and our 2020 Annual Report on Form 10-K, which are not part of the proxy soliciting materials, are enclosed.
PROXY VOTING	The Board of Directors solicits your proxy and asks you to vote your proxy at your earliest convenience to be sure your vote is received and counted. Instructions on how to vote are contained in our proxy statement and in the Notice of Internet Availability of Proxy Materials. **Whether or not you plan to attend the meeting, we ask you to vote over the Internet as described in those materials as promptly as possible in order to make sure that your shares will be voted in accordance with your wishes at the meeting. Alternatively, if you requested a copy of the proxy/voting instruction card by mail, you may mark, sign, date, and return the proxy/voting instruction card in the envelope provided.** The Board of Directors encourages you to attend the meeting virtually due to the ongoing public health impact of the COVID-19 pandemic and to support the health and well-being of the Company's shareholders. If you attend the meeting virtually or in person, you may vote by proxy or you may revoke your proxy and cast your vote virtually or in person, respectively. We recommend you vote by proxy even if you plan to attend the meeting.

By Order of the Board of Directors,

William J. Munn
Corporate Secretary
Nelnet, Inc.

NELNET, INC.
2021 PROXY STATEMENT
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Nelnet, Inc.
121 South 13th Street
Suite 100
Lincoln, Nebraska 68508

PROXY STATEMENT

General Information

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Nelnet, Inc. (the "Company") for the 2021 Annual Meeting of Shareholders (the "Annual Meeting") to be held on Thursday, May 20, 2021, at 8:30 a.m., Central Time, at the Hudl Building, 600 P Street, Suite 100, Lincoln, Nebraska 68508. The Annual Meeting will be held for the purposes set forth in the notice of such Annual Meeting on the cover page hereof.

Due to ongoing public health concerns regarding the COVID-19 pandemic and to support the health and well-being of our shareholders, we are again offering a hybrid virtual meeting format whereby shareholders may attend, participate in, and vote at the Annual Meeting online at *http://www.virtualshareholdermeeting.com/NNI2021*, and we encourage shareholders to attend and participate in the Annual Meeting virtually, rather than in person.

Important Notice Regarding the Availability of Proxy Materials for the
2021 Annual Meeting of Shareholders to be held on May 20, 2021

Our notice of annual meeting and proxy statement, 2020 annual report on Form 10-K, letter to shareholders, electronic proxy card, and other annual meeting materials are available on the Internet at www.proxyvote.com. We intend to begin mailing our Notice of Internet Availability of Proxy Materials to shareholders on or about April 8, 2021. At that time, we also will begin mailing paper copies of our proxy materials to shareholders who requested them. Additional information on how these materials will be distributed is provided below.

Under U.S. Securities and Exchange Commission (the "SEC") rules, we are allowed to mail a notice to our shareholders informing them that our proxy statement, annual report on Form 10-K, electronic proxy card, and related materials are available for viewing, free of charge, on the Internet. Shareholders may then access these materials and vote their shares over the Internet, or request delivery of a full set of proxy materials by mail or email. These rules give us the opportunity to serve shareholders more efficiently by making the proxy materials available online and reducing the environmental impact and costs associated with printing and physical delivery. We are utilizing this process for the 2021 Annual Meeting. We intend to begin mailing the required notice, called the Notice of Internet Availability of Proxy Materials (the "Notice"), to shareholders on or about April 8, 2021. The proxy materials will be posted on the Internet, at www.proxyvote.com, no later than the day we begin mailing the Notice. If you receive a Notice, you will not receive a paper or email copy of the proxy materials unless you request one in the manner set forth in the Notice.

The Notice contains important information, including:

- The date, time, and location of the Annual Meeting, and information regarding virtual participation in the Annual Meeting online
- A brief description of the matters to be voted on at the meeting
- A list of the proxy materials available for viewing at www.proxyvote.com and the control number you will need to use to access the site
- Instructions on how to access and review the proxy materials online, how to vote your shares over the Internet, and how to get a paper or email copy of the proxy materials if that is your preference

You may vote online at the Annual Meeting through the virtual meeting process, in person at the Annual Meeting, or you may vote by proxy. To obtain directions to attend the Annual Meeting and vote in person, please call 402-458-3038. To support the health and well-being of our shareholders in view of the COVID-19 pandemic, we may take precautionary measures with respect to attendance in person at the Annual Meeting, including measures under public heath protocols. Giving the Board of Directors your proxy means that you authorize representatives of the Board to vote your shares at the Annual Meeting in the manner you specify. We recommend that you vote by proxy even if you plan to attend the Annual Meeting. If your share ownership is registered directly, you may refer to voting instructions contained in this proxy statement and in the Notice. If your share ownership is beneficial (that is, your shares are held in the name of a bank, broker, or other nominee, referred to as being held in "street name"), your broker will issue you a voting instruction form that you use to instruct them how to vote your

shares. Your broker must follow your voting instructions. Although most brokers and nominees offer mail, telephone, and Internet voting, availability and specific procedures will depend on their voting arrangements.

Your vote is important. For this reason, the Board of Directors is requesting that you permit your common stock to be voted by proxy at the Annual Meeting. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the Annual Meeting. Please read it carefully.

VOTING

Who Can Vote

You may vote if you owned Nelnet, Inc. Class A common stock, par value $0.01 per share, or Class B common stock, par value $0.01 per share, as of the close of business on March 29, 2021 (the "record date"). At the close of business on March 29, 2021, 27,368,703 and 11,154,171 shares of the Company's Class A and Class B common stock, respectively, were outstanding and eligible to vote. The Class A common stock is listed on the New York Stock Exchange under the symbol "NNI." The Class B common stock is not listed on any exchange or market. At the Annual Meeting, each Class A and Class B shareholder will be entitled to one vote and 10 votes, respectively, in person or by proxy, for each share of Class A and Class B common stock, respectively, owned of record as of the record date. The stock transfer books of the Company will not be closed. The Secretary of the Company will make a complete record of the shareholders entitled to vote at the Annual Meeting available for inspection by any shareholder beginning two business days after the Notice of the Annual Meeting is given and continuing through the Annual Meeting, at the Company's headquarters in Lincoln, Nebraska at any time during regular business hours. Any shareholder who would like to inspect such records should call Investor Relations at 402-458-3038 to request access and schedule an appointment. Such records will also be available for inspection at the Annual Meeting, and will also be available for review by shareholders during the Annual Meeting through the virtual meeting website.

As a matter of policy, the Company keeps private all proxies, ballots, and voting tabulations that identify individual shareholders. Such documents are available for examination only by certain representatives associated with processing proxy voting instructions and tabulating the vote. No vote of any shareholder is disclosed, except as may be necessary to meet legal requirements.

How You Vote

You may vote your shares prior to the Annual Meeting by following the instructions provided in the Notice, this proxy statement, and the voter website, www.proxyvote.com. If you requested a paper copy of the proxy materials, voting instructions are also contained on the proxy card enclosed with those materials.

- If you are a *registered shareholder*, there are three ways to vote your shares before the meeting:

  By Internet (www.proxyvote.com): Use the Internet to transmit your voting instructions until 11:59 p.m. EDT on May 19, 2021 for shares held directly, and by 11:59 p.m. EDT on May 17, 2021 for shares held in the Nelnet Inc. Employee Share Purchase Plan. Have your Notice of Internet Availability of Proxy Materials with you when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form.

  By mail: You can vote by mail by requesting a paper copy of the materials, which will include a proxy card. There is no charge for requesting a paper copy of the materials. To be valid, proxy cards must be received before the start of the Annual Meeting. If you want to receive a paper or e-mail copy of the proxy materials, please choose one of the following methods to make your request:

  - By internet: www.proxyvote.com
  - By telephone: 1-800-579-1639
  - By e-mail*: sendmaterial@proxyvote.com

  * If requesting materials by e-mail, please send a blank e-mail with your 16-Digit Control Number in the subject line.

  By telephone (1-800-690-6903): Use any touch-tone phone to transmit your voting instructions until 11:59 p.m. EDT on May 19, 2021 for shares held directly, and by 11:59 p.m. EDT on May 17, 2021 for shares held in the Nelnet Inc. Employee Share Purchase Plan. Have your proxy card with you when you call and follow the instructions.

- If your shares are held in *street name*, your broker, bank, or other holder of record may provide you with a Notice of Internet Availability of Proxy Materials. Follow the instructions on the Notice to access our proxy materials and vote online or to request a paper or e-mail copy of our proxy materials. If you receive these materials in paper form, the materials will include a voting instruction card so you can instruct your broker, bank, or other holder of record how to vote your shares.

You may vote your shares by attending the Annual Meeting through the virtual meeting process or in person. If you are a *registered shareholder*, you can vote at the meeting any shares that were registered in your name as the shareholder of record as of the record date. If your shares are held in *street name*, you are not a holder of record of those shares and cannot vote them at the Annual Meeting unless you have a legal proxy from the holder of record. If you plan to attend in person and vote your street name shares at the Annual Meeting, you should request a legal proxy from your broker, bank, or other holder of record and bring it with you to the meeting along with proof of identification.

If you plan to vote your shares in person at the Annual Meeting, please pick up a ballot at the registration table upon your arrival. You may then submit your ballot to a meeting usher at the time designated during the meeting. *Ballots will not be distributed during the meeting*. Shares may not be voted after the final vote at the meeting.

Even if you plan to attend the Annual Meeting through the virtual meeting process or in person, we encourage you to vote your shares by proxy.

Description of Virtual Meeting Process

Shareholders are encouraged to attend and participate in the Annual Meeting via the Internet through the virtual meeting process, and may do so by visiting *http://www.virtualshareholdermeeting.com/NNI2021*. The Annual Meeting will begin promptly at 8:30 a.m. Central Time on May 20, 2021 and online check-in will begin at 8:15 a.m. Central Time. Please allow ample time for the online check-in procedures. Interested persons who were not shareholders as of the close of business on the record date may listen, but not participate, in the Annual Meeting via *http://www.virtualshareholdermeeting.com/NNI2021*. In order to attend, participate in, and vote at the Annual Meeting through the virtual meeting process, registered shareholders will need to use their 16-digit control number received with their proxy card or Notice to log into *http://www.virtualshareholdermeeting.com/NNI2021* and follow the provided instructions. Holders of shares in street name who do not have a control number may gain access to the Annual Meeting by logging into their brokerage firm's web site and selecting the shareholder communications mailbox to link through to the Annual Meeting. Instructions should also be provided on the voting instruction card provided by their broker, bank, or other nominee. Shareholders who wish to submit a question may do so during the Annual Meeting through *http://www.virtualshareholdermeeting.com/NNI2021*.

We have structured our hybrid virtual annual meeting to provide shareholders who attend virtually with the same rights as those shareholders who attend the meeting in person, including the ability to vote shares electronically during the meeting and ask questions in accordance with the rules of conduct for the meeting. The hybrid virtual meeting platform is supported across browsers and devices running the most updated version of applicable software and plug-ins. Participants should ensure they can hear streaming audio prior to the start of the meeting. If you encounter technical difficulties with the virtual meeting platform on the meeting day, please call the technical support number that will be posted on the meeting website. Technical support will be available starting at 8:00 a.m. Central Time and until the end of the meeting.

If you wish to virtually submit a question during the meeting, type your question into the "Submit a question" field, and click "Submit." Questions may be submitted beginning at 8:30 a.m. Central Time. Questions relevant to meeting matters will be answered during the meeting. Questions regarding personal matters or matters not relevant to meeting matters will not be answered.

What Items Require Your Vote

There are three proposals that will be presented for your consideration at the meeting:

- Electing the three Class I director nominees named in this proxy statement to the Board of Directors for three-year terms
- Ratifying the appointment of KPMG LLP as the Company's independent registered public accounting firm ("independent auditor") for 2021
- Approving on an advisory basis the Company's executive compensation

Each of the proposals have been submitted on behalf of the Company's Board of Directors.

How You Can Change Your Vote

If you are a *registered shareholder*, you can revoke your proxy and change your vote prior to the Annual Meeting by:

- Sending a written notice of revocation to our Corporate Secretary at 121 South 13th Street, Suite 100, Lincoln, Nebraska 68508 (the notification must be received by the close of business on May 19, 2021)
- Voting again by Internet prior to 11:59 p.m. EDT on May 19, 2021 for shares held directly, and by 11:59 p.m. EDT on May 17, 2021 for shares held in the Nelnet Inc. Employee Share Purchase Plan (only the latest vote you submit will be counted)
- Submitting a new properly signed and dated paper proxy card with a later date (your proxy card must be received before the start of the Annual Meeting)

If your shares are held in *street name*, you should contact your broker, bank, or other holder of record about revoking your voting instructions and changing your vote prior to the meeting.

If you are eligible to vote at the Annual Meeting, you also can revoke your proxy or voting instructions and change your vote at the Annual Meeting by submitting a written or virtual ballot before the final vote at the meeting. Your attendance at the Annual Meeting will not automatically revoke your proxy; you must specifically revoke your proxy.

Quorum Needed To Hold the Meeting

In order to conduct the Annual Meeting, the Company's Articles of Incorporation and Bylaws provide that shares constituting a majority of the voting power of all the shares of the Company's stock entitled to vote must be present in person or by proxy. This is called a quorum. If you return valid proxy instructions or vote in person at the Annual Meeting, your shares will be considered part of the quorum. Abstentions and broker "non-votes" will be counted as present and entitled to vote for purposes of determining a quorum. **New York Stock Exchange ("NYSE") rules allow banks, brokers, and other nominees to vote in their discretion the shares held by them for a customer on matters that the NYSE considers to be routine, even though the bank, broker, or nominee has not received voting instructions from the customer. A broker "non-vote" occurs when a bank, broker, or other nominee has not received voting instructions from the customer and the bank, broker, or other nominee cannot vote the shares because the matter is not considered to be routine under NYSE rules.**

Under NYSE rules, the election of directors and the advisory vote to approve executive compensation will not be considered to be "routine" matters, and banks, brokers, and other nominees who are members of the NYSE will not be permitted to vote shares held by them for a customer on these matters without instructions from the beneficial owner of the shares.

Counting Your Vote

If you provide specific voting instructions, your shares will be voted as instructed. If you hold shares in your name and submit a valid proxy without giving specific voting instructions, your shares will be voted as recommended by our Board of Directors. If you hold your shares in your name and do not return a valid proxy and do not vote through the virtual meeting process for the Annual Meeting or in person at the Annual Meeting, your shares will not be voted. If you hold your shares in the name of a bank, broker, or other nominee, and you do not give that nominee instructions on how you want your shares to be voted, the nominee has the authority to vote your shares in the nominee's discretion on the ratification of the appointment of KPMG LLP as independent auditor. However, as discussed above, the nominee will not be permitted to vote your shares without your instructions on the election of directors or on the advisory vote to approve executive compensation.

Giving the Board your proxy also means that you authorize their representatives to vote in their discretion on any other matter that may be properly presented at the Annual Meeting. As of the date of this proxy statement, the Company does not know of any other matters to be presented at the Annual Meeting.

What Vote is Needed

Our Articles of Incorporation provide that directors are elected by a majority of the votes cast by the shares entitled to vote at the Annual Meeting. Although abstentions and broker "non-votes" will be counted for purposes of determining whether there is a quorum (as discussed above), they will not be counted as votes cast in the election of directors and thus will not have the effect of votes for or against any director.

With respect to Proposal 1 (the election of the Class I directors), shareholders of the Company, or their proxy if one is appointed, have cumulative voting rights under the Nebraska Model Business Corporation Act. That is, shareholders, or their proxy, may vote their shares for as many directors as are to be elected, or may cumulate such shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of their shares, or may distribute votes on the same principle among as many or as few nominees as they may desire. If a shareholder desires to vote cumulatively, he or she must vote in person or give his or her specific cumulative voting instructions to the designated proxy that the number of votes represented by his or her shares are to be cast for one or more designated nominees. Cumulative voting is not available for internet voting, including online voting through the virtual meeting process.

The Nebraska Model Business Corporation Act and our Bylaws provide that a majority of votes cast at the meeting is required to approve Proposals 2 and 3 (ratifying the appointment of KPMG LLP and approving on an advisory basis the Company's executive compensation, respectively). Although abstentions and broker "non-votes" will be counted for purposes of determining whether there is a quorum (as discussed above), they will not be counted as votes cast with respect to Proposals 2 and 3 and thus will not have the effect of votes for or against Proposals 2 and 3.

In accordance with the provisions of our Articles of Incorporation, the Class A common stock and Class B common stock will vote as a single class on each of Proposals 1, 2 and 3.

Voting Recommendations

The Company's Board of Directors recommends that you vote:

- "FOR" the election of each of the Class I director nominees to the Board of Directors for a three-year term
- "FOR" the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2021
- "FOR" the approval of the compensation of the Company's named executive officers, as disclosed in this proxy statement

A proxy, when properly executed and not revoked, will be voted in accordance with the authorization and instructions contained therein. Unless a shareholder specifies otherwise, all shares represented will be voted in accordance with the recommendations of the Company's Board of Directors.

Voting Results

The preliminary voting results will be announced at the Annual Meeting. The final voting results will be reported in a current report on Form 8-K to be filed within four business days after the Annual Meeting date.

Cost of This Proxy Solicitation

The Company will pay the cost of soliciting proxies, including the preparation, assembly, and furnishing of proxy solicitation and other required annual meeting materials. Directors, officers, and regular employees of the Company may solicit proxies by telephone, electronic communications, or personal contact, for which they will not receive any additional compensation in respect of such solicitations. The Company will also reimburse brokerage firms and others for all reasonable expenses for furnishing proxy solicitation and other required annual meeting materials to beneficial owners of the Company's stock.

PROPOSAL 1 - ELECTION OF DIRECTORS

The Company’s Board of Directors consists of nine directors who are divided into three classes, designated as Class I, Class II, and Class III. In accordance with the Company’s Articles of Incorporation, the number of directors constituting the entire Board is fixed exclusively by the Board from time to time. The classes of directors serve for staggered three-year terms, with their current terms ending at the annual meeting of shareholders in the following years: Class I directors - 2021; Class II directors - 2022; and Class III directors - 2023.

Shareholders are asked to elect three Class I directors to serve on the Board of Directors for a three-year term ending at the 2024 annual meeting of shareholders. The nominees for these Class I directorships are Michael S. Dunlap, Preeta D. Bansal, and JoAnn M. Martin. Each nominee is currently serving on the Board as a Class I director. Mr. Dunlap was most recently elected to the Board by the shareholders at the 2018 annual meeting of shareholders. Mses. Bansal and Martin were appointed by the Board as Class I members on November 8, 2018, and March 23, 2020, respectively, upon the recommendation of the Board's Nominating and Corporate Governance Committee, for a term expiring at the Company's 2021 annual meeting of shareholders. Ms. Martin was initially appointed to the Board as a Class III member on March 19, 2020, prior to a rebalancing of the distribution of the directors among the classes on March 23, 2020. In making these nominations, the Board and the Nominating and Corporate Governance Committee considered each nominee’s specific experience, qualifications, and skills as described below.

Upon the recommendation of the Board's Nominating and Corporate Governance Committee, the Board has nominated each of the Class I director nominees named below to serve on the Board of Directors as Class I directors.

The Board of Directors recommends that shareholders vote FOR the election of each Class I director nominee (named below) to the Board of Directors.

In the event that before the election any Class I director nominee becomes unable to serve or for good cause unwilling to serve, if elected, the shares represented by proxy will be voted for any substitute nominees designated by the Board, unless the proxy does not indicate that the shares are to be voted for all Class I director nominees, or, if the Board does not designate any substitute nominees, the shares represented by proxy may be voted for a reduced number of nominees. The Board of Directors knows of no reason why any of the persons nominated for election as Class I directors might be unable or unwilling to serve if elected, and each nominee has consented to and expressed an intention to serve if elected. There are no arrangements or understandings between any of the nominees and any other person pursuant to which any of the nominees was selected as a nominee.

The following sets forth certain information about (i) each of the three nominees for election as Class I directors to serve for a three-year term expiring at the 2024 annual meeting of shareholders, and (ii) each of the current Class II and Class III directors whose term of office continues beyond the 2021 Annual Meeting. The information includes, with respect to each such person: (a) their age, (b) the year during which they were first elected a director of the Company, (c) their principal occupation(s) and any other directorships with publicly-held companies (if applicable) during the past five years, and (d) the qualifications of such person that led to the conclusion that such person should serve as a director of the Company.

Class I Director Nominees to Hold Office for a Term Expiring at the 2024 Annual Meeting of Shareholders

Michael S. Dunlap, 57
Director since
January 1996

Executive Chairman, Nelnet, Inc.

- Nelnet, Inc.
  - Executive Chairman, January 2014 - present
  - Chairman, January 1996 - December 2013
  - Chief Executive Officer, May 2007 - December 2013 and December 2001 - August 2003
  - Co-Chief Executive Officer, August 2003 - May 2007
- Farmers & Merchants Investment Inc. ("F&M"), the parent of Union Bank and Trust Company ("Union Bank") (F&M and Union Bank are affiliates of the Company)
  - Chairman, January 2013 - present
  - Co-President and Director, January 2007 - January 2013

Mr. Dunlap's qualifications include more than 30 years of experience in the areas of banking and financial services, leadership, strategic operations, and management, including as one of our co-founders and our Chairman since the Company's inception, as well as his experience as a member of the boards of directors of numerous other organizations. Mr. Dunlap's knowledge of every part of our business and his intense focus on innovation and excellence are keys to our Board's success.

Preeta D. Bansal, 55
Director since
November 2018

- Massachusetts Institute of Technology, Lecturer, Senior Advisor, and Visiting Scholar - 2014 - 2019
- HSBC Holdings plc, a multinational investment bank and financial services company, Global General Counsel for Litigation and Regulatory Affairs, 2012 - 2013
- Office of Management and Budget, Executive Office of the President of the United States, General Counsel and Senior Policy Advisor, 2009 - 2011
- Skadden, Arps, Slate, Meagher & Flom LLC, an international law firm, Partner, 2003 - 2009
- United States Commission on International Religious Freedom, Commissioner, 2003 - 2009 (Chair, 2004 - 2005)
- University of Nebraska College of Law, Visiting Professor, 2001 - 2003
- State of New York, Solicitor General, 1999 - 2001

Ms. Bansal's qualifications include over 30 years of experience in corporate and public law, banking, financial services, government, regulation, public policy, and academia as a distinguished lawyer and global business leader. Ms. Bansal provides to the Board of Directors and the Company valuable insight and leadership on various business, compliance, regulatory, and policy issues. Ms. Bansal is a Henry Crown Fellow at the Aspen Institute, a life member of the Council on Foreign Relations, and active with numerous local, national and global organizations. She received the National Organization of Women's "Woman of Power and Influence Award" in 2006 and was named one of the "50 Most Influential Minority Lawyers in America" by the *National Law Journal* in 2008.

JoAnn M. Martin, 66
Director since
March 2020

Vice Chair, Ameritas Mutual Holding Company and Ameritas Life Insurance Corp.

- Ameritas Mutual Holding Company is the parent company and owns Ameritas Holding Company, which owns 100 percent of the stock of Ameritas Life Insurance Corp. These entities offer a wide range of insurance and financial products and services to individuals, families, and businesses.
  - Vice Chair, Ameritas Mutual Holding Company and Ameritas Life Insurance Corp., January 2020 - present
  - Chair, Ameritas Life Insurance Corp., August 2008 - January 2020
  - Chief Executive Officer, Ameritas Mutual Holding Company, 2009 - January 2020
  - President, Ameritas Mutual Holding Company, January 2009 - April 2017
- National Research Corporation ("NRC"), a Lincoln, Nebraska-based publicly traded health care consumer data analytics company.
  - Director, June 2001 - present

Ms. Martin's qualifications include a financial background as a certified public accountant and as the former Chief Executive Officer of a mutual insurance holding company. She also has past leadership experiences as a director of the Omaha branch of the Federal Reserve Bank of Kansas City and other organizations, including past Chair of the American Council of Life Insurers.

Class II Directors Continuing in Office for a Term Expiring at the 2022 Annual Meeting of Shareholders

James P. Abel, 70
Director since
August 2003

Chief Executive Officer, NEBCO, Inc.

- NEBCO, Inc., a company with interests in the manufacture of concrete building materials, road construction, insurance, mining, railroading, farming, and real estate.
  - Chief Executive Officer, 2004 - present
  - President and Chief Executive Officer, 1983 - 2004
- Ameritas Mutual Holding Company is the parent company and owns Ameritas Holding Company, which owns 100 percent of the stock of Ameritas Life Insurance Corp. These entities offer a wide range of insurance and financial products and services to individuals, families, and businesses.
  - Chairman of the Board of Directors, Ameritas Mutual Holding Company and Ameritas Holding Company, January 2006 - present
  - Director, Ameritas Life Insurance Corp., July 1993 - present

Mr. Abel's qualifications include his experience on boards of directors of other private companies and his demonstrated executive leadership abilities and management experience as Chief Executive Officer of a complex diversified organization, as well as his knowledge of operations and experience with mergers and acquisitions, all of which give him critical insights into the operational requirements of the Company.

William R. Cintani, 68
Director since
May 2012

Chairman and Chief Executive Officer, Mapes Industries

- Mapes Industries, a diversified manufacturer of specialty architectural products with distribution across the United States and Canada.
  - Chairman and Chief Executive Officer, 1993 - present

Mr. Cintani's qualifications include more than 40 years of managing a diverse, nationwide manufacturing business with distribution in all 50 states and Canada. Mr. Cintani's service on numerous civic, philanthropic, and service boards has provided him with a wide array of experience in both corporate governance and operations. His practical knowledge and board experience provide the Company with a resource for all aspects of finance, operations, IT, and strategic planning. In addition, Mr. Cintani served 10 years as a member of the board of directors for certain of the Company's asset-backed securities special purpose corporations.

Kimberly K. Rath, 60
Director since
October 2007

Co-Chair, Talent Plus, Inc.

- Talent Plus, Inc., a global human resources consulting firm.
  - Co-Chair, August 2013 - present
  - President, Talent Plus, Inc., 2016 - 2019
  - Co-Founder, Talent Plus, Inc., 1989 - present

Ms. Rath's qualifications include over 30 years of experience in the field of human resources, with expertise in executive development, employee engagement, and human capital management. Ms. Rath has over 30 years of experience leading an international executive management consulting and training organization, working with major global companies. Ms. Rath serves as an executive strategic advisor to many leaders across the globe in both private and public sectors.

Class III Directors Continuing in Office for a Term Expiring at the 2023 Annual Meeting of Shareholders

Kathleen A. Farrell, 57
Director since
October 2007

Dean and Professor of Finance, College of Business, University of Nebraska-Lincoln

- College of Business, University of Nebraska - Lincoln
  - Dean, December 2017 - present
  - Professor of Finance, August 2009 - present
  - Interim Dean, January 2017 - December 2017
  - Chair, Finance Department, August 2014 - December 2016
  - Senior Associate Dean of Academic Programs, August 2011 - July 2014
  - Associate Dean of Academic Programs, August 2010 - August 2011
  - Associate Professor of Finance, 2001 - July 2009
  - Assistant Professor of Finance, August 1993 - 2001

Dr. Farrell's qualifications include her expertise in corporate finance, executive turnover, and executive compensation, and her prior experience as an auditor at a national public accounting firm. Dr. Farrell has achieved designation as a Certified Public Accountant (inactive), has almost 30 years of experience teaching university courses in the areas of banking and finance, and has conducted extensive research on these topics. Dr. Farrell has also published articles on these topics in numerous scholarly journals.

David S. Graff, 38
Director since
May 2014

Chief Executive Officer, Agile Sports Technologies, Inc. (doing business as Hudl)

- Hudl provides online video analysis and coaching tools software for professional, college, high school, club, and youth teams and athletes, and Hudl software is used by more than 180,000 teams and 6 million users around the world, serving more than 40 different sports, including the National Hockey League, National Football League, National Basketball Association, and English Premier League. Hudl has approximately 2,300 employees in 20 countries.
  - Chief Executive Officer, May 2006 - present

Mr. Graff's qualifications include his experience and expertise in computer science, marketing, and sales. In addition, as co-founder of Hudl, Mr. Graff provides the Board of Directors and the Company significant expertise in business development and innovation. Mr. Graff serves on the Advisory Board for the Jeffrey S. Raikes School of Computer Science and Management at the University of Nebraska. In 2010, Mr. Graff was featured on Inc. Magazine's 30 Under 30 list along with the other Hudl co-founders, and in 2016 was named one of Fast Company's Most Creative People. In addition, Mr. Graff served as a member of the board of directors for certain of the Company's asset-backed securities special purpose corporations.

Thomas E. Henning, 68
Director since
August 2003

President and Chief Executive Officer, Assurity Group, Inc. and its subsidiary, Assurity Life Insurance Company

- Assurity Group, Inc. and its subsidiary, Assurity Life Insurance Company, which offers a variety of disability income and critical illness protection, life insurance, and annuity products.
  - President and Chief Executive Officer, 1990 - present
- Great Western Bancorp, Inc. ("GWB") and Great Western Bank; GWB is a publicly traded full service regional bank holding company.
  - Director, August 2015 - present
- Federal Home Loan Bank Topeka, a part of the 12-member Federal Home Loan Bank system. The bank serves the states of Oklahoma, Kansas, Nebraska, and Colorado and provides liquidity to member institutions to assist in financing real estate.
  - Director, March 2007 - October 2015

Mr. Henning's qualifications include over 30 years of experience as President and Chief Executive Officer of a large insurance company, his prior experience as President of a regional bank, his financial expertise, including being a Chartered Financial Analyst, his experience in risk assessment and management, and his vast knowledge and experience in leadership and management. Mr. Henning also completed a comprehensive program of study by the National Association of Corporate Directors ("NACD") and has been named a NACD Fellow.

CORPORATE GOVERNANCE

Code of Business Conduct and Ethics for Directors, Officers, and Employees

The Company has a written code of business conduct and ethics that applies to all of the Company's directors, officers, and employees, including the Company's Executive Chairman, Chief Executive Officer, President, Chief Operating Officer, and Chief Financial Officer (who is also the Company's principal accounting officer), and is designed to promote ethical and legal conduct. Among other items, the code addresses the ethical handling of actual or potential conflicts of interest, compliance with laws, accurate financial reporting, and procedures for promoting compliance with, and reporting violations of, the code. This code is available on the Company's investor relations website at www.nelnetinvestors.com under "Corporate Governance" and is available in print to any shareholder who requests it. Any future amendments to or waivers of the code, to the extent applicable to any executive officer or director, will be posted at this location on the Company's website.

Board Composition and Director Independence

The Board of Directors is composed of a majority of independent directors as defined by the rules of the NYSE. A director does not qualify as an independent director unless the Board has determined, pursuant to applicable legal and regulatory requirements, that such director has no material relationship with the Company (either directly or as a partner, shareholder, or officer of an organization that has a relationship with the Company). The Nominating and Corporate Governance Committee reviews compliance with the definition of "independent" director annually. Mr. Dunlap beneficially owns 82.3% of the combined voting power of the Company's shareholders. Because of his beneficial ownership, Mr. Dunlap can effectively elect each member of the Board of Directors and has the power to defeat or remove each member of the Board of Directors.

The Board has evaluated commercial, consulting, charitable, familial, and other relationships with each of its directors, director nominees, and entities with respect to which they are an executive officer, partner, member, and/or significant shareholder. As part of this evaluation, the Board noted that none of the current directors received any consulting, advisory, or other compensatory fees from the Company, other than those described under "Certain Relationships and Related Transactions" and "Director Compensation Table for Fiscal Year 2020." Based on this independence review and evaluation, and on other facts and circumstances the Board deemed relevant, the Board, in its business judgment, has determined that all of the Company's current directors are independent, with the exception of Mr. Dunlap, who is currently an employee of the Company.

The Company's Nominating and Corporate Governance Committee is responsible for reviewing and approving all new transactions, and any material amendments or modifications to existing transactions, between the Company and related parties, and taking such actions as the Committee deems necessary and appropriate in relation to such transactions, including reporting to the Board of Directors with respect to such transactions as the Committee deems necessary and appropriate. See "Certain Relationships and Related Transactions."

Governance Guidelines of the Board

The Board's governance is guided by the Company's Corporate Governance Guidelines. The Board's current guidelines are available on the Company's investor relations website at www.nelnetinvestors.com under "Corporate Governance" and are available in print to any shareholder who requests them. Among other matters, the guidelines provide for the following:

- A majority of the members of the Board must be independent directors.
- The Board undertakes an annual self-review.
- The Board and each Board Committee has the authority to engage independent or outside counsel, accountants, or other advisors, as it determines to be necessary or appropriate. All related fees and costs of such advisors are paid by the Company.
- Board members have open communication access to all members of management and counsel.

Shareholder Communications with the Board

Directors who are not employees or officers of the Company or any of its subsidiaries ("Non-Employee Directors") meet in executive session, without the presence of management. Mr. Henning currently presides at these executive sessions. Anyone who has a concern about the Company may communicate that concern directly to these Non-Employee Directors. Such communication may be mailed to the Corporate Secretary at Nelnet, Inc., 121 South 13th Street, Suite 100, Lincoln, Nebraska 68508 or anonymously submitted via the Company's investor relations website at www.nelnetinvestors.com under "Corporate Governance" - "Anonymous Reporting." All such communications will be forwarded to the appropriate Non-Employee

Directors for their review. The Non-Employee Directors may take any action deemed appropriate or necessary, including the retention of independent or outside counsel, accountants, or other advisors, with respect to any such communication addressed to them. No adverse action will be taken against any individual making any such communication in good faith to the Non-Employee Directors.

Board Diversity

In considering whether to recommend any candidate for election to the Board, including candidates recommended by shareholders, the Nominating and Corporate Governance Committee will apply the criteria set forth in Nelnet's Corporate Governance Guidelines. These criteria include the candidate's independence, wisdom, integrity, understanding and acceptance of the Company's corporate philosophy, business or professional knowledge and experience, record of accomplishment, and willingness to commit time and energy to the Company. Our Corporate Governance Guidelines also specify that the value of diversity on the Board should be considered by the Nominating and Corporate Governance Committee in the director identification and nomination process. The Board is committed to a strong and diverse membership and a thorough process to identify those individuals who can best contribute to the Company's continued success. As part of this process, the Nominating and Corporate Governance Committee will continue to take all reasonable steps to identify and consider for Board membership all candidates who satisfy the business needs of the Company at the time of appointment.

The Committee seeks nominees with a broad diversity of experience, professional skills, and backgrounds. The Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. The Company believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge, and abilities that will allow the Board to fulfill its responsibilities. Nominees are not discriminated against on the basis of race, gender, religion, national origin, sexual orientation, disability, or any other basis proscribed by law.

The Board's Role in Risk Oversight

Our Board of Directors oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance shareholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the company in fostering a culture of risk-aware and risk-adjusted decision-making that allows the Company to avoid adverse financial and operational impacts. The involvement of the full Board of Directors in setting the Company's business strategy is a key part of its assessment of management's appetite for risk and also a determination of what constitutes an appropriate level of risk for the Company.

While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management oversight. In particular, the Risk and Finance Committee assists the Board of Directors in fulfilling its responsibilities with respect to oversight of the Company's enterprise-wide risk management framework and oversight of the Company's strategies relating to capital management, including risks related to the availability/transition of LIBOR as a benchmark rate applicable to significant amounts of the Company's assets and liabilities. The Audit Committee focuses on the integrity of the Company's financial statements, system of internal controls, and policies for risk assessment and risk management. The Nominating and Corporate Governance Committee assists the Board of Directors in fulfilling its oversight responsibility with respect to regulatory, compliance, related-party transactions, and public policy issues that affect the Company, and works closely with the Company's legal and policy services groups. The Compliance Committee assists the Board of Directors in fulfilling its responsibility to oversee the Company's Compliance Management Program, which is designed to ensure compliance with consumer protection laws, regulations, and corporate policies. In addition, the Audit Committee and the Risk and Finance Committee oversee various aspects of the Company's initiatives, procedures, controls, plans, and other measures related to cybersecurity risks, including measures designed to prevent, detect, and respond to cybersecurity threats, with the Board of Directors receiving frequent updates with respect to such measures and related cybersecurity risk management activities. Finally, in setting compensation philosophy and strategy, the People Development and Compensation Committee strives to create incentives that encourage an appropriate level of risk-taking behavior consistent with the Company's business strategy.

Board Leadership Structure

Mr. Dunlap serves as Executive Chairman of the Board and Jeffrey R. Noordhoek serves as Chief Executive Officer. While the Board of Directors and management do not believe either a combined Chairman and CEO or separate roles necessarily guarantee better governance or the absence of risk, they believe the Company's current leadership structure is appropriate for our business at this time. The Board believes that its current leadership structure best serves the objectives of the Board's oversight of management, the ability of the Board to carry out its roles and responsibilities on behalf of the shareholders, and the Company's overall corporate governance. The Board also believes that the current separation of the Chairman and CEO roles allows the CEO to focus his time and energy on operating and managing the Company, while leveraging the experience and perspectives of the Executive Chairman. It also allows the Executive Chairman to focus on leadership of the Board in addition to providing management direction on company-wide issues. The Board periodically reviews the leadership structure and may make changes in the future.

In addition, Mr. Henning is currently serving as the independent Lead Director of the Board. The Board believes having a lead independent director is an important governance practice, given that the Executive Chairman is not an independent director under our Corporate Governance Guidelines and applicable rules. Mr. Dunlap, as Executive Chairman, provides leadership to the Board and works with the Board to define its structure and activities in the fulfillment of its responsibilities. In conjunction with Mr. Henning as the independent Lead Director, Mr. Dunlap sets the Board agendas with Board and management input, facilitates communication among directors, works with Mr. Henning to provide appropriate information flow to the Board, and presides at meetings of the Board of Directors and shareholders. Mr. Henning works with Mr. Dunlap and other Board members to provide strong, independent oversight of the Company's management and affairs. Among other things, Mr. Henning is involved in the development of Board meeting agendas as well as the quality, quantity, and timeliness of information sent to the Board, serves as the principal liaison between Mr. Dunlap and the independent directors, and chairs an executive session of the Non-Employee Directors at most regularly scheduled Board meetings. This structure allows the Company to optimize the roles of Chairman, CEO, and independent Lead Director and follow sound governance practices.

Board Committees

The Board uses committees to assist it in the performance of its duties. During 2020, the standing committees of the Board were the Audit Committee, People Development and Compensation Committee, Compliance Committee, Nominating and Corporate Governance Committee, Risk and Finance Committee, and Executive Committee. During 2020, all Board committees, with the exception of the Executive Committee, were composed entirely of independent directors, and each committee other than the Executive Committee operates pursuant to a formal written charter, approved by the Board, which sets forth the committees' functions and responsibilities. Each committee charter is posted on the Company's investor relations website at www.nelnetinvestors.com under “Corporate Governance” - “Governance Documents” and is available in print to any shareholder who requests it. The purposes of each committee and their current members are set forth below.

Audit Committee

The Audit Committee is composed of Ms. Martin, and Messrs. Cintani, Graff, and Henning. The Committee held six meetings in 2020. Each member of the Audit Committee is (1) “independent” in accordance with NYSE and SEC rules and regulations and (2) sufficiently financially literate to enable them to discharge the responsibilities of an Audit Committee member. The Board has determined that all of the members of the Audit Committee have accounting and related financial management expertise which qualifies each of them as an “audit committee financial expert,” as defined in the applicable SEC rules and regulations.

The Audit Committee provides assistance to the Board of Directors in its oversight of the integrity of the Company's financial statements, the Company's system of internal controls, the Company's policy standards and guidelines for risk assessment and risk management, the qualifications and independence of the Company's independent auditor, the performance of the Company's internal and independent auditors, and the Company's compliance with other regulatory and legal requirements. The Audit Committee discusses with management and the independent auditor the Company's annual audited financial statements, including the Company's disclosures made under “Management's Discussion and Analysis of Financial Condition and Results of Operations” in its filings with the SEC, and recommends to the Board of Directors whether such audited financial statements should be included in the Company's annual report on Form 10-K. The Audit Committee also selects the independent auditors for the next year and presents such selection to the shareholders for ratification.

People Development and Compensation Committee

The People Development and Compensation Committee is composed of Mses. Bansal, Farrell, and Rath, and Mr. Abel. The Committee held four meetings in 2020. The members of the People Development and Compensation Committee are "independent" in accordance with NYSE and SEC rules and regulations. The People Development and Compensation Committee oversees the Company's compensation and benefit policies, succession planning, and leadership and people development. The Company's compensation policies are designed with the goal of maximizing the success of our customers, associates, and shareholder value over the long term. The People Development and Compensation Committee believes this goal is best realized by utilizing a compensation program which serves to attract and retain superior executive talent by providing management with performance-based incentives and closely aligning the financial interests of management with those of the Company's shareholders. The level of compensation is based on numerous factors, including achievement of results and financial objectives established by this Committee and the Board of Directors. See "Executive Compensation."

Compliance Committee

The Compliance Committee is composed of Mses. Bansal, Farrell, and Martin, and Mr. Cintani. The Committee held four meetings in 2020. The Compliance Committee has principal oversight responsibility with respect to the Company's Compliance Management Program, including approval of applicable corporate policies, ensuring adequate resources are available for training and communications, ensuring the Program is designed to adequately address consumer complaints and other compliance issues, and receiving periodic reporting from management regarding compliance activities.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is composed of Mses. Bansal, Farrell, and Rath, and Messrs. Abel and Graff. The Committee held four meetings in 2020. The members of the Nominating and Corporate Governance Committee are "independent" as determined in accordance with NYSE and SEC rules and regulations. The Nominating and Corporate Governance Committee is responsible for identifying and recommending qualified nominees to serve on the Company's Board of Directors, identifying members of the Board to serve on each Board committee, overseeing the evaluation by the Board of itself and its committees, identifying individuals to serve as officers of the Company and recommending such individuals to the Board, as well as developing and overseeing the Company's internal corporate governance processes. The Nominating and Corporate Governance Committee reviews related party transactions in accordance with the written policies and procedures adopted by the Board of Directors for the Committee's review of related party transactions, and takes such actions as the Committee deems necessary and appropriate in relation to such transactions, including reporting to the Board of Directors with respect to such transactions as the Committee deems necessary and appropriate.

The Company's Corporate Governance Guidelines establish criteria for specific qualities and skills to be considered by the Nominating and Corporate Governance Committee as necessary for the Company's directors to possess. These criteria include, among other items, independence, diversity, integrity, understanding the Company's corporate philosophy, valid business or professional knowledge, proven record of accomplishment with excellent organizations, ability to challenge and stimulate management, and willingness to commit time and energy. The Nominating and Corporate Governance Committee has been given the responsibility to take all reasonable steps to identify and evaluate nominees for director and has adopted a policy requiring it to consider written proposals for director nominees received from shareholders of the Company. No such proposals were received during 2020 from a beneficial owner of more than 5% of Nelnet's stock (other than current management). There is no difference in the manner in which the Committee evaluates director nominees based on whether the nominee is recommended by a shareholder. All of the nominees identified in this proxy statement have been recommended by the Committee.

Ms. Bansal and Ms. Martin are current members of the Board standing for election to the Board by the Company's shareholders for the first time at the 2021 Annual Meeting. Ms. Bansal's nomination for appointment to the Board in November 2018 was originally recommended by Mr. Dunlap based on Ms. Bansal's many distinguished accomplishments in business, law, and policy. Ms. Martin's nomination for appointment to the Board in March 2020 (shortly after her retirement as CEO and Chair of Ameritas) was originally recommended by Mr. Dunlap based on Ms. Martin's many years of distinguished executive leadership for Ameritas.

When seeking candidates for director, the Nominating and Corporate Governance Committee solicits suggestions from incumbent directors, management, shareholders, and others. The Committee has authority under its charter to retain a search firm for this purpose. If the Committee believes a candidate would be a valuable addition to the Board of Directors, it recommends his or her candidacy to the full Board of Directors.

The Company's Bylaws include provisions setting forth the specific conditions under which persons may be nominated by shareholders for election as directors at an annual meeting of shareholders. The provisions include the condition that nominee proposals from shareholders must be in writing and that shareholders comply with the time-frame requirements described under “Other Shareholder Matters - Shareholder Proposals for 2022 Annual Meeting” for shareholder proposals not included in the Company's Proxy Statement. A copy of such provisions is available upon written request to: Nelnet, Inc., 121 South 13th Street, Suite 100, Lincoln, Nebraska 68508, Attention: Corporate Secretary. The Company's Bylaws are also posted on the Company's investor relations website at www.nelnetinvestors.com under “Corporate Governance” - “Governance Documents.”

Risk and Finance Committee

The Risk and Finance Committee is composed of Ms. Martin, and Messrs. Cintani, Graff, and Henning. The Committee held four meetings in 2020. The Risk and Finance Committee has principal oversight responsibility with respect to the Company's enterprise-wide risk management framework, including the significant strategies, policies, procedures, and systems used to identify, assess, measure, and manage the major risks facing the Company and oversight of the Company's material financial matters, including capital management, funding strategy, investments, and acquisitions that are material to the Company's business.

Executive Committee

The Executive Committee is composed of Ms. Farrell and Messrs. Dunlap and Henning. The Executive Committee held no formal meetings in 2020. The Executive Committee exercises all of the powers of the full Board in the management of the business and affairs of the Company during the intervals between meetings of the full Board, subject only to limitations as the Board may impose from time to time, or as limited by applicable law.

Meetings of the Board

The Board of Directors held seven meetings in 2020. All directors attended at least 75% of the meetings of the Board and committees on which they serve.

Attendance at Annual Meetings of Shareholders

The Company does not have a policy regarding director attendance at the annual meetings of shareholders. All directors virtually attended the prior year's annual meeting of shareholders.

Director Compensation Overview

The Company’s compensation program for Non-Employee Directors is designed to reasonably compensate Non-Employee Directors for their service on the Board of Directors and its committees, in amounts commensurate with their roles and involvement, and taking into consideration the significant amount of time they devote in fulfilling their duties in view of the Company’s size, complexity, and risks, as well as the experience and skill levels required of members of the Board. The Company intends to compensate its Non-Employee Directors in a manner that attracts and retains high quality Board members, and ensures that their interests are aligned with the shareholders. The People Development and Compensation Committee reviews the compensation program for Non-Employee Directors on an annual basis and makes recommendations regarding the program to the Board.

In addition to the various components of the Company’s compensation program for Non-Employee Directors discussed under the "Director Compensation Elements," “Director Compensation Table for Fiscal Year 2020,” and “Share Ownership Guidelines for Board Members” captions below, the Company has a policy prohibiting members of the Board of Directors from short sales of the Company’s stock, buying or selling call or put options or other derivatives related to the Company’s stock, or engaging in hedging or monetization transactions with respect to any of their direct or indirect interest in the Company’s stock, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars, and exchange funds. The Company's policy also requires members of the Board who wish to buy or sell the Company’s stock to do so only through Rule 10b5-1 stock trading plans, and limits the use of margin accounts or other pledge arrangements by Board members with respect to the Company's stock. See "Compensation Discussion and Analysis" - "Prohibition on Hedging and Short Sales, and Limits on Share Pledging."

Director Compensation Elements

Non-Employee Directors are primarily compensated through an annual retainer in the base amount of $100,000 for each Non-Employee Director. An additional annual retainer of $10,000 is paid to Non-Employee Directors who serve as members on each of the Audit Committee, People Development and Compensation Committee, Compliance Committee, Nominating and Corporate Governance Committee, Risk and Finance Committee, or Executive Committee, as applicable. The Chair of the Audit Committee is also paid an additional $12,500 annual retainer fee. Non-Employee Directors are also compensated for Board meeting and committee meeting attendance, earning $1,000 for each Board and committee meeting attended, and an additional amount for the multi-day strategic planning retreat discussed in footnote (a) to the Director Compensation Table below. Mr. Dunlap, who is an employee of the Company, does not receive any consideration for participation in Board or committee meetings.

The Company's Board of Directors has approved an increase in the base annual retainer for Non-Employee Directors from $100,000 to $125,000, beginning in June 2021. The annual retainer for serving on a committee did not change and will remain at $10,000 for each committee on which a Non-Employee Director is a member.

The Company has a Directors Stock Compensation Plan for Non-Employee Directors that was approved by the Board of Directors and shareholders, pursuant to which Non-Employee Directors can elect to receive their annual retainer fees in the form of cash or in shares of the Company's Class A common stock. If a Non-Employee Director elects to receive Class A common stock, the number of shares that will be granted will be equal to the amount of the annual retainer fee otherwise payable in cash divided by 85 percent of the fair market value of a share of Class A common stock on the date the fee is payable. Non-Employee Directors who choose to receive Class A common stock may also elect to defer receipt of the Class A common stock until termination of their service on the Board of Directors. Any dividends paid in respect of deferred shares during the deferral period will also be deferred in the form of additional shares and paid out at termination of service on the Board of Directors. This plan may be amended or terminated by the Board of Directors at any time, but no amendment or termination will adversely affect a Non-Employee Director's rights with respect to previously deferred shares without the consent of the Non-Employee Director.

Other Compensation

The Company offers health, dental, and vision insurance coverage benefits under the Company’s insurance plans to Non-Employee Directors who do not currently participate in another similar group insurance plan. Such insurance coverage is provided on generally the same terms and conditions that apply to employees of the Company.

The Company offers a matching gift program in which all employees with at least six months of service and all members of the Board of Directors are eligible to participate. Under this program, for every dollar ($100 minimum) that an employee or Board member contributes in cash and securities to an eligible charitable organization or educational institution, the Company will make matching donations of additional funds, subject to terms and conditions applicable in an equal manner to all employees and Board members. The total maximum dollar amount payable under the program is $25,000 per director or employee per calendar year. In addition, in 2020 the Company created the Service, Not Silence fundraising campaign, through which employees and members of the Board of Directors could donate to local and national organizations advancing racial and socioeconomic equality and social justice, with donations matched by the Nelnet Foundation 3:1.

Director Compensation Table for Fiscal Year 2020

The following table sets forth summary information regarding compensation of Non-Employee Directors for the fiscal year ended December 31, 2020.

	2020 Compensation				
			All other compensation ($)		
Director name	**Fees paid in cash ($) (a)**	**Stock awards ($) (b)**	**Matching gift programs (c)**	**Insurance premiums**	**Total ($)**
James P. Abel	20,000	141,187	—	—	161,187
Preeta D. Bansal	22,000	152,945	78,250	8,895 (d)	262,090
William R. Cintani	22,000	152,945	25,000	—	199,945
Kathleen A. Farrell	23,000	164,702	3,000	—	190,702
David S. Graff	23,000	152,945	—	—	175,945
Thomas E. Henning	20,000	167,642	15,000	—	202,642
JoAnn M. Martin	19,000	172,566 (e)	28,000	—	219,566
Kimberly K. Rath	18,000	141,187	9,000	—	168,187

(a) Amounts represent cash paid to Non-Employee Directors for attendance at Board and committee meetings, including $4,000 paid to each Non-Employee Director for participation at a multi-day Company strategic planning retreat at which senior leadership of the Company engaged and sought input from the Board in detailed discussions of growth and investment strategies, target opportunities, and risks and challenges.

(b) Each of the Non-Employee Directors elected to receive their annual retainer fees for 2020 in the form of awards of the Company's Class A common stock or deferred shares under the Directors Stock Compensation Plan, which awards are within the scope of Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("FASB ASC Topic 718"). As such, the amounts under "stock awards" in the table above represent the grant date fair value of the stock or deferred shares computed in accordance with FASB ASC Topic 718 based on the closing market price of the Class A common stock on the date of issuance, June 19, 2020, of $47.41 per share. Under this plan, the Company uses 85 percent of the closing market price of the Class A common stock on the date the annual retainer fees are payable to calculate the number of shares to be issued under this plan. Additional information about the Company's accounting for stock-based compensation under FASB ASC Topic 718 can be found in Note 3 - "Summary of Significant Accounting Policies and Practices - Compensation Expense for Stock Based Awards" and Note 20 - "Stock Based Compensation Plans - Non-employee Directors Compensation Plan" of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

(c) Amounts represent matching contributions by the Company to charitable organizations during 2020 under the Company's matching gift programs, including the Service, Not Silence campaign.

(d) Ms. Bansal received health, dental, and vision insurance coverage benefits from the Company during 2020, since Ms. Bansal does not currently participate in another similar group insurance plan. This amount represents the dollar value of insurance premiums paid by the Company in 2020 related to these benefits.

(e) The Company's Board of Directors appointed Ms. Martin as a member of the Board effective March 19, 2020. At that time, Ms. Martin elected to receive her pro rata annual retainer fees (for the period March 19, 2020 through May 22, 2020) in the form of Class A common stock. As such, a portion of the amount under "Stock awards" represents the grant date fair value of the pro rata stock award based on the closing market price of the Company's Class A common stock on the date of issuance, March 19, 2020, of $43.03 per share. The fair value of the pro rata annual retainer fee was $19,622.

Share Ownership Guidelines for Board Members

The People Development and Compensation Committee of the Board of Directors believes that Board members should have a significant equity interest in the Company. In order to promote equity ownership and further align the interests of Board members with the Company's shareholders, the Committee has recommended and the Board has adopted Share Ownership Guidelines for Board members. Under these guidelines, each Non-Employee Director is encouraged to own shares of the Company's Class A common stock with a value of 50% of the amount obtained by multiplying the base annual retainer fee ($100,000) by the number of years the Director has served on the Board. As of February 26, 2021, all Non-Employee Directors owned an amount of shares in excess of that suggested by the guidelines.

EXECUTIVE OFFICERS

Under the Company's Bylaws, each executive officer holds office for a term of one year or until his or her successor is elected and qualified. The executive officers of the Company are elected by the Board of Directors at its annual meeting immediately following the annual meeting of shareholders.

The following sets forth the executive officers of the Company, including their names, their ages, their positions with the Company, and if different, their business experience during the last five years.

See "Proposal 1 - Election of Directors" for biographical information regarding Mr. Dunlap.

Name and Age	Position and Business Experience
Terry J. Heimes, 56	• Chief Operating Officer, Nelnet, Inc., January 2014 - present • Chief Financial Officer, Nelnet, Inc., October 1998 - December 2013
James D. Kruger, 58	• Chief Financial Officer, Nelnet, Inc., January 2014 - present • Controller, Nelnet, Inc., October 1998 - December 2013
William J. Munn, 53	• Corporate Secretary, Chief Governance Officer, and General Counsel, Nelnet, Inc., September 2006 - present
Jeffrey R. Noordhoek, 55	• Chief Executive Officer, Nelnet, Inc., January 2014 - present • President, Nelnet, Inc., January 2006 - December 2013
Timothy A. Tewes, 62	• President, Nelnet, Inc., January 2014 - present • President and Chief Executive Officer, Nelnet Business Solutions, Inc., a subsidiary of Nelnet, Inc., May 2007 - December 2013

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

In this Compensation Discussion and Analysis ("CD&A"), we provide a detailed description of our executive compensation philosophy and program for our named executive officers (the "Named Executive Officers") for fiscal 2020:

Name	Title
Michael S. Dunlap	Executive Chairman
Jeffrey R. Noordhoek	Chief Executive Officer
Terry J. Heimes	Chief Operating Officer
James D. Kruger	Chief Financial Officer
Timothy A. Tewes	President

Executive Summary

This CD&A describes the key principles and measures that underlie the Company's executive compensation policies for the Named Executive Officers. The Company's stated compensation philosophy is clear and consistent, that it pays for performance. Its Named Executive Officers are accountable for the performance of the Company and the business segment or segments they manage, and are compensated based on that performance.

For 2020, the Company had net income, excluding derivative market value adjustments, of $373.8 million, or $9.57 per share. Net income, excluding derivative market value adjustments, and the corresponding per share measure are non-GAAP financial measures, and there is no comprehensive, authoritative guidance for the presentation of these measures. For information on how these measures are calculated from the Company's financial statements, reconciliations to the most directly comparable financial measures for 2020 under GAAP, and other information about these measures, please refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview - GAAP Net Income and Non-GAAP Net Income, Excluding Adjustments on page 36 of the Company's 2020 Annual Report on Form 10-K filed with the SEC on February 25, 2021. The Company has delivered strong financial results supported by achievement of its key objectives of growing its core businesses, driving diversification around its core, and improving customer experiences. The Company believes that its executive compensation program contributes to a high-performance culture where executives deliver results that drive sustained growth.

The following discussion summarizes the Company's executive compensation program, compensation philosophy, objectives, and process considered in determining compensation for its Named Executive Officers.

People Development and Compensation Committee Governance and Processes

The Company's Board of Directors has designated the People Development and Compensation Committee (referred to in this CD&A as the "Committee") to assist the Board in discharging its responsibilities relating to:

- determining and administering the compensation of the Named Executive Officers and other executive officers of the Company
- administering certain compensation plans, including stock, incentive, and commission compensation plans
- assessing the effectiveness of succession planning relative to key executive officers of the Company
- reviewing, approving, and overseeing certain other benefit plans

The Committee consists solely of independent members (as defined by NYSE rules) of the Board of Directors, and operates under a written charter adopted by the Board. It is the Committee's policy that all of the Company's compensation plans and practices shall comply with applicable laws, rules, and regulations.

As discussed below, the Committee works with members of management to ensure a strong company culture and robust practices for people development and executive compensation exist, in order to deliver quality products and services and serve the Company's multiple stakeholders - customers, employees, shareholders, and the communities in which it operates. The Committee or a subcommittee reviews and approves the Company's compensation framework and specific executive

compensation determinations. The Committee also coordinates with the Board of Directors to monitor the performance of the Named Executive Officers throughout the year to ensure that the compensation being provided meets the performance incentive objectives of the Company's compensation framework.

Role of Management in Recommending Executive Compensation

The Executive Director of People Services, the Chief Executive Officer, and the Chief Operating Officer, referred to herein as the internal committee, are directed by the Committee to develop, recommend, and administer in a consistent manner, compensation objectives and programs for the Committee and the Board of Directors to consider and approve. As part of this process, each year the internal committee, with the assistance of other members of management, reviews and updates as necessary the Company's compensation philosophy and strategy statement, and develops a proposed executive compensation framework. The internal committee is also tasked with ensuring that the objectives of the programs are aligned with the Company's long-term strategy. The Executive Chairman makes compensation recommendations for himself and the other Named Executive Officers for the Committee's review and approval.

Objectives of Executive Compensation

The general compensation philosophy of the Company, as an organization that values the long-term success of its shareholders, customers, and employees (referred to by the Company as associates), is that the Company will pay fair, competitive, and equitable compensation that is designed to encourage focus on the long-term performance objectives of the Company and is differentiated based on both the individual's performance and the performance of their respective business segment. In carrying out this philosophy, the Company structures its overall compensation framework with the general objectives of encouraging ownership, savings, wellness, productivity, and innovation. In addition, total compensation is intended to be market competitive compared to select industry surveys, internally consistent, and aligned with the philosophy of a performance-based organization. The Company believes this approach will enable it to attract, retain, develop, and motivate the talent required for the Company's long-term success, encourage the creation of shareholder value, and recognize high levels of associate performance.

To build a strong work environment and culture that encourages innovation, development, and high performance, the Company structures its total compensation to be comprised of:

Element	Purpose	Characteristics
Base salary	Competitive cash compensation to retain and attract executive talent.	Fixed cash compensation based upon the scope and complexity of the role, individual experience, performance, and market competitiveness. Reviewed annually and adjusted as warranted.
Annual performance-based incentive bonuses	Drive the achievement of key short-term business results and recognize individual contributions to these results.	Primary mode to differentiate compensation based on performance. Annual incentives based on a combination of financial metrics and individual goals. Potential cash-equity mix through performance-based incentive program stock election framework.
Restricted stock awards	Promote long-term focus on shareholder value, serve as an important retention tool, and encourage equity stake in the Company.	Equity-based compensation subject to vesting periods, or other restrictions on sale, generally for three to ten years.
Health, retirement, and other benefits	Designed to provide competitive health insurance options and income replacement upon retirement, death, or disability.	Benefits for Named Executive Officers are the same as those available to all associates.
Intrinsic rewards	Non-cash rewards to increase engagement, provide opportunities for individual growth, and subsidize learning initiatives.	Professional training and development, coaching, mentoring, tuition reimbursement, and community activity support.

The annual and long-term performance measures used by the Compensation Committee in reviewing and determining executive compensation are reflected in the Executive Officers Incentive Compensation Plan described below.

Summary of Executive Compensation Policies and Practices

What we do	What we don't do
Pay for performance	No employment contracts
Periodically utilize external, independent compensation consulting firm(s)	No significant additional perks to executive officers
Mitigate undue risk in compensation programs	No individual change in control/severance compensation arrangements
Provide guidelines for stock ownership	No stock options
Maintain minimum vesting periods for stock awards	
Consider market data across industries to obtain a general sense of current compensation practices and decisions	
Prohibit hedging and short sales of stock	
Provide for clawback of incentive-based compensation	

Compensation Policies and Practices - Risk Management

The Committee and the internal committee review incentive compensation arrangements to ensure that the arrangements do not encourage associates to take unnecessary and excessive risks. This risk assessment process includes a review of program policies and practices; program analysis to identify risk and risk control related to the programs; and determinations as to the sufficiency of risk identification, the balance of potential risk to potential reward, risk control, and the support of the programs and their risks to the Company's strategy. A balance between Company and business segment performance is required to protect against unnecessary risks being taken. Based on their review and evaluation of the Company's compensation policies and practices for its associates, the Committee, the internal committee, and the Company's Enterprise Risk Management team believe that the Company's policies and practices do not create inappropriate or unintended significant risks that are reasonably likely to have a material adverse effect on the Company.

Prohibition on Hedging and Short Sales, and Limits on Share Pledging

The Company has a policy prohibiting members of the Board of Directors and all associates and officers, including senior management, from engaging in short sales of the Company's stock or buying or selling call or put options or other derivatives related to the Company's stock. The policy also prohibits these persons from engaging in hedging or monetization transactions with respect to any of their direct or indirect interest in the Company's stock, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars, and exchange funds. The policy discourages Board members, officers and associates from holding the Company's stock in a margin account or otherwise pledging the Company's stock as collateral for a loan, unless such activity receives the prior approval of the Company, which may be granted in the Company's discretion if the individual can clearly demonstrate the financial capacity and the ability to promptly meet a margin call or repay the loan without resorting to the pledged stock. In addition, such margin account or other pledge arrangements by a Board member or an officer are limited by the policy to no more than 25 percent of such individual's total shares of the Company's stock held.

Clawback Policy

The Company has a Clawback Policy, which gives the Board of Directors or any appropriate committee of the Board (such as the Committee) the discretion to recover incentive awards paid to any current or former executive officers of the Company if the financial results used to determine the amount of the incentive awards are materially restated and/or such person engaged in fraud or intentional misconduct. The Board may revise the policy to the extent it becomes necessary to conform with any applicable NYSE or SEC rules that may be adopted in the future.

Say on Pay

The Company has determined, consistent with the preference expressed by the Company's shareholders at the 2017 annual meeting of shareholders and the related prior recommendation by the Board of Directors, that it is important for the shareholders to have an opportunity to cast an advisory vote on executive compensation on an annual basis as a means to express their views regarding the Company's executive compensation philosophy, plans, programs, policies, and decisions, all as disclosed in the Company's proxy statement. Accordingly, shareholders will have the opportunity to cast an advisory vote on executive compensation at this year's annual meeting. See Proposal 3 in this proxy statement with respect to a shareholder advisory vote on the compensation of the Company's Named Executive Officers as disclosed in this proxy statement. Although

the shareholder vote on this proposal is non-binding, the Committee will consider the outcome of the vote when making future compensation decisions for Named Executive Officers.

Consideration of Prior Say on Pay Votes

In making executive compensation determinations, the Committee has also considered the results of last year's advisory shareholder vote approving the compensation of the Company's Named Executive Officers as disclosed in the proxy statement for the 2020 annual meeting of shareholders. At the 2020 annual meeting, the Company's shareholders overwhelmingly approved such executive compensation by 99.8 percent of the votes cast. These voting results, and similar previous say on pay voting results, have strongly communicated the shareholders' endorsement of the Committee's decisions and policies to date. The Board of Directors and the Committee reviewed these final vote results and determined that, given the significant level of support from the shareholders, no significant changes to the Company's executive compensation plans, practices, and policies were necessary at this time based on the say on pay vote results. The Committee will continue to consider the results from this year's and future advisory shareholder votes regarding the Company's executive compensation programs.

Use of Compensation Consultant

To assist in establishing and maintaining a competitive overall compensation program, the Committee periodically engages a nationally recognized compensation consulting firm to review the compensation levels and practices for the most highly compensated executive officers of the Company, and compare those to the compensation levels and practices for executives holding comparable positions within select industries and companies. Through comparisons of the base salaries, the annual performance-based incentives, other benefit programs, and total compensation for the Company's Executive Chairman, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, President, and other executives, the consultant's analysis is used to develop a complete executive compensation package that is designed to be competitive in the marketplace. The study is also used by the Committee to identify potential gaps or inconsistencies in total compensation and to identify appropriate compensation levels and compensation design features and trends. The study is conducted as part of the Committee's oversight of the Company's continuing efforts to attract, retain, and motivate top executive talent that will drive the Company's performance results.

In 2019, the Committee engaged Towers Watson as its independent compensation consultant to review executive compensation at the Company. The result of this review showed that executive compensation at the Company is generally comparable to that of similar companies in terms of revenue and size. In connection with the 2019 engagement of Towers Watson, the Committee determined that Towers Watson does not perform any other services for the Company or have any relationship that would raise a conflict of interest or impair the independence of Towers Watson with respect to its 2019 services or its expected future services for the Committee. In making this determination, the Committee discussed and considered the following factors: (i) the fact that Towers Watson does not perform any other services for the Company; (ii) the amount of fees received by Towers Watson from the Company as a percentage of the total revenue of Towers Watson; (iii) the policies and procedures of Towers Watson that are designed to prevent conflicts of interest; (iv) any business or personal relationship between any individual Towers Watson consultant involved in the engagement by the Committee and a member of the Committee; (v) any stock of the Company owned by an individual Towers Watson consultant involved in the engagement; and (vi) any business or personal relationship between Towers Watson or any individual Towers Watson consultant involved in the engagement and any executive officer of the Company.

When developing the proposed compensation framework for the Committee to consider each year, the internal committee also reviews broad-based third party surveys of executive compensation to obtain a general sense of current compensation levels and practices in the marketplace. These reviews are based on information from various publicly available databases and publications. The purpose of these reviews is to ensure compensation is aligned with the market for comparable jobs so the Company can continue to attract, retain, motivate, and reward qualified executives. In addition, the internal committee considers the average salary adjustments anticipated in the marketplace each year, and develops proposed target increases for the Company's Named Executive Officers accordingly. In this way, the Company seeks to ensure that any changes to compensation are appropriate and reflect material changes in the market.

Elements of Executive Compensation

The Company's Named Executive Officers are compensated with a combination of annual base salary, annual performance-based incentive bonus payments, and, with respect to the Named Executive Officers other than Mr. Dunlap, the issuance of shares of the Company's Class A common stock, which are typically restricted from sale for some period of time. Mr. Dunlap has historically not received equity compensation because he already owns a significant amount of the Company's common stock and controls the majority of voting rights of the Company, and thus already has significant interests aligned with the other

shareholders of the Company. In determining levels of compensation, the Committee and the internal committee work together to establish targeted total compensation for each executive and then allocate that compensation among base salary and performance-based incentive compensation.

Each element of compensation is designed to be competitive with comparable companies and to align management's incentives with the long-term interests of the Company's shareholders. The Committee considers the Executive Chairman's recommendations and determines the amount of each element of compensation by reviewing the current compensation mix for each of the Named Executive Officers in view of the Company's performance, the Company's long-term objectives, and the scope of that executive's responsibilities. The Committee seeks to achieve an appropriate balance between base salaries, annual performance-based bonus incentives, and longer-term equity incentives for all of the Company's Named Executive Officers. See "Objectives of Executive Compensation" above for a summary of the various elements of executive compensation. Further details are provided below.

Base Salaries

Base salaries for the Company's Named Executive Officers are based on an evaluation of individual responsibilities of each person, market comparisons from publicly available compensation surveys to obtain a general sense of current compensation levels and practices in the marketplace, and an assessment of each individual's performance. Changes in base salaries of Named Executive Officers depend on projected changes in the external market as well as individual contributions to the Company's performance.

Base salaries for Messrs. Dunlap, Noordhoek, and Heimes were increased by 3.0% for 2020, and base salaries for Messrs. Tewes and Kruger were increased by 7.7% for 2020, primarily as a result of strong individual performances and Company results in the prior year, increased responsibilities for these officers resulting from the Company’s continued focus on growing our core, diversifying with focus, and developing and implementing asset replacement strategies to mitigate the eventual runoff of all Federal Family Education Loan Program (“FFELP”) student loans. The executives’ salary adjustments also reflected the Committee’s determination of amounts appropriate to maintain the competitiveness of the base salary levels for the corresponding officer positions. Specific increased responsibilities included those related to initiatives for the establishment of Nelnet Bank, which resulted in Federal Deposit Insurance Corporation approval for federal deposit insurance, Utah Department of Financial Institutions approval for a bank charter, and the successful launch of Nelnet Bank in November 2020; initiatives for the support of continued growth of ALLO Communications LLC ("ALLO"), which resulted in a recapitalization and additional funding for ALLO in the fourth quarter of 2020; initiatives to pursue business acquisitions in the Company’s Education Technology, Services, and Payment Processing operating segment to expand the customer base, products, and services in this operating segment; the continued work on the Company's analyses of and responses to the Department of Education's (the "Department") contract procurement proposals for servicing all loans owned by the Department, including ongoing servicing system and security enhancements; the continued development and implementation of a new state of the art platform for private education and consumer loan originations and servicing; continued real estate investments focused on the development of commercial properties in the Midwest, and particularly in Lincoln, Nebraska, where the Company's headquarters are located; expansion of the Company’s investments in tax-advantaged projects promoting renewable energy resources (solar projects) nationally, including the development and growth of Nelnet Renewable Energy, which was launched in June 2020, to provide ancillary services in the solar marketplace; continued support for the Company’s investment in Hudl; and continued focus on attracting, retaining and developing top notch talent for the Company.

Executive Officers Incentive Compensation Plan

In 2019, the Board of Directors established an Executive Officers Incentive Compensation Plan (the "Plan"), which provides the Company's executive officers with an opportunity to earn performance-based incentive compensation that aligns their interests with the interests of shareholders, including the achievement of long-term strategic business objectives.

The Plan, which is administered by the Committee or a subcommittee of the Committee, was approved by the Company's shareholders at the 2019 annual meeting of shareholders. The performance measures upon which incentive compensation under the Plan is based are generally described as follows:

- Levels of earnings per share; net income; income before income taxes; net interest income; earnings per share or net income excluding derivative market value and other adjustments as the Committee deems appropriate in the Committee’s sole discretion; revenues from fee-based businesses (including measures related to the diversification of revenues from fee-based businesses and increases in revenues through both organic growth and acquisitions); federally insured student loan assets; private education loan assets; consumer loan assets; and total assets;

- Return on equity (including return on tangible equity), return on assets or net assets, return on capital (including return on total capital or return on invested capital), return on investments, and ratio of equity to total assets;

- Student loan servicing and other education finance or service customer measures (including loan servicing volume and service rating levels under contracts with the Department);

- Success or progress made in efforts to obtain new contracts with the Department, as well as other loan servicing business;

- Cash flow measures (including cash flows from operating activities, cash flow return on investment, assets, equity, or capital, and generation of long-term cash flows (including net cash flows from the Company's securitized loan portfolios));

- Market share;

- Customer satisfaction levels, and employee engagement, productivity, retention, and satisfaction measures;

- Operating performance and efficiency targets and ratios, as well as productivity targets and ratios;

- Levels of, or increases or decreases in, operating margins, operating expenses, and/or nonoperating expenses;

- Business segment, division or unit profitability and other performance measures (including growth in customer base, revenues, earnings before interest, taxes, depreciation and amortization, and segment profitability, as well as management of operating expense levels);

- Acquisitions, dispositions, projects, or other specific events or transactions (including specific events or transactions intended to enhance the long-term strategic positioning of the Company);

- Performance of investments;

- Regulatory compliance measures; or

- Any other criteria as determined by the Committee in its sole discretion.

The Plan provides that in no event shall the amount paid under the Plan to a participant with respect to any calendar year exceed 150% of that participant's base salary for that year.

While the Company strives for overall consistency in executive compensation, the Named Executive Officers' potential incentive bonus amounts can vary by business segment due to differences in roles, business models, and business performance. Incentives are generally positioned to be within a median range of the marketplace based on available broad based data.

The Company's 2020 annual performance-based incentive bonuses were paid, at the Named Executive Officers' option (other than Mr. Dunlap, who received his incentive in cash), as either 100 percent cash, 100 percent stock, or 50 percent cash/50 percent stock. Those electing stock also received an additional number of shares representing 15 percent of the amount of their bonus they elected to receive in stock, in order to promote increased and continued share ownership. All shares issued as part of the incentive bonus awards were issued pursuant to the Company's Restricted Stock Plan discussed below, and were fully vested but may not be transferred for three years from the date of issuance.

Performance of Named Executive Officers for 2020

In 2020, the Executive Chairman (Mr. Dunlap), Chief Executive Officer (Mr. Noordhoek), Chief Operating Officer (Mr. Heimes), Chief Financial Officer (Mr. Kruger), and President (Mr. Tewes) were selected by the Committee to participate in and be eligible for incentive compensation awards under the Plan for the year ended December 31, 2020. The Committee established performance goals for these individuals in early 2020 utilizing certain of the performance measures under the Plan referred to above and described in more detail below, and in early 2021 the Committee reviewed the level of attainment of the performance goals for these individuals for 2020 under the terms of the Plan in establishing incentive awards for each. For 2020, the Committee considered the Named Executive Officers' performance in respect of the Plan measures described above, including rapidly implementing COVID-19-related adjustments to operations in order to keep associates and customers safe, which adjustments are believed to have contributed to an increased associate retention level in 2020; the execution of certain

business acquisitions and other achievements in strategic positioning and the Company's core segments' operating results, including diversification; the completion of a recapitalization and additional funding for ALLO, resulting in the recognition of a gain of $258.6 million in the fourth quarter of 2020; execution of an additional equity investment in Hudl, resulting in the recognition of a gain of $51.0 million in the second quarter of 2020; the completion of the extensive regulatory process to establish Nelnet Bank in Utah, and the successful launch of Nelnet Bank in November 2020; the development and implementation of certain technology projects, including a multi-asset class origination and servicing system, various cloud strategies, and ongoing servicing system and security enhancements; loan and loan residual acquisitions and future cash flow from the Company's loan portfolio; cash position and liquidity; improved stabilization and enhancements to operating systems and infrastructure; real estate and solar project investments; and individual achievement.

Based on the Named Executive Officers' performance in 2020 and the level of attainment of the 2020 performance goals for the Named Executive Officers, the Committee awarded the Named Executive Officers an incentive equal to 100% of their respective base salaries plus a restricted stock award as discussed below. The incentive is included in the Summary Compensation Table below while the restricted stock award is not included in the Summary Compensation Table since the stock awards were granted in 2021.

Restricted Stock Plan

The Company maintains a Restricted Stock Plan to reward performance by associates, including the Named Executive Officers other than Mr. Dunlap. This plan permits the Committee to reward a recipient with an award of shares of the Company's Class A common stock, which, in the Committee's sole discretion, may have vesting requirements or other restrictions. These awards are designed to recognize and reward associates, and to connect the associates' financial interests directly to the Company's performance, thereby encouraging associates to focus their efforts as owners of the Company. As discussed above, shares issued in payment of annual performance-based incentive bonuses and other equity compensation awards are issued under the Restricted Stock Plan. The Company does not grant stock options, since management and the Committee believe that awards of shares of restricted stock are a better method of encouraging associates, including the Named Executive Officers, to focus on the long-term value of the Company.

March 2021 Restricted Stock Awards

On March 10, 2021, the Committee awarded five-year restricted stock grants of 13,467 shares of Class A common stock under the Restricted Stock Plan to each of Messrs. Noordhoek, Heimes, Tewes, and Kruger, with the number of restricted shares granted to each of these Named Executive Officers computed as $1 million divided by the average market closing price for Class A common stock over the five-trading day period ended March 4, 2021. These awards are scheduled to vest 20 percent annually over the following five-year service period. Since these awards were issued in 2021, they are not included in the Summary Compensation Table below.

Employee Share Purchase Plan

The Company also has an Employee Share Purchase Plan ("ESPP") that assists all associates, including the Named Executive Officers, in becoming owners and increasing their ownership of the Company. Under the ESPP, associates may purchase shares of the Company's Class A common stock through payroll deductions, at a discount of 15% to the lower of the average market price of the Company's stock on the first and last trading days of each calendar quarter.

Termination or Change-in-Control Compensation

Other than with respect to provisions in restricted stock award agreements for grants of restricted stock whereby any unvested shares of restricted stock will become fully vested upon a termination of employment as a result of death, disability, or retirement after reaching the age of 65 (and being employed by Nelnet for a minimum of 5 years), which provisions are generally included in all agreements for restricted stock awards granted to associates, the Company does not have any contracts, agreements, plans, or arrangements with the Named Executive Officers that provide for payment in connection with any termination of employment or change-in-control of the Company.

Share Ownership Guidelines and Trading Requirements

The Committee believes that the Named Executive Officers should have a significant equity interest in the Company. In order to promote equity ownership and further align the interests of management with the Company's shareholders, the Board of Directors has adopted Share Ownership Guidelines for management associates at certain levels. Under these guidelines, each

Named Executive Officer is encouraged to own at least 15,000 shares of Company stock. As of February 26, 2021, all of the Named Executive Officers met these guidelines, and are thereby subject to downside risk in the Company's equity performance.

The Company has adopted a policy requiring officers who wish to buy or sell the Company's stock to do so only through Rule 10b5-1 stock trading plans. This requirement is designed to enable officers to diversify a portion of their holdings in an orderly manner as part of their retirement and tax planning or other financial planning activities. The use of Rule 10b5-1 stock trading plans serves to reduce the risk that investors will view routine portfolio diversification stock sales by executive officers as a signal of negative expectations with respect to the future value of the Company's stock. In addition, the use of Rule 10b5-1 stock trading plans reduces the potential for concerns about trading on the basis of material non-public information that could damage the reputation of the Company.

Other Compensation

In addition to base salaries and annual performance-based incentive compensation, the Company provides the Named Executive Officers with certain other customary benefits, including health, dental, and vision coverage to assist the Company in remaining competitive for superior talent and to encourage executive retention. A critical aspect of the Company's health benefits program is its focus on associate health and wellness. The Company encourages all associates, including the Named Executive Officers, to take a proactive approach to their personal health and well-being. The Company has implemented wellness programs which encourage and reward associates for healthy habits by offering the opportunity to lower their insurance premiums.

The Company owns a controlling interest in an aircraft due to the frequent business travel needs of the Named Executive Officers and the limited availability of commercial flights in Lincoln, Nebraska, where the Company's headquarters are located. An entity owned by Mr. Dunlap owns the remaining interest in the aircraft. Consistent with guidance issued in 2010 from the Federal Aviation Administration, the Company can be reimbursed for the pro rata cost of owning, operating, and maintaining the aircraft when used for routine personal travel by certain individuals whose positions with the Company require them to routinely change travel plans within a short time period. Accordingly, the Company allows certain members of executive management to utilize its interest in the aircraft for personal travel when it is not required for business travel. The value of the personal use of the aircraft is computed based on the Company's aggregate incremental costs, which include variable operating costs such as fuel costs, mileage costs, trip-related maintenance and hangar costs, on-board catering, landing/ramp fees, and other miscellaneous variable costs. Any amounts regarding the value of any personal use of the aircraft by a Named Executive Officer are included in the separate table for all other compensation under the Summary Compensation Table below.

The Company also offers the Named Executive Officers other perquisites, including indoor parking and use of Company-sponsored suites at local venues for personal use when not occupied for business purposes.

Tax Treatment of Compensation

The Committee considers and evaluates the impact of applicable tax laws with respect to the Company’s executive compensation policies, plans, and arrangements. For example, Section 162(m) of the Internal Revenue Code generally imposes a $1,000,000 limitation on a public company's income tax deductibility in any tax year with respect to compensation paid to any individual who served as the chief executive officer or the chief financial officer at any time during the taxable year and the three other most highly compensated executive officers of the company (other than the chief executive officer or the chief financial officer) for the taxable year, and once an executive becomes covered by Section 162(m), any compensation paid to him or her in future years (including post-employment) becomes subject to the Section 162(m) limitation on tax deductibility. While the Committee considers tax consequences to the Company as a factor when it makes compensation determinations, the Committee reserves discretion to award compensation to the Named Executive Officers that is not deductible under Section 162(m) as the Committee deems appropriate.

Matching Gift Programs

The Company offers a matching gift program in which all associates with at least six months of service and all members of the Board of Directors are eligible to participate. Under this program, for every dollar ($100 minimum) that an associate or Board member contributes in cash or securities to an eligible charitable organization or educational institution, the Company will make matching donations of additional funds, subject to terms and conditions applicable in an equal manner to all associates and Board members. The total maximum dollar amount payable under the program is $25,000 per associate or Board member per calendar year. In addition, the Company makes matching donations for contributions by associates to a centralized charitable giving and financial resources program for the Lincoln, Nebraska community. Further, in 2020 the Company created the Service, Not Silence fundraising campaign, through which employees and members of the Board of Directors could donate to local and national organizations advancing racial and socioeconomic equality and social justice, with donations matched by

the Nelnet Foundation 3:1. The Service, Not Silence campaign resulted in significant donations from certain board members and Named Executive Officers and Company matching gifts during 2020. Amounts matched by the Company for the Named Executive Officers and Board members per the provisions of these programs are reflected and discussed in the Named Executive Officer summary compensation table below and the director compensation table under "Director Compensation Table for Fiscal Year 2020" above, respectively.

Conclusion

By ensuring market competitive compensation that is aligned with a performance-based organization philosophy, the Company expects to attract, motivate, and retain the executive talent required to achieve the Company's long-term goals. This is critical, as management and the Committee know that the Company's success hinges on having engaged executives who are committed to the Company.

People Development and Compensation Committee Report

The People Development and Compensation Committee has reviewed and discussed the above Compensation Discussion and Analysis with management. Based on this review and discussion, and such other matters deemed relevant and appropriate by the People Development and Compensation Committee, the People Development and Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Respectfully submitted,

Kimberly K. Rath, Chair
James P. Abel
Preeta D. Bansal
Kathleen A. Farrell

Summary Compensation Table for Fiscal Years 2020, 2019, and 2018

The following table sets forth summary information with respect to the compensation paid and bonuses granted for services rendered by the Company's Chief Executive Officer and Chief Financial Officer, as well as each of the Company's other three most highly compensated executive officers during the year ended December 31, 2020 (collectively, the “Named Executive Officers”). The information presented in the table relates to the fiscal years ended December 31, 2020, 2019, and 2018. Salaries and bonuses are paid at the discretion of the Board of Directors.

		Annual compensation			
Name and principal position	**Year**	**Salary ($)**	**Bonus ($) (a)**	**All other compensation ($) (b)**	**Total ($)**
Michael S. Dunlap	2020	562,754	562,754	383,140	1,508,648
Executive Chairman	2019	546,343	615,000	33,666	1,195,009
	2018	530,450	663,063	21,522	1,215,035
Jeffrey R. Noordhoek	2020	759,718	759,718	48,875	1,568,311
Chief Executive Officer	2019	737,591	892,265	42,722	1,672,578
	2018	716,107	1,029,447	44,203	1,789,757
Terry J. Heimes	2020	759,718	816,731	65,222	1,641,671
Chief Operating Officer	2019	737,591	892,265	45,573	1,675,429
	2018	716,107	962,290	48,078	1,726,475
James D. Kruger	2020	700,000	752,563	32,936	1,485,499
Chief Financial Officer	2019	650,000	786,941	22,003	1,458,944
	2018	550,000	687,500	38,860	1,276,360
Timothy A. Tewes	2020	700,000	700,000	60,502	1,460,502
President	2019	650,000	786,941	54,525	1,491,466
	2018	550,000	687,500	54,878	1,292,378

(a) Amounts represent bonuses paid in 2021, 2020, and 2019 for services rendered during the 2020, 2019, and 2018 calendar years, respectively. The Company's annual performance-based incentive bonuses were paid, at the executives' option (other than to the Executive Chairman, who received his incentive in cash), as either 100 percent cash, 100 percent stock, or 50 percent cash/50 percent stock. Those electing stock also received an additional number of shares representing 15 percent of the amount of their bonus they elected to receive in stock, to promote increased and continued share ownership. All shares issued as part of the incentive bonus award were issued pursuant to the Company's Restricted Stock Plan and were fully vested, but may not be transferred for three years from the date of issuance. The stock issuances for annual performance bonuses were not made as equity incentive plan awards contemplating future service or performance. See "Grants of Plan-Based Awards Table for Fiscal Year 2020" below for information relating to the shares issued in 2020 with respect to 2019 annual incentive bonus payments.

(b) "All other compensation" includes the following:

		All other compensation						
	Year	**Employer matching contributions under 401(k) Plan ($)**	**Premiums on life insurance ($)**	**Matching gift programs ($) (1)**	**Dividends on restricted stock ($) (2)**	**Personal use of company aircraft ($) (3)**	**Other ($) (4)**	**Total ($)**
Michael S. Dunlap	2020	11,400	235	349,100	—	22,205	200	383,140
	2019	11,200	423	—	—	22,043	—	33,666
	2018	11,000	390	—	—	10,132	—	21,522
Jeffrey R. Noordhoek	2020	11,400	235	37,240	—	—	—	48,875
	2019	11,200	423	31,099	—	—	—	42,722
	2018	11,000	390	31,000	—	1,813	—	44,203
Terry J. Heimes	2020	11,400	235	48,550	—	5,037	—	65,222
	2019	11,200	423	33,150	—	—	800	45,573
	2018	11,000	390	34,375	—	1,813	500	48,078
James D. Kruger	2020	11,400	235	20,250	170	—	881	32,936
	2019	11,200	423	7,500	911	—	1,969	22,003
	2018	11,000	390	23,780	1,990	—	1,700	38,860
Timothy A. Tewes	2020	11,400	235	47,747	170	—	950	60,502
	2019	11,200	423	41,150	911	—	841	54,525
	2018	11,000	390	40,998	1,990	—	500	54,878

(1) See "Compensation Discussion and Analysis - Matching Gift Programs" above for a description of these programs. The amounts for each individual in 2019 and 2018 have been revised from prior years to include matching donations to a centralized charitable giving and financial resources program for the Lincoln, Nebraska community. In 2020, Mr. Dunlap made a special gift in support of the Company's Service, Not Silence fundraising campaign created in 2020 for advancing racial and socioeconomic equality and social justice, with donations matched by the Nelnet Foundation 3:1. Due in part to the inspiring level of participation throughout the Company, Mr. Dunlap made a special gift of $113,000 in support of the campaign.

(2) The Company's cash dividend payments on its Class A and Class B common stock include dividend payments on unvested shares of Class A common stock issued pursuant to the Company's Restricted Stock Plan. Dividends paid to the Named Executive Officers on unvested restricted stock are included in the table above.

(3) See "Compensation Discussion and Analysis - Other Compensation" above for a description of this arrangement.

(4) Executive officers may receive other perquisites and other personal benefits, the aggregate annual dollar amounts of which are below the current SEC threshold of $10,000 for reporting.

There were no stock awards (other than for bonuses), option awards, non-equity incentive plan compensation, or pension or nonqualified deferred compensation earnings for any of the Company's Named Executive Officers during 2020, 2019 or 2018.

Grants of Plan-Based Awards Table for Fiscal Year 2020

The following table sets forth summary information relating to each grant of an award made to the Company's Named Executive Officers in the fiscal year ended December 31, 2020 under the Company's Restricted Stock Plan.

Name	Grant date (a)	Approval of grant by Compensation Committee	Number of shares of stock	Grant date fair value of stock awards ($) (b)
Michael S. Dunlap	—	—	—	—
Jeffrey R. Noordhoek	March 10, 2020	January 28, 2020	9,143	477,265
Terry J. Heimes	March 10, 2020	January 28, 2020	9,143	477,265
James D. Kruger	March 10, 2020	January 28, 2020	8,064	420,941
Timothy A. Tewes	March 10, 2020	January 28, 2020	8,064	420,941

(a) On March 10, 2020, the Company issued stock to pay fiscal year 2019 bonuses for those employees who elected to receive stock instead of cash for such bonuses. The stock issuances were not made as equity incentive plan awards. All 2019 bonuses paid in 2020 to employees who elected to receive stock were paid in fully vested shares of Class A common stock issued pursuant to the Company's Restricted Stock Plan.

(b) The Company determined the value of these awards based on the average of the closing market prices for the Company's Class A common stock on February 28, 2020 through March 5, 2020, which was $52.20.

Outstanding Equity Awards at Fiscal Year-End

There were no unexercised, unearned, or unvested equity awards for the Company's Named Executive Officers outstanding as of December 31, 2020.

Stock Vested Table for Fiscal Year 2020

The following table sets forth summary information relating to the stock vested for the Company's Named Executive Officers during the fiscal year ended December 31, 2020.

	Stock awards	
Name	Number of shares acquired on vesting	Value realized on vesting ($)
Michael S. Dunlap	—	—
Jeffrey R. Noordhoek	—	—
Terry J. Heimes	—	—
James D. Kruger	849 (a)	42,730 (b)
Timothy A. Tewes	849 (a)	42,730 (b)

(a) Amounts represent shares of restricted Class A common stock issued on March 13, 2015 pursuant to the Company's Restricted Stock Plan.

(b) The closing market price of the Company's Class A common stock as of March 10, 2020 (the vesting date for the shares) was $50.33 per share.

Stock Option, Stock Appreciation Right, Long-Term Incentive, and Defined Benefit Plans

The Company does not have any stock option, stock appreciation right, long-term incentive, or defined benefit plans covering its Named Executive Officers.

Potential Payments Upon Termination or Change-in-Control

Other than with respect to provisions in restricted stock award agreements for certain grants of restricted stock to the Named Executive officers on March 10, 2021, as described under "Compensation Discussion and Analysis - March 2021 Restricted Stock Awards", whereby any unvested shares of restricted stock will become fully vested upon a termination of employment as a result of death, disability, or retirement after reaching the age of 65 (and being employed by Nelnet for a minimum of 5 years), which provisions are generally included in all agreements for restricted stock awards granted to employees, the Company does not have any contracts, agreements, plans, or arrangements with the Named Executive Officers that provide for payment in connection with any termination of employment or change-in-control of the Company. The assumed market value (as of December 31, 2020) of the shares of unvested restricted stock awarded to each of Messrs. Heimes, Kruger, Noordhoek, and Tewes in March 2021, which shares are scheduled to vest 20 percent annually over a five year period, was $959,389 each, based on the closing market price of Class A common stock on December 31, 2020.

Pay Ratio Disclosure

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of the SEC’s Regulation S-K, the Company is providing the following information about the relationship of the annual total compensation of the employees of the Company and its consolidated subsidiaries and the annual total compensation of Jeffrey R. Noordhoek, the Company’s Chief Executive Officer (the “CEO”).

For 2020, the Company’s last completed fiscal year:

- the median of the annual total compensation of all employees of the Company and its consolidated subsidiaries (other than the CEO) was $41,459; and
- the annual total compensation of the CEO, as disclosed above in the "Summary Compensation Table for Fiscal Years 2020, 2019, and 2018", was $1,568,311.

Based on this information, for 2020 the ratio of the annual total compensation of the CEO to the median of the annual total compensation of all employees was 38 to 1. This ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of the SEC’s Regulation S-K. Given the different methodologies that various public companies may use to compute estimates of their pay ratios, the Company’s estimated pay ratio may not be comparable with the estimated pay ratios of other public companies.

For purposes of the pay ratio disclosure, SEC rules permit registrants to identify the median employee once every three years, so long as there have not been significant changes in the registrant's employee population or employee compensation arrangements that the registrant reasonably believes would result in a significant change in the pay ratio disclosure. The Company most recently identified its median employee in 2018. On December 21, 2020, the Company's previously majority owned communications subsidiary was deconsolidated from the Company's consolidated financial statements, which resulted in a reduction of approximately 500 employees, and as such, the Company determined it would identify a new median employee for 2020. To identify the median of the annual total compensation of all employees of the Company and its consolidated subsidiaries in 2020, as well as to determine the annual total compensation of the median employee and the CEO in 2020, the methodology and the material assumptions, adjustments, and estimates that the Company used were as follows:

1. The Company determined that, as of December 28, 2020, the last Monday of 2020 that was a business day, the total number of employees of the Company and its consolidated subsidiaries (excluding the CEO) was 6,198, with 6,153 (99.3%) of these employees located in the United States, and 45 (less than 1%) of these employees located in Australia. Accordingly, the total numbers of U.S. employees and non-U.S. employees, before taking into consideration the adjustments permitted by SEC rules (as described below), were 6,153 and 45, respectively. These employees included all full-time, part-time, seasonal, and temporary employees of the Company and its consolidated subsidiaries. The Company selected the last Monday of 2020 that was a business day as the date within the last three months of the Company’s last completed fiscal year that the Company would use to identify the median employee because it enabled the Company to make such identification for 2020 in a reasonably efficient and economical manner from its existing internal payroll reporting system.

2. The employee population used to identify the median employee, after taking into consideration the adjustments permitted by SEC rules, consisted of all of the 6,153 employees (excluding the CEO) located in the U.S as of December 28, 2020. As permitted by SEC rules, the Company chose to exclude all non-U.S. employees, consisting of all of the 45 employees who are employed in Australia, from the employee population used to identify the median

employee, given the small number of employees in that jurisdiction and the estimated additional costs of obtaining, analyzing, and including their compensation information for purposes of identifying the median employee and determining the annual total compensation of the median employee. Based on the total numbers of U.S. employees and non-U.S. employees (before taking into consideration the adjustments permitted by SEC rules) as set forth above, the Company excluded a total of less than 5% of the total workforce of the Company and its consolidated subsidiaries (45 employees) from the employee population used to identify the median employee, as permitted by SEC rules.

3. To identify the median employee from the employee population, the Company compared the amounts of salary and wages of the employees for 2020 that are taxable for U.S. federal income tax purposes and reportable to the U.S. Internal Revenue Service on Form W-2, as reflected in the Company's existing internal payroll system reports as of December 28, 2020, and this compensation measure was consistently applied to all employees included in the calculation. In making this determination, the Company annualized the compensation of all permanent employees (full-time or part-time) included in the employee population who were hired during 2020 but did not work for the Company or a consolidated subsidiary for the entire fiscal year.

4. Using the median employee identified as described above, the Company combined all of the elements of such employee's compensation for 2020 in accordance with the requirements of Item 402(c)(x) of the SEC's Regulation S-K, resulting in annual total compensation of $41,459.

5. With respect to the annual total compensation of the CEO, the Company used the amount disclosed in the "Total" column of the 2020 row for Mr. Noordhoek in the "Summary Compensation Table for Fiscal Years 2020, 2019, and 2018" included in this Proxy Statement and incorporated by reference under Item 11 of Part III of the Company's 2020 Annual Report on Form 10-K.

SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS, AND PRINCIPAL SHAREHOLDERS

Stock Ownership

The authorized common stock of the Company consists of 660,000,000 shares, $0.01 par value per share. The authorized common stock is divided into two classes, consisting of 600,000,000 shares of Class A common stock and 60,000,000 shares of Class B common stock. The Company also has authorized 50,000,000 shares of preferred stock, $0.01 par value per share.

The following table sets forth information as of February 26, 2021, regarding the beneficial ownership of each class of the Company's common stock by:

- each person, entity, or group known by the Company to beneficially own more than five percent of the outstanding shares of any class of common stock
- each of the Named Executive Officers
- each incumbent director and each nominee for director
- all executive officers and directors as a group

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. Under these rules, a person is deemed to beneficially own a share of the Company's common stock if that person has or shares voting power or investment power with respect to that share, or has the right to acquire beneficial ownership of that share within 60 days, including through the exercise of any option, warrant, or other right or the conversion of any other security. The application of these rules results in numerous situations with respect to the Company's shares where more than one beneficial owner is listed for the same shares, as discussed in the footnotes to the following table. For additional information regarding the significant amounts of shares deemed to be beneficially owned by Michael S. Dunlap, Shelby J. Butterfield, and Angela L. Muhleisen, principal shareholders of the Company, including the significant amounts of shares for which there are more than one beneficial owner listed, see the "Additional Beneficial Ownership Information for Michael S. Dunlap, Shelby J. Butterfield, and Angela L. Muhleisen" table after the following table.

With respect to the shares for which certain non-employee directors have elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan as indicated in certain footnotes to the following table, such shares are reported as beneficially owned by the respective director since, pursuant to such deferral election provisions, such shares shall be distributed to such director as the lump sum payment of deferred shares at the time of the termination of the director's service on the Board (which the director has the unilateral right to cause within 60 days if the director were to resign from the Board within such time period), or as the initial installment of up to five annual installments commencing at the time of termination of the director's service on the Board, as elected by the director.

Each share of Class B common stock is convertible at any time at the holder's option into one share of Class A common stock. The number of shares of Class B common stock for each person in the table below assumes such person does not convert any Class B common stock into Class A common stock. Unless otherwise indicated in a footnote, the address of each more than five percent beneficial owner is c/o Nelnet, Inc., 121 South 13th Street, Suite 100, Lincoln, Nebraska 68508. Unless otherwise indicated in a footnote, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as being beneficially owned by them.

Beneficial Ownership - As of February 26, 2021

	Number of shares beneficially owned			Percentage of shares beneficially owned (1)			Percentage of combined voting power of all classes of stock (2)
Name	**Class A**	**Class B**	**Total**	**Class A**	**Class B**	**Total**	
Michael S. Dunlap	5,674,721 (3)	10,852,785 (4)	16,527,506	20.9 %	97.3 %	43.1 %	82.3 %
Shelby J. Butterfield	510 (5)	3,364,100 (6)	3,364,610	*	30.2 %	8.8 %	24.2 %
Stephen F. Butterfield GST Non-Exempt Marital Trust	510 (7)	2,094,061 (8)	2,094,571	*	18.8 %	5.5 %	15.1 %
Angela L. Muhleisen	5,994,750 (9)	1,085,658 (10)	7,080,408	22.0 %	9.7 %	18.5 %	12.1 %
Dunlap Holdings, LLC	—	1,600,000 (11)	1,600,000	—	14.3 %	4.2 %	11.5 %
Union Bank and Trust Company	3,217,279 (12)	1,085,658 (13)	4,302,937	11.8 %	9.7 %	11.2 %	10.1 %
Dan D. Muhleisen	4,688,299 (14)	—	4,688,299	17.2 %	—	12.2 %	3.4 %
Dimensional Fund Advisors LP	2,224,342 (15)	—	2,224,342	8.2 %	—	5.8 %	1.6 %
Deborah Bartels	1,864,177 (16)	—	1,864,177	6.9 %	—	4.9 %	1.3 %
The Vanguard Group	1,571,511 (17)	—	1,571,511	5.8 %	—	4.1 %	1.1 %
Whitetail Rock Capital Management, LLC	480,510 (18)	7,899,588 (19)	8,380,098	1.8 %	70.8 %	21.9 %	57.3 %
Union Financial Services, Inc.	—	1,586,691 (20)	1,586,691	—	14.2 %	4.1 %	11.4 %
Terry J. Heimes	213,546 (21)	—	213,546	*	—	*	*
James D. Kruger	160,027 (22)	—	160,027	*	—	*	*
Jeffrey R. Noordhoek	519,726 (23)	—	519,726	1.9 %	—	1.4 %	*
Timothy A. Tewes	59,116	—	59,116	*	—	*	*
James P. Abel	71,366 (24)	—	71,366	*	—	*	*
Preeta D. Bansal	7,233	—	7,233	*	—	*	*
William R. Cintani	27,878 (25)	—	27,878	*	—	*	*
Kathleen A. Farrell	41,716 (26)	—	41,716	*	—	*	*
David S. Graff	19,439	—	19,439	*	—	*	*
Thomas E. Henning	61,525 (27)	—	61,525	*	—	*	*
JoAnn M. Martin	3,682	—	3,682	*	—	*	*
Kimberly K. Rath	49,515 (28)	—	49,515	*	—	*	*
Executive officers and directors as a group (14 persons)	6,754,653	10,852,785	17,607,438	24.8 %	97.3 %	45.9 %	83.1 %

* Less than 1%.

(1) Based on 27,196,862 shares of Class A common stock and 11,154,171 shares of Class B common stock outstanding as of February 26, 2021.

(2) These percentages reflect the different voting rights of the Company's Class A common stock and Class B common stock under the Company's Articles of Incorporation. Each share of Class A common stock has one vote and each share of Class B common stock has ten votes on all matters to be voted upon by the Company's shareholders.

(3) As reported in a Schedule 13D/A filed by Mr. Dunlap (on a joint basis with Dunlap Holdings, LLC and Union Financial Services, Inc. ("UFS")) on February 11, 2021, Mr. Dunlap is deemed to have sole voting and investment power over 1,969,574 shares of Class A common stock. Mr. Dunlap may be deemed to have shared voting and

investment power over a total of 3,705,147 shares of Class A common stock, which includes (i) a total of 7,358 shares held in various increments by each of Mr. Dunlap's three adult sons, (ii) a total of 3,217,279 shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank and Trust Company ("Union Bank") (some of which shares may under certain circumstances be pledged as security by Union Bank's customers under the terms of the accounts) with respect to which Union Bank may be deemed to have or share voting or investment power, (iii) a total of 240,000 shares held by six separate grantor retained annuity trusts ("GRATs") established by Angela L. Muhleisen (a sister of Mr. Dunlap) in 2020, for which GRATs Whitetail Rock Capital Management, LLC ("WRCM"), a majority owned subsidiary of the Company, serves as investment adviser, as discussed in footnote 18 below, (iv) a total of 240,000 shares held by four separate GRATs established by Dan D. Muhleisen (Ms. Muhleisen's spouse) in 2020, for which GRATs WRCM serves as investment adviser, and (v) 510 shares held by the Stephen F. Butterfield GST Non-Exempt Marital Trust (the "Butterfield GST Non-Exempt Marital Trust"), an estate planning trust for the family of Mr. Butterfield (the former Vice Chairman of the Board of Directors and significant shareholder of the Company who passed away in 2018), for which trust Shelby J. Butterfield serves as a co-trustee and WRCM serves as investment adviser with respect to shares of the Company's stock held therein. Mr. Dunlap is a control person of Union Bank through Farmers & Merchants Investment Inc. ("F&M"). Mr. Dunlap disclaims beneficial ownership of the shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank, except to the extent that he actually has or shares voting power or investment power with respect to such shares. With respect to the number of shares of Class A common stock reported as beneficially owned by Mr. Dunlap that are held by Union Bank, the number of shares set forth in the table reflects the number of shares held by Union Bank as of December 31, 2020, as reported in a Schedule 13G/A filed by Union Bank on February 11, 2021. The total of 3,217,279 shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank may also be deemed to be beneficially owned by Union Bank and Ms. Muhleisen (also a control person of Union Bank through F&M) and are also included in the total number of shares beneficially owned by each of them as set forth in this table. Such number of shares held by Union Bank includes (a) a total of 140,625 shares held by Union Bank as trustee under a post-annuity trust and a charitable remainder unitrust ("CRUT") established by Jeffrey R. Noordhoek, which shares may also be deemed to be beneficially owned by Mr. Noordhoek and are also included in the total number of shares beneficially owned by Mr. Noordhoek as set forth in this table, (b) a total of 349,987 shares held by Union Bank in various managed agency accounts and trusts for Deborah Bartels (a sister of Mr. Dunlap and Ms. Muhleisen), her spouse, and the adult sons of Ms. Bartels and her spouse, which shares may also be deemed to be beneficially owned by Ms. Bartels and are also included in the total number of shares beneficially owned by Ms. Bartels as set forth in this table, and (c) a total of 40,000 shares held by Union Bank as trustee under certain GRATs and other irrevocable trusts established in 2020 by Terry J. Heimes and his spouse, which shares may also be deemed to be beneficially owned by Mr. Heimes and are also included in the total number of shares beneficially owned by Mr. Heimes as set forth in this table. The total of 480,000 shares held by the total of ten separate GRATs established by Ms. Muhleisen and Mr. Muheisen are also reported as beneficially owned by Ms. Muhleisen and are also included in the total number of shares beneficially owned by Ms. Muhleisen as set forth in this table, and the total of 240,000 shares held by the four separate GRATs established by Mr. Muhleisen are also reported as beneficially owned by Mr. Muhleisen and are also included in the total number of shares beneficially owned by Mr. Muhleisen as set forth in this table. The 510 shares held by the Butterfield GST Non-Exempt Marital Trust are also reported as beneficially owned by the Butterfield GST Non-Exempt Marital Trust and Ms. Butterfield and are also included in the total number of shares beneficially owned by each of them as set forth in this table. The total of 480,510 shares beneficially owned by trusts for which WRCM serves as investment adviser are also deemed to be beneficially owned by WRCM, and are also included in the total number of shares beneficially owned by WRCM as set forth in this table.

(4) Mr. Dunlap is deemed to have sole voting and investment power over a total of 267,039 shares of Class B common stock, which includes 194,344 shares held by Mr. Dunlap's spouse and 72,695 shares held by Mr. Dunlap. Mr. Dunlap is deemed to have shared voting and investment power over a total of 10,585,746 shares of Class B common stock, which includes (i) a total of 1,600,000 shares held by Dunlap Holdings, LLC, a family limited liability company which is controlled by Mr. Dunlap and his family, (ii) 1,586,691 shares owned by UFS, of which Mr. Dunlap is chairman, president, and treasurer and owns 50.0% of the outstanding capital stock, of which Ms. Butterfield is the other director, and of which the Butterfield GST Non-Exempt Marital Trust, for which WRCM serves as investment adviser with respect to shares of the Company's stock held therein, including shares of the Company's stock held by such trust indirectly through UFS, owns the remaining 50.0% of the outstanding capital stock, (iii) 881,550 shares held by Union Bank as trustee for a GRAT established by Mr. Dunlap in 2003, (iv) a total of 2,323,368 shares held in four separate GRATs established by Mr. Dunlap in 2011, three separate dynasty trusts established by Mr. Dunlap in 2011, and three separate post-annuity irrevocable trusts established under two separate other GRATs in connection with the expiration of the annuity terms of such other

GRATs that were established by Mr. Dunlap in 2011, for which trusts WRCM serves as investment adviser, (v) a total of 2,065,556 shares held in four separate GRATs established by Mr. Dunlap's spouse in 2015 and six separate post-annuity irrevocable trusts established under two separate other GRATs in connection with the 2020 expiration of the annuity terms of such other GRATs that were established by Mr. Dunlap's spouse in 2015, for which trusts WRCM serves as investment adviser, (vi) a total of 165,000 shares held in six separate GRATs established by Mr. Dunlap in 2020, for which GRATs WRCM serves as investment adviser; (vii) a total of 240,000 shares held in six separate GRATs established by Mr. Dunlap's spouse in 2020, for which GRATs WRCM serves as investment adviser; (viii) a total of 727,176 shares held in eight separate GRATs established in 2015 by Ms. Butterfield and Mr. Butterfield and two separate other trusts established by Mr. Butterfield in 2015, for which trusts WRCM serves as investment adviser, (ix) 210,047 shares held by the Stephen F. Butterfield GST Exempt Marital Trust (the "Butterfield GST Exempt Marital Trust"), an estate planning trust for the family of Mr. Butterfield, for which trust WRCM serves as investment adviser with respect to shares of the Company's stock held therein, (x) 507,370 shares held by the Butterfield GST Non-Exempt Marital Trust, for which WRCM serves as investment adviser with respect to shares of the Company's stock held therein; (xi) a total of 36,089 shares held by four separate trusts for the benefit of children of Mr. Butterfield established under the restated agreement for the Stephen F. Butterfield Revocable Living Trust, for which trusts WRCM serves as investment adviser with respect to shares of the Company's stock held therein, (xii) 38,291 shares held by a charitable lead annuity trust ("CLAT") established by Mr. Butterfield in 2016, for which CLAT WRCM serves as investment adviser, (xiii) a total of 204,108 shares held by Union Bank as trustee under five separate irrevocable trusts for the benefit of Mr. Butterfield's children established upon the expiration in 2013 of the annuity term of a GRAT previously established by Mr. Butterfield, (xiv) a total of 300 shares held in increments of 100 shares by each of Mr. Dunlap's three adult sons, and (xv) a total of 200 shares held in increments of 100 shares by each of two separate dynasty trusts established by each of Mr. Dunlap and his spouse in 2019. Other than the shares discussed above for which it is noted that Mr. Dunlap is deemed to have sole voting and investment power, Mr. Dunlap disclaims beneficial ownership of the shares discussed above, except to the extent that Mr. Dunlap actually has or shares voting power or investment power with respect to such shares. The 1,586,691 shares owned by UFS are also reported as beneficially owned by UFS and by Ms. Butterfield and the Butterfield GST Non-Exempt Marital Trust, and are included in the total number of shares beneficially owned by each of them as set forth in this table. The 881,550 shares held by Union Bank as trustee for a GRAT established by Mr. Dunlap in 2003 and the total of 204,108 shares held by Union Bank as trustee for five separate irrevocable trusts for the benefit of Mr. Butterfield's children may also be deemed to be beneficially owned by Union Bank and Ms. Muhleisen, and are also included in the total number of shares beneficially owned by each of them as set forth in this table. The total of 727,176 shares held in eight separate GRATs established in 2015 by Ms. Butterfield and Mr. Butterfield and two separate other trusts established by Mr. Butterfield in 2015, the 210,047 shares held by the Butterfield GST Exempt Marital Trust, the 507,370 shares held by the Butterfield GST Non-Exempt Marital Trust, a total of 27,067 shares held in two of the four separate trusts for the benefit of children of Mr. Butterfield established under the restated agreement for the Stephen F. Butterfield Revocable Living Trust, the 38,291 shares held by a CLAT established by Mr. Butterfield in 2016, and a total of 100,650 shares held by Union Bank as trustee under two of the five separate irrevocable trusts for the benefit of Mr. Butterfield's children established upon the expiration in 2013 of the annuity term of a GRAT previously established by Mr. Butterfield may also be deemed to be beneficially owned by Ms. Butterfield, and are also included in the total number of shares beneficially owned by Ms. Butterfield as set forth in this table. The total of 7,899,588 shares beneficially owned by trusts for which WRCM serves as investment adviser, including, with respect to the Butterfield GST Non-Exempt Marital Trust, shares beneficially owned indirectly through the holding of 50.0% of the outstanding capital stock of UFS, which holds a total of 1,586,691 shares, are also deemed to be beneficially owned by WRCM, and are also included in the total number of shares beneficially owned by WRCM as set forth in this table.

(5) As reported in a Schedule 13G/A filed by Ms. Butterfield (on a joint basis with the Butterfield GST Non-Exempt Marital Trust) on February 11, 2021 and in a Form 4 filed for Ms. Butterfield on March 12, 2021, Ms. Butterfield is deemed to have shared voting and investment power with respect to 510 shares of Class A common stock held by the Butterfield GST Non-Exempt Marital Trust, for which Ms. Butterfield serves as a co-trustee and WRCM serves as investment adviser with respect to shares of the Company's stock held therein. Such shares are also reported as beneficially owned by Mr. Dunlap, the Butterfield GST Non-Exempt Marital Trust, and WRCM, and are included in the total number of shares reported as beneficially owned by each of them in this table. The business address for Ms. Butterfield is c/o Gallagher & Kennedy, 2575 East Camelback Road, Phoenix, Arizona 85016.

(6) Ms. Butterfield has sole voting and investment power with respect to a total of 136,641 shares of Class B common stock held by Ms. Butterfield. Ms. Butterfield is deemed to have shared voting and investment power with respect

to a total of 3,227,459 shares of Class B common stock, which include (i) 1,586,691 shares owned by UFS, of which the Butterfield GST Non-Exempt Marital Trust owns 50.0% of the outstanding capital stock, (ii) 507,370 shares held directly by the Butterfield GST Non-Exempt Marital Trust, for which trust Ms. Butterfield serves as a co-trustee and WRCM serves as investment adviser with investment power with respect to shares of the Company's stock held by the trust and voting power with respect to shares of the Company's stock held by the trust, including shares of the Company's stock held indirectly through the holding of 50.0% of the outstanding capital stock of UFS, (iii) 210,047 shares held by the Butterfield GST Exempt Marital Trust, for which Ms. Butterfield serves as a co-trustee and WRCM serves as investment adviser with investment power with respect to shares of the Company's stock held by the trust and voting power with respect to shares of the Company's stock held by the trust, (iv) a total of 530,041 shares held in six separate GRATs established by Ms. Butterfield in 2015, for which GRATs WRCM serves as investment adviser, (v) a total of 160,347 shares held in two separate GRATs established by Mr. Butterfield in 2015, for which GRATs WRCM serves as investment adviser, (vi) a total of 100,650 shares held by Union Bank as trustee for two separate irrevocable trusts for the benefit of Mr. and Ms. Butterfield's minor children established upon the 2013 expiration of an annuity term of a GRAT previously established by Mr. Butterfield, (vii) 38,291 shares held by a CLAT established by Mr. Butterfield in 2016, for which CLAT WRCM serves as investment adviser, (viii) a total of 36,788 shares held in two separate trusts established by Mr. Butterfield in 2015 for the benefit of Ms. Butterfield's two minor children, for which trusts WRCM serves as investment adviser, (ix) 29,967 shares held by the Estate of Stephen F. Butterfield, for which Ms. Butterfield serves as the Personal Representative, (x) a total of 27,067 shares held in two of the four separate trusts for the benefit of children of Mr. Butterfield established under the restated agreement for the Stephen F. Butterfield Revocable Living Trust, for which trusts WRCM serves as investment adviser with investment power with respect to shares of the Company's stock held by the trusts and voting power with respect to shares of the Company's stock held by the trusts, and (xi) a total of 200 shares held by Ms. Butterfield as UTMA custodian for Mr. and Ms. Butterfield's minor children. Ms. Butterfield disclaims beneficial ownership of the shares held by UFS and the trusts discussed in this footnote, except to the extent that she actually has or shares voting power or investment power with respect to such shares. The 1,586,691 shares owned by UFS are also deemed to be beneficially owned by UFS and Mr. Dunlap, and are also included in the total number of shares beneficially owned by each of them as set forth in this table. The total of 100,650 shares held by Union Bank as trustee for two separate irrevocable trusts established upon the 2013 expiration of an annuity term of a GRAT previously established by Mr. Butterfield may also be deemed to be beneficially owned by Union Bank, Mr. Dunlap, and Ms. Muhleisen, and are also included in the total number of shares beneficially owned by each of them as set forth in this table. The total of 3,096,642 shares held in trusts for which WRCM serves as investment adviser, including, with respect to the Butterfield GST Non-Exempt Marital Trust, shares held indirectly through the holding of 50% of the outstanding capital stock of UFS, which holds a total of 1,586,691 shares, are also deemed to be beneficially owned by WRCM and may also be deemed to be beneficially owned by Mr. Dunlap, and are also included in the total number of shares beneficially owned by each of them as set forth in this table.

(7) As reported in a Schedule 13G/A filed by the Butterfield GST Non-Exempt Marital Trust (on a joint basis with Ms. Butterfield) on February 11, 2021, the Butterfield GST Non-Exempt Marital Trust is deemed to have shared voting and investment power with respect to 510 shares of Class A common stock held by the Butterfield GST Non-Exempt Marital Trust, for which Ms. Butterfield serves as a co-trustee and WRCM serves as investment adviser with respect to shares of the Company's stock held therein. Such shares are also reported as beneficially owned by Ms. Butterfield, WRCM, and Mr. Dunlap, and are also included in the total number of shares beneficially owned by each of them as set forth in this table.

(8) The Butterfield GST Non-Exempt Marital Trust is deemed to have shared voting and investment power with respect to (i) 1,586,691 shares owned by UFS, of which the Butterfield GST Non-Exempt Marital Trust owns 50% of the outstanding capital stock, and (ii) 507,370 shares held directly by the Butterfield GST Non-Exempt Marital Trust, for which WRCM serves as investment adviser with respect to shares of the Company's stock held therein, including shares of the Company's stock held indirectly through the holding of 50% of the outstanding capital stock of UFS. Such shares are also reported as beneficially owned by Ms. Butterfield, WRCM, and Mr. Dunlap, and are also included in the total number of shares beneficially owned by each of them as set forth in this table.

(9) As reported in a Schedule 13G/A filed by Ms. Muhleisen on February 11, 2021, Ms. Muhleisen is deemed to have sole voting and investment power over 180,109 shares of Class A common stock held by Ms. Muhleisen. Ms. Muhleisen is deemed to have shared voting and investment power over a total of 5,814,641 shares of Class A common stock, which includes (i) 52,344 shares jointly owned by Ms. Muhleisen and her spouse, Dan D. Muhleisen, (ii) 2,097,362 shares owned by Mr. Muhleisen, (iii) 692,885 shares owned by Ms. Muhleisen's adult

daughter, (iv) 681,538 shares owned by Ms. Muhleisen's adult son, (v) a total of 552,000 shares held in two separate irrevocable trusts established by Ms. Muhleisen and her spouse, of which the adult daughter and the adult son of Ms. Muhleisen and her spouse are the initial beneficiaries and for which Union Bank serves as trustee, (vi) a total of 352,170 shares held in four separate irrevocable trusts established upon the expiration of the annuity term of GRATs established by Ms. Muhleisen and her spouse, of which the adult daughter and the adult son of Ms. Muhleisen and her spouse are the beneficiaries and for which Union Bank serves as trustee, (vii) a total of 240,000 shares held by six separate GRATs established by Ms. Muhleisen in 2020, for which WRCM serves as investment adviser, (viii) a total of 240,000 shares held by four separate GRATs established by Mr. Muhleisen in 2020, for which WRCM serves as investment adviser, (ix) a total of 20,000 shares held in two separate dynasty trusts established by Ms. Muhleisen and her spouse in 2020, of which the adult daughter and the adult son of Ms. Muhleisen and her spouse are the initial beneficiaries, and (x) shares that are owned by entities that Ms. Muhleisen may be deemed to control, consisting of a total of 886,342 shares held by Union Bank for the accounts of miscellaneous other trusts, IRAs, and investment accounts at Union Bank (some of which shares may under certain circumstances be pledged as security by Union Bank's customers under the terms of the accounts) with respect to which Union Bank may be deemed to have or share voting or investment power. Ms. Muhleisen, a sister of Mr. Dunlap, is a director, chairperson, president, and chief executive officer of Union Bank and is a control person of Union Bank through F&M. Ms. Muhleisen disclaims beneficial ownership of the shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank, except to the extent that she actually has or shares voting power or investment power with respect to such shares. The address for Ms. Muhleisen is c/o Union Bank and Trust Company, P.O. Box 82529, Lincoln, Nebraska 68501. With respect to the number of shares beneficially owned by Ms. Muhleisen that are held by Union Bank, the number of shares set forth in the table reflects the number of shares held by Union Bank as of December 31, 2020, as reported in a Schedule 13G/A filed by Union Bank on February 11, 2021.

(10) Ms. Muhleisen is deemed to have shared voting and investment power over a total of 1,085,658 shares of Class B common stock that are held by Union Bank as trustee, which includes 881,550 shares held by Union Bank as trustee for a GRAT established by Mr. Dunlap in 2003, and a total of 204,108 shares held by Union Bank as trustee for five separate irrevocable trusts for the benefit of Mr. Butterfield's children established upon the 2013 expiration of an annuity term of a GRAT previously established by Mr. Butterfield. Ms. Muhleisen disclaims beneficial ownership of the shares held by Union Bank as trustee for such GRAT and such five separate other trusts, except to the extent that Ms. Muhleisen actually has or shares voting power or investment power with respect to such shares. The total of 1,085,658 shares held by Union Bank as trustee for such GRAT and such five separate other trusts are also deemed to be beneficially owned by Union Bank and Mr. Dunlap, and are also included in the total number of shares beneficially owned by each of them as set forth in this table. A total of 100,650 shares held by Union Bank as trustee for two of the five separate trusts for the benefit of Mr. Butterfield's children may also be deemed to be beneficially owned by Ms. Butterfield, and are also included in the total number of shares beneficially owned by Ms. Butterfield as set forth in this table.

(11) As reported in a Schedule 13G/A filed by Dunlap Holdings, LLC (on a joint basis with Mr. Dunlap and UFS) on February 11, 2021, Dunlap Holdings, LLC, a family limited liability company which is controlled by Mr. Dunlap and his family, is deemed to have shared voting and investment power with respect to 1,600,000 shares of Class B common stock that it owns. The 1,600,000 shares owned by Dunlap Holdings, LLC are also included in the total number of shares beneficially owned by Mr. Dunlap as set forth in this table.

(12) As reported in a Schedule 13G/A filed by Union Bank on February 11, 2021, Union Bank is deemed to have sole voting and investment power over 30,000 shares of Class A common stock held by the Union Bank profit sharing plan. Union Bank is deemed to have shared voting and investment power over 3,187,279 shares of Class A common stock, which includes (i) 18,000 shares held as trustee for a charitable foundation, (ii) a total of 140,625 shares held by Union Bank as trustee under a post-annuity trust and a CRUT established by Mr. Noordhoek, (iii) a total of 40,000 shares held by Union Bank as trustee under certain GRATs and other irrevocable trusts established in 2020 by Mr. Heimes and his spouse, (iv) a total of 2,330,937 shares held by Union Bank in individual accounts for Ms. Muhleisen, Mr. Muhleisen, their adult daughter, and their adult son; and (v) a total of 657,717 shares held for the accounts of miscellaneous trusts, IRAs, and investment accounts at Union Bank (some of which shares may under certain circumstances be pledged as security by Union Bank's customers under the terms of the accounts) with respect to which Union Bank may be deemed to have or share voting or investment power. Union Bank disclaims beneficial ownership of such shares except to the extent that Union Bank actually has or shares voting power or investment power with respect to such shares. The address for Union Bank is P.O. Box 82529, Lincoln, Nebraska 68501; Attention: Angela L. Muhleisen, President. The number of shares of Class A common

stock set forth in the table for Union Bank reflects the number of shares held by Union Bank as of December 31, 2020.

(13) Union Bank is deemed to have shared voting and investment power over a total of 1,085,658 shares of Class B common stock that are held by Union Bank as trustee for a GRAT established by Mr. Dunlap in 2003 and as trustee for five separate irrevocable trusts for the benefit of Mr. Butterfield's children, as discussed in footnote 10 above. Union Bank disclaims beneficial ownership of such shares except to the extent that Union Bank actually has or shares voting power or investment power with respect to such shares.

(14) As reported in a Schedule 13G/A filed by Mr. Muhleisen on February 11, 2021, Mr. Muhleisen is deemed to have shared voting and investment power over a total of 4,688,299 shares of Class A common stock, which includes (i) 2,097,362 shares owned by Mr. Muhleisen; (ii) 52,344 shares owned jointly by Mr. Muhleisen and his spouse, Angela L. Muhleisen, (iii) 692,885 shares owned by Mr. Muhleisen's adult daughter, (iv) 681,538 shares owned by Mr. Muhleisen's adult son, (v) a total of 552,000 shares held in two separate irrevocable trusts established by Mr. Muhleisen and his spouse, of which the adult daughter and the adult son of Mr. Muhleisen and his spouse are the initial beneficiaries and for which Union Bank serves as trustee, (vi) a total of 352,170 shares held in four separate irrevocable trusts established upon the expiration of the annuity term of GRATs established by Mr. Muhleisen and his spouse, of which the adult daughter and the adult son of Mr. Muhleisen and his spouse are the beneficiaries and for which Union Bank serves as trustee, (vii) a total of 240,000 shares held by four separate GRATs established by Mr. Muhleisen in 2020, for which WRCM serves as investment adviser, and (viii) a total of 20,000 shares held in dynasty trusts established by Mr. Muhleisen and his spouse in 2020, of which the adult daughter and the adult son of Mr. Muhleisen and his spouse are the initial beneficiaries. All of the shares included as beneficially owned by Mr. Muhleisen are also included in the total number of shares beneficially owned by Ms. Muhleisen as set forth in this table, and the total of 240,000 shares held by four separate GRATs established by Mr. Muhleisen for which WRCM serves as investment adviser are also included in the total number of shares beneficially owned by WRCM as set forth in this table. Mr. Muhleisen disclaims beneficial ownership of the shares held in the trusts discussed above, except to the extent that he actually has or shares voting power or investment power with respect to such shares. The address for Mr. Muhleisen is 6321 Doecreek Circle, Lincoln, Nebraska 68516.

(15) On February 12, 2021, Dimensional Fund Advisors LP ("Dimensional") filed a Schedule 13G/A indicating that they beneficially owned 8.20% of the Company's Class A common stock as of December 31, 2020, with sole voting power over a total of 2,185,556 shares and sole dispositive power over a total of 2,224,342 shares. The amount set forth in the table reflects the number of shares reported in the Schedule 13G/A. Dimensional acts as investment advisor and manager to certain funds, and indicated that all shares reported in their 13G/A were owned by such funds. The address of Dimensional is Building One, 6300 Bee Cave Road, Austin, Texas 78746.

(16) As reported in a Schedule 13G/A filed by Deborah Bartels on February 11, 2021, Ms. Bartels (a sister of Mr. Dunlap and Ms. Muhleisen) has sole voting and dispositive power over 1,195,855 shares of Class A common stock held by Ms. Bartels. Ms. Bartels is deemed to have shared voting and dispositive power over a total of 668,322 shares of Class A common stock, which includes (i) a total of 118,807 shares held in managed agency accounts for Ms. Bartels and her spouse by Union Bank; (ii) 115,965 shares held by Ms. Bartels' spouse; (iii) a total of 71,180 shares held by Union Bank as trustee for certain irrevocable trusts for the benefit of the adult sons of Ms. Bartels and her spouse ("Post-GRAT Trusts") established in connection with the expiration of the annuity term of GRATs established by Ms. Bartels and her spouse; (iv) a total of 160,000 shares held by Union Bank as trustee for certain irrevocable trusts established by Ms. Bartels and her spouse, of which the adult sons of Ms. Bartels and her spouse are the initial beneficiaries (the "2012 Dynasty Trusts"); and (v) a total of 202,370 shares held in certain tax and estate planning trusts established by Ms. Bartels and her spouse in 2020, of which the adult sons of Ms. Bartels and her spouse and another family member are the initial beneficiaries (the "2020 Dynasty Trusts"). Ms. Bartels disclaims beneficial ownership of the shares held in the Post-GRAT Trusts, the 2012 Dynasty Trusts, and the 2020 Dynasty Trusts, except to the extent that she actually has or shares voting power or dispositive power with respect to such shares. The total of 349,987 shares held in the managed agency accounts, the Post-GRAT Trusts, and the 2012 Dynasty Trusts may also be deemed to be beneficially owned by Union Bank, Mr. Dunlap, and Ms. Muhleisen, and are included in the total number of shares beneficially owned by each of them as set forth in this table.

(17) On February 10, 2021, The Vanguard Group ("Vanguard") filed a Schedule 13G/A indicating that they beneficially owned 5.78% of the Company's Class A common stock as of December 31, 2020, with shared voting power over 19,881 shares, sole dispositive power over 1,534,446 shares, and shared dispositive power over 37,065

shares. The amount set forth in the table reflects the number of shares reported in the Schedule 13G/A. The address of Vanguard is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

(18) As reported in a Schedule 13G/A filed by WRCM on February 11, 2021, WRCM is deemed to have shared voting and investment power with respect to a total of 480,510 shares of Class A common stock, which includes (i) a total of 480,000 shares held by the total of ten separate GRATs established in 2020 by Ms. Muhleisen and Mr. Muheisen as discussed above in footnotes 9 and 14, respectively; and (ii) 510 shares held by the Butterfield GST Non-Exempt Marital Trust as discussed above in footnote 7. Under the trusts, WRCM, an SEC-registered investment adviser, serves as investment adviser with investment and voting power with respect to shares of the Company's stock held by the trusts. WRCM is not a beneficiary of any of the trusts. WRCM is a majority owned subsidiary of the Company, and the total of 480,510 shares of Class A common stock may also be deemed to be beneficially owned by Mr. Dunlap, and are included in the total number of shares beneficially owned by Mr. Dunlap as set forth in this table. The 510 shares of Class A common held by the Butterfield GST Non-Exempt Marital Trust may also be deemed to be beneficially owned by Ms. Butterfield, and are included in the total number of shares beneficially owned by Ms. Butterfield as set forth in this table.

(19) WRCM is deemed to have shared voting and investment power with respect to 7,899,588 shares of Class B common stock, including shares held in four separate GRATs and three separate other irrevocable trusts established by Mr. Dunlap in 2011, three separate post-annuity trusts established upon the expiration of the annuity term of two other separate GRATs established by Mr. Dunlap in 2011, four separate GRATs established by Mr. Dunlap's spouse in 2015, six separate post-annuity irrevocable trusts established under two separate other GRATs in connection with the 2020 expiration of the annuity terms of such other GRATs that were established by Mr. Dunlap's spouse in 2015, six separate GRATs established by Mr. Dunlap in 2020, six separate GRATs established by Mr. Dunlap's spouse in 2020, six separate GRATs established by Ms. Butterfield in 2015, two separate GRATs established by Mr. Butterfield in 2015, two separate trusts established by Mr. Butterfield in 2015 for the benefit of Ms. Butterfield's two minor children, a CLAT established by Mr. Butterfield in 2016, the Butterfield GST Non-Exempt Marital Trust, the Butterfield GST Exempt Marital Trust, and four separate trusts for the benefit of children of Mr. Butterfield established under the restated agreement for the Stephen F. Butterfield Revocable Living Trust. Under the trusts, WRCM serves as investment adviser with voting and investment power with respect to shares of the Company's stock held by the trusts, including, with respect to the Butterfield GST Non-Exempt Marital Trust, shares of the Company's stock held indirectly through the holding of 50% of the outstanding capital stock of UFS, which holds a total of 1,586,691 shares of Class B common stock. WRCM is not a beneficiary of any of the trusts. The shares deemed to be beneficially owned by WRCM may also be deemed to be beneficially owned by Mr. Dunlap, and the shares held in the eight separate GRATs established by Ms. Butterfield and Mr. Butterfield in 2015, the two separate GRATs established by Mr. Butterfield in 2015 for the benefit of Ms. Butterfield's two minor children, the CLAT established by Mr. Butterfield in 2016, the Butterfield GST Non-Exempt Marital Trust, the Butterfield GST Exempt Marital Trust, and two of the four separate trusts for the benefit of children of Mr. Butterfield established under the restated agreement for the Stephen F. Butterfield Revocable Living Trust are also reported as beneficially owned by Ms. Butterfield. For additional information regarding the shares held in trusts established by Mr. Dunlap and his spouse, and the shares held in trusts established by or with respect to Ms. Butterfield and Mr. Butterfield, see footnotes 4 and 6, respectively, above.

(20) As reported in a Schedule 13G/A filed by UFS (on a joint basis with Mr. Dunlap and Dunlap Holdings, LLC) on February 11, 2021, UFS is deemed to have shared voting and investment power with respect to 1,586,691 shares of Class B common stock that it owns. The address for UFS is 502 East John Street, Carson City, Nevada 89706. Mr. Dunlap and the Butterfield GST Non-Exempt Marital Trust each own 50.0% of the outstanding capital stock of UFS, and the 1,586,691 shares of Class B common stock owned by UFS are also reported as beneficially owned by each of Mr. Dunlap, Ms. Butterfield, the Butterfield GST Non-Exempt Marital Trust, and WRCM, and are included in the total number of shares beneficially owned by each of them as set forth in this table.

(21) Includes (i) a total of 40,000 shares held by Union Bank as trustee under certain GRATs and other irrevocable trusts established in 2020 by Mr. Heimes and his spouse, (ii) 94,921 shares held by a revocable trust established in 2020 by Mr. Heimes, (iii) 50,000 shares held by a revocable trust established in 2020 by Mr. Heimes' spouse, and (iv) 87 shares owned by Mr. Heimes' spouse. A total of 50,000 shares are pledged as collateral for a line of credit agreement, under which approximately $225,000 was drawn as of February 26, 2021. Mr. Heimes is deemed to have shared voting and investment power with respect to the total of 40,000 shares held by Union Bank as trustee, and such shares may also be deemed to be beneficially owned by Union Bank, Mr. Dunlap, and Ms. Muhleisen and are included in the total number of shares beneficially owned by each of them as set forth in this table.

(22) Includes 156,889 shares jointly owned by Mr. Kruger and his spouse.

(23) Includes 311,008 shares held by Mr. Noordhoek's restated revocable trust dated August 9, 2016, 126,462 shares held by Union Bank as trustee under an irrevocable trust established upon the expiration of the annuity term of a GRAT established by Mr. Noordhoek in 2003, and 14,163 shares held by Union Bank as trustee under a CRUT established by Mr. Noordhoek. Mr. Noordhoek is deemed to have shared voting and investment power with respect to the total of 140,625 shares held by Union Bank as trustee under the post-annuity trust and the CRUT, and such shares may also be deemed to be beneficially owned by Union Bank, Mr. Dunlap, and Ms. Muhleisen and are included in the total number of shares beneficially owned by each of them as set forth in this table.

(24) Includes 60,641 shares that Mr. Abel has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan. Also includes 500 shares owned by Mr. Abel's spouse.

(25) Includes 23,930 shares that Mr. Cintani has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan.

(26) Includes 30,614 shares that Ms. Farrell has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan.

(27) Includes 45,224 shares that Mr. Henning has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan and 3,102 shares owned by Mr. Henning's spouse.

(28) Includes 49,515 shares that Ms. Rath has elected to defer delivery of pursuant to the deferral election provisions of the Company's Directors Stock Compensation Plan.

Additional Beneficial Ownership Information for Michael S. Dunlap, Shelby J. Butterfield, and Angela L. Muhleisen

As of February 26, 2021

Name		Number of shares beneficially owned			Percentage of shares beneficially owned (1)			Percentage of combined voting power of all classes of stock (2)
		Class A	Class B	Total	Class A	Class B	Total	
Michael S. Dunlap:	(3)							
Shares held directly by Mr. Dunlap and his spouse		1,969,574	267,039	2,236,613	7.2%	2.4 %	5.8 %	3.3 %
Shares held by Dunlap Holdings, LLC	(4)	—	1,600,000	1,600,000	—	14.3 %	4.2 %	11.5 %
Shares held by Union Bank for 2003 Dunlap GRAT	(5)	—	881,550	881,550	—	7.9 %	2.3 %	6.4 %
Shares held by WRCM-managed 2011 Dunlap GRATs and other trusts	(6)	—	2,323,368	2,323,368	—	20.8 %	6.1 %	16.7 %
Shares held by WRCM-managed 2015 Dunlap GRATs and post-annuity trusts	(6)	—	2,065,556	2,065,556	—	18.5 %	5.4 %	14.9 %
Shares held by WRCM-managed 2020 Dunlap GRATs	(6)	—	405,000	405,000	—	3.6%	1.1 %	2.9 %
All of the shares held by 50%-owned UFS	(7)	—	1,586,691	1,586,691	—	14.2%	4.1 %	11.4 %
Shares held by WRCM-managed Butterfield trusts	(6)	510	1,518,973	1,519,483	*	13.6%	4.0 %	10.9 %
Shares held by WRCM-managed Muhleisen GRATs	(6)	480,000	—	480,000	1.8 %	—	1.3 %	*
Shares held by Union Bank for other persons:	(5)							
For Muhleisen accounts		2,330,937	—	2,330,937	8.6%	—	6.1 %	1.7 %
For Bartels accounts	(8)	349,987	—	349,987	1.3%	—	*	*
For Butterfield trusts		—	204,108	204,108	—	1.8 %	*	1.5 %
For Noordhoek trusts	(9)	140,625	—	140,625	*	—	*	*
For Heimes trusts	(10)	40,000	—	40,000	*	—	*	*
For other accounts		355,730	—	355,730	1.3%	—	*	*
Other shares		7,358	500	7,858	*	*	*	*
Totals for Michael S. Dunlap		5,674,721	10,852,785	16,527,506	20.9 %	97.3 %	43.1 %	82.3 %

Shelby J. Butterfield:	(11)								
Shares held directly by Ms. Butterfield		—	136,641		136,641	—	1.2 %	*	1.0 %
All of the shares held by 50%-owned UFS	(7)	—	1,586,691		1,586,691	—	14.2 %	4.1 %	11.4 %
Shares directly held by WRCM-managed Butterfield trusts	(6)	510	1,509,951	(12)	1,510,461	*	13.5 %	3.9 %	10.9 %
Shares held by Union Bank for Butterfield trusts	(5)	—	100,650		100,650	—	*	*	*
Shares held by Stephen F. Butterfield Estate		—	29,967		29,967	—	*	*	*
Other shares		—	200		200	—	*	*	*
Totals for Shelby J. Butterfield		510	3,364,100		3,364,610	*	30.2 %	8.8 %	24.2 %
Angela L. Muhleisen:	(13)								
Shares held directly by Ms. Muhleisen and her spouse		2,329,815	—		2,329,815	8.6%	—	6.1 %	1.7 %
Shares held by WRCM-managed Muhleisen GRATs	(6)	480,000	—		480,000	1.8%	—	1.3 %	*
Shares held by Union Bank for other Muhleisen accounts		2,278,593	—		2,278,593	8.4%	—	5.9 %	1.6 %
Shares held by Muhleisen dynasty trusts		20,000	—		20,000	*	—	*	*
Shares held by Union Bank for other persons:	(5)								
For 2003 Dunlap GRAT		—	881,550		881,550	—	7.9 %	2.3 %	6.4 %
For Bartels accounts	(8)	349,987	—		349,987	1.3%	—	*	*
For Butterfield trusts		—	204,108		204,108	—	1.8 %	*	1.5 %
For Noordhoek trusts	(9)	140,625	—		140,625	*	—	*	*
For Heimes trusts	(10)	40,000	—		40,000	*	—	*	*
For other accounts		355,730	—		355,730	1.3%	—	*	*
Totals for Angela L. Muhleisen		5,994,750	1,085,658		7,080,408	22.0%	9.7 %	18.5 %	12.1 %

* Less than 1%.

(1) Based on 27,196,862 shares of Class A common stock and 11,154,171 shares of Class B common stock outstanding as of February 26, 2021.

(2) These percentages reflect the different voting rights of the Company's Class A common stock and Class B common stock under the Company's Articles of Incorporation. Each share of Class A common stock has one vote and each share of Class B common stock has ten votes on all matters to be voted upon by the Company's shareholders.

(3) See footnotes (3) and (4) with respect to the line item for Mr. Dunlap in the Beneficial Ownership table above.

(4) See footnote (11) with respect to the line item for Dunlap Holdings, LLC in the Beneficial Ownership table above.

(5) Union Bank and Trust Company ("Union Bank") is indirectly controlled by Mr. Dunlap and his sister Angela L. Muhleisen through Farmers & Merchants Investment Inc. ("F&M"). See footnotes (12) and (13) with respect to the line item for Union Bank in the Beneficial Ownership table above.

(6) Whitetail Rock Capital Management, LLC ("WRCM") is a majority-owned subsidiary of the Company. See footnotes (18) and (19) with respect to the line item for WRCM in the Beneficial Ownership table above.

(7) Union Financial Services, Inc. ("UFS") is 50.0% owned by Mr. Dunlap and 50.0% owned by the Stephen F. Butterfield GST Non-Exempt Marital Trust (the "Butterfield GST Non-Exempt Marital Trust"). See footnote (20) with respect to the line item for UFS in the Beneficial Ownership table above. See also footnotes (7) and (8) with respect to the line item for the Butterfield GST Non-Exempt Marital Trust in the Beneficial Ownership table above.

(8) Deborah Bartels is a sister of Mr. Dunlap and Ms. Muhleisen. See footnote (16) with respect to the line item for Ms. Bartels in the Beneficial Ownership table above.

(9) See footnote (23) with respect to the line item for Jeffrey R. Noordhoek in the Beneficial Ownership table above.

(10) See footnote (21) with respect to the line item for Terry J. Heimes in the Beneficial Ownership table above.

(11) See footnotes (5) and (6) with respect to the line item for Ms. Butterfield in the Beneficial Ownership table above.

(12) Excludes shares held in WRCM-managed trusts for the benefit of Stephen F. Butterfield's adult children from his first marriage.

(13) See footnotes (9) and (10) with respect to the line item for Ms. Muhleisen in the Beneficial Ownership table above.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires the Company's executive officers and directors, and persons who beneficially own more than ten percent of a registered class of the Company's equity securities, to file with the SEC reports of ownership of Company securities and changes in reported ownership. Based solely on a review of information furnished to the Company and contained in reports filed with the SEC, as well as written representations from reporting persons that all reportable transactions were reported, the Company believes that during the year ended December 31, 2020, the Company's executive officers, directors, and greater than ten percent beneficial owners timely filed all reports they were required to file under Section 16(a) of the Exchange Act, except as noted below.

A Form 4 report for Jeffrey R. Noordhoek filed on March 12, 2021 included the late reporting of one transaction relating to a gift transfer of 16,426 shares of Class A common stock by Mr. Noordhoek to his revocable trust in 2007, which transaction did not change the total number of shares beneficially owned by Mr. Noordhoek, for which a Form 5 was not timely filed due to an inadvertent administrative oversight. Subsequent to December 31, 2020, a Form 4 report for William J. Munn reporting one transaction relating to a Rule 10b5-1 plan sale of 2,000 shares of Class A common stock on February 9, 2021 was inadvertently filed late on February 23, 2021 due to an administrative oversight.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Policies and Procedures on Transactions with Related Persons

The Company has adopted written policies and procedures for the Nominating and Corporate Governance Committee's review of any transaction, arrangement, or relationship (including any indebtedness or guarantee of indebtedness) or series of similar transactions, arrangements, or relationships in which (i) the Company is a participant, (ii) the aggregate amount involved will or may be expected to exceed $120,000, and (iii) a related person has or will have a direct or indirect material interest. For purposes of this policy, a "related person" means (i) any of our directors, executive officers, or nominees for director, (ii) any shareholder that beneficially owns more than five percent of the Company's outstanding shares of common stock, and (iii) any immediate family member of the foregoing. The Nominating and Corporate Governance Committee approves or ratifies only those transactions that it determines in good faith are in, or are not inconsistent with, the best interests of the Company and its shareholders. The Nominating and Corporate Governance Committee may, in its discretion, submit certain transactions to the full Board of Directors for approval where it deems appropriate.

In determining whether to approve or ratify a transaction, the Nominating and Corporate Governance Committee takes into account the factors it deems appropriate, which may include, among others, the benefits to the Company, the availability of other sources for comparable products or services, the impact on a director's independence in the event the related person is a director, and the extent of the related person's interest in the transaction. The policy also provides for the delegation of its authority to the Chairman of the Nominating and Corporate Governance Committee for any related person transaction requiring pre-approval or ratification between meetings of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee reviews and assesses ongoing relationships with a related person on at least an annual basis to see that they are in compliance with the policy and remain appropriate.

All approved related party transactions are communicated to the full Board of Directors by the Chairman of the Nominating and Corporate Governance Committee, or his designee. Mr. Dunlap beneficially owns shares representing 82.3% of the combined voting power of the Company's shareholders as of February 26, 2021. Because of his beneficial ownership, Mr. Dunlap can effectively elect each member of the Board of Directors, including all members of the Nominating and Corporate Governance Committee, and has the power to defeat or remove each member.

Although there is no formal requirement for executive management of the Company to approve related party transactions, executive management reviews all related party transactions. Upon reviewing related party transactions, executive management takes into account the factors it deems appropriate, which may include, among others, the benefits to the Company, the availability of other sources for comparable products or services, the impact on a director's independence in the event the related person is a director, and the extent of the related person's interest in the transaction. As Executive Chairman and

controlling shareholder of the Company, Mr. Dunlap effectively has control over each member of the Company's executive management, who were initially hired by Mr. Dunlap and can be fired or otherwise penalized at his direction.

During 2020, the Company entered into certain transactions and had business arrangements with Union Bank and Trust Company, Farmers & Merchants Investment Inc. ("F&M"), Mr. Dunlap, Hudl, Assurity Life Insurance Company ("Assurity"), Shelby J. Butterfield, and various Ameritas entities. These transactions were reviewed and approved or ratified by the Nominating and Corporate Governance Committee and reviewed by executive management. Union Bank and Trust Company, F&M, Hudl, Assurity, Ms. Butterfield, and the Ameritas entities are related persons as discussed below. We cannot affirm whether or not the fees and terms of each transaction are substantially the same terms as those prevailing at the time for transactions with persons that do not have a relationship with the Company (either directly or as a partner, shareholder, or officer of an organization that has a relationship with the Company). However, all related party transactions are based on available market information for comparable assets, products, and services and are extensively negotiated.

- *Union Bank and Trust Company* and *Farmers & Merchants Investment Inc.* - Union Bank is controlled by F&M, which owns 81.5% of Union Bank's common stock and 15.5% of Union Bank's non-voting non-convertible preferred stock. Certain grantor retained annuity trusts established by Michael S. Dunlap, a significant shareholder, Executive Chairman, and a member of the Board of Directors of the Company, and his spouse, own a total of 50.4% of the outstanding voting common stock of F&M, and a certain grantor retained annuity trust established by Mr. Dunlap’s sister, Angela L. Muhleisen, owns 49.2% of the outstanding voting common stock of F&M. In addition, Mr. Dunlap and his family and Ms. Muhleisen and her family own a total of 8.9 percent and 7.9 percent, respectively, of F&M's outstanding non-voting preferred stock, which amounts are convertible into shares of F&M common stock which would currently represent an additional 3.0 percent and 2.8 percent, respectively, of F&M's outstanding common stock on an as converted basis. Mr. Dunlap serves as a Director and Chairman of F&M, and as a Director of Union Bank. Ms. Muhleisen serves as a Director and Chief Executive Officer of F&M and as a Director, Chairperson, President, and Chief Executive Officer of Union Bank. Union Bank is deemed to have beneficial ownership of a significant number of shares of Nelnet because it serves in a capacity of trustee or account manager for various trusts and accounts holding shares of the Company, and may share voting and/or investment power with respect to such shares. At February 26, 2021, Union Bank was deemed to beneficially own 11.2% of the Company's common stock. The stock holdings of Union Bank are deemed to be beneficially owned by both Mr. Dunlap and Ms. Muhleisen. At February 26, 2021, Mr. Dunlap beneficially owned 43.1% of the Company's outstanding common stock and Ms. Muhleisen beneficially owned 18.5% of the Company's outstanding common stock.

- *Hudl* - Hudl is an online video and coaching tools software company for athletes of all levels, of which Mr. Graff, who has served on the Company's Board of Directors since 2014, is CEO, co-founder, and a director.

- *Assurity* - Assurity is a company which offers a variety of disability income and critical illness protection, life insurance, and annuity products, of which Mr. Henning, who has served on the Company's Board of Directors since 2003, is President and CEO.

- *Ms. Butterfield* - Ms. Butterfield is a significant shareholder of the Company, and is also a co-trustee of the Stephen F. Butterfield GST Non-Exempt Marital Trust (the "Butterfield GST Non-Exempt Marital Trust"), which is also a significant shareholder of the Company. As of February 26, 2021, Ms. Butterfield and the Butterfield GST Non-Exempt Marital Trust beneficially owned 8.8% and 5.5%, respectively, of the Company's outstanding common stock.

- *Ameritas* - Ameritas Mutual Holding Company, Ameritas Holding Company, and Ameritas Life Insurance Corp. (collectively referred to herein as “Ameritas”) are entities based in Lincoln, Nebraska that offer a wide range of insurance and financial products and services to individuals, families, and businesses. Ms. Martin, who became a member of the Company’s Board of Directors on March 19, 2020, serves as a director and vice chair for the Ameritas entities. Ms. Martin served for many years as chief executive officer of Ameritas Mutual Holding Company and as chair of Ameritas Life Insurance Corp., which is owned by Ameritas Holding Company, until her retirement from those positions effective January 10, 2020. In addition, Mr. Abel is chair of Ameritas Mutual Holding Company and Ameritas Holding Company, and a director of Ameritas Life Insurance Corp.

Transactions with Union Bank

The Company has entered into certain contractual arrangements with Union Bank. These transactions include:

- Loan purchases - During 2020, the Company purchased $144.9 million (par value) of private education loans from Union Bank. The net premium paid by the Company on these loan acquisitions was $2.6 million.

  In addition, the Company has an agreement with Union Bank in which the Company provides marketing, origination, and loan servicing services to Union Bank related to private education loans. Union Bank paid $2.0 million in marketing fees to the Company in 2020 under this agreement.

- Loan servicing - As of December 31, 2020, the Company serviced $331.3 million of loans for Union Bank. Servicing and origination fee revenue earned by the Company from servicing loans for Union Bank was $0.7 million for the year ended December 31, 2020.

- Funding - Participation Agreements

  - The Company maintains an agreement with Union Bank, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in student loans. The Company uses this facility as a source to fund FFELP student loans. As of December 31, 2020, $874.2 million of loans were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. The agreement automatically renews annually and is terminable by either party upon five business days' notice. This agreement provides beneficiaries of Union Bank's grantor trusts with access to investments in interests in student loans, while providing liquidity to the Company on a short term basis. The Company can participate loans to Union Bank to the extent of availability under the grantor trusts, up to $900 million or an amount in excess of $900 million if mutually agreed to by both parties.

  - In addition, the Company maintains an agreement with Union Bank, as trustee for various grantor trusts, under which Union Bank has agreed to purchase from the Company participation interests in student loan asset-backed securities. As of December 31, 2020, $118.6 million of student loan asset-backed securities were subject to outstanding participation interests held by Union Bank, as trustee, under this agreement. The agreement automatically renews annually and is terminable by either party upon five business days' notice. The Company can participate student loan asset-backed securities to Union Bank to the extent of availability under the grantor trusts, up to $100.0 million or an amount in excess of $100.0 million if mutually agreed to by both parties. Student loan asset-backed securities under this agreement have been accounted for by the Company as a secured borrowing.

- Funding - Real Estate

  - 401 Building, LLC ("401 Building") is an entity that was established in 2015 for the sole purpose of acquiring, developing, and owning a commercial real estate property in Lincoln, Nebraska. The Company owns 50% of 401 Building. On May 1, 2018, Union Bank, as lender, received a $1.5 million promissory note from 401 Building. The promissory note carries an interest rate of 6.00% and has a maturity date of December 1, 2032.

  - 330-333, LLC ("330-333") is an entity that was established in 2016 for the sole purpose of acquiring, developing, and owning a commercial real estate property in Lincoln, Nebraska. The Company owns 50% of 330-333. On October 22, 2019, Union Bank, as lender, received a $162,000 promissory note from 330-333. The promissory note carries an interest rate of 6.00% and has a maturity date of December 1, 2032.

  - 12100.5 West Center, LLC ("West Center") is an entity that was established in 2016 for the sole purpose of acquiring, developing, and owning a commercial real estate property in Omaha, Nebraska. The Company owns 33.33% of West Center. On October 29, 2019, Union Bank, as lender, received a $2.9 million promissory note from West Center. The promissory note carries an interest rate of 3.85% and has a maturity date of October 30, 2024.

- Operating cash - The majority of the Company's cash operating bank accounts are maintained at Union Bank. The Company also invests cash in the Short term Federal Investment Trust ("STFIT") of the Student Loan Trust Division of Union Bank, which the Company uses as operating cash accounts and accounts to hold customer funds as a loan

servicer and payments provider before remitting such funds to lending entities and schools, respectively. As of December 31, 2020, the Company had $285.6 million deposited at Union Bank in operating accounts or invested in the STFIT. Interest income earned from cash deposited in these accounts for the year ended December 31, 2020 was $0.5 million.

- 529 Plan administration - The Company provides certain 529 Plan administration services to certain college savings plans (the "College Savings Plans") through a contract with Union Bank, as the program manager. Union Bank is entitled to a fee as program manager pursuant to its program management agreement with the College Savings Plans. In 2020, the Company received fees of $1.3 million from Union Bank related to the Company's administration services provided to the College Savings Plans.

  During 2020, certain call center services were provided by the Company to Union Bank for College Savings Plan clients. Fees received from Union Bank for such services in 2020 was approximately $62,000.

  Additionally, Union Bank, as the program manager for the College Savings Plans, has agreed to allocate plan bank deposits to Nelnet Bank. As of December 31, 2020, Nelnet Bank had received $48.4 million in deposits from the funds offered under the College Savings Plans.

- Lease arrangements - Union Bank leases approximately 4,000 square feet of office space in the Company's corporate headquarters building. During 2020, Union Bank paid the Company approximately $80,000 for rent. The lease agreement expires on June 30, 2023.

- Other fees paid to Union Bank - During 2020, the Company paid Union Bank approximately $279,000 for cash management, trustee, and health savings account maintenance fees.

- Other fees received from Union Bank - During 2020, the Company received approximately $590,000 from Union Bank related to employee sharing arrangements and for providing communications services.

- Investment services - Union Bank has established various trusts whereby Union Bank serves as trustee for the purpose of purchasing, holding, managing, and selling investments in student loan asset-backed securities. WRCM, an SEC-registered investment advisor and a majority owned subsidiary of the Company, has a management agreement with Union Bank, under which WRCM performs various advisory and management services on behalf of Union Bank with respect to investments in securities by the trusts, including identifying securities for purchase or sale by the trusts. The agreement provides that Union Bank will pay to WRCM annual fees of 25 basis points on the outstanding balance of the investments in the trusts. As of December 31, 2020, the outstanding balance of investments in the trusts was $1.2 billion. In addition, Union Bank will pay additional fees to WRCM of up to 50 percent of the gains from the sale of securities from the trusts or securities being called prior to the full contractual maturity. During 2020, the Company earned $9.8 million of fees under this agreement.

  WRCM also has management agreements with Union Bank under which it is designated to serve as investment advisor with respect to the assets (principally Nelnet stock) within several trusts established by Mr. Dunlap and his spouse, and Ms. Muhleisen and her spouse. Union Bank serves as trustee for the trusts. Per the terms of the agreements, Union Bank pays WRCM five basis points (annually) of the aggregate value of the assets of the trusts as of the last day of each calendar quarter. As of December 31, 2020, WRCM was the investment advisor with respect to a total of 480,000 shares and 4.8 million shares of the Company's Class A and Class B common stock, respectively, held directly by these trusts. During 2020, the Company earned approximately $141,000 of fees under these agreements.

  WRCM has established private investment funds for the primary purpose of purchasing, selling, investing, and trading, directly or indirectly, in student loan asset-backed securities, and to engage in financial transactions related thereto. Mr. Dunlap, Jeffrey R. Noordhoek (Chief Executive Officer of the Company), Ms. Muhleisen and her spouse, and WRCM have invested $1.2 million, $1.1 million, $5.3 million, and $0.3 million, respectively, in certain of these funds. Based upon the current level of holdings by non-affiliated limited partners, the management agreements provide non-affiliated limited partners the ability to remove WRCM as manager without cause. WRCM earns 50 basis points (annually) on the outstanding balance of the investments in these funds, of which WRCM pays approximately 50 percent of such amount to Union Bank as custodian. As of December 31, 2020, the total outstanding balance of investments in these funds was $134.3 million. During 2020, the Company paid Union Bank $0.3 million as custodian of the funds.

- Defined contribution plan - Union Bank administers the Company's 401(k) defined contribution plan. Fees paid to Union Bank to administer the plan, approximately $447,000 in 2020, are paid by the plan's participants.

- Nelnet Bank - Upon the launch of its operations on November 2, 2020, Nelnet Bank entered into agreements with Union Bank in which Union Bank provides investment custodial services and correspondent bank services. Fees paid during 2020 by Nelnet Bank to Union Bank under these agreements were not significant.

The net aggregate impact on the Company's consolidated statements of income for the year ended December 31, 2020 related to the transactions with Union Bank as described above was income (before income taxes) of approximately $15 million.

The Company intends to maintain its relationship with Union Bank, which the Company's management believes provides certain benefits to the Company. Those benefits include Union Bank's knowledge of and experience in the FFELP industry, its willingness to provide services, and at times liquidity and capital resources, on an expedient basis, and the proximity of Union Bank to the Company's corporate headquarters located in Lincoln, Nebraska.

The majority of transactions and arrangements with Union Bank are not offered to unrelated third parties or subject to competitive bids. Accordingly, these transactions and arrangements not only present conflicts of interest, but also pose the risk to the Company's shareholders that the terms of such transactions and arrangements may not be as favorable to the Company as it could receive from unrelated third parties. Moreover, the Company may have and/or may enter into contracts and business transactions with related parties that benefit Mr. Dunlap and his sister, as well as other related parties, that may not benefit the Company and/or its minority shareholders.

Transactions with F&M

The Company, F&M, and the holding company of BankFirst of Norfolk, Nebraska ("BankFirst"), of which Mr. Dunlap is a member of the Board of Directors, have co-invested a total of $10.3 million, $4.6 million, and $1.7 million, respectively, in a Company-managed limited liability company that invests in renewable energy (solar). As part of these transactions, the Company receives management and performance fees under a management agreement. During 2020, the Company earned approximately $46,000 and $15,000 of management fees under this agreement, from F&M and BankFirst, respectively.

Transactions with Mr. Dunlap

The Company owns an 82.5% interest in an aircraft due to the frequent business travel needs of the Company's executives and the limited availability of commercial flights in Lincoln, Nebraska, where the Company's headquarters are located. An entity owned by Mr. Dunlap (which entity is referred to herein as “MSD”) owns the remaining 17.5% interest in the same aircraft. The aircraft joint ownership agreement between the Company and MSD for this aircraft provides that it will continue in effect on a month to month basis until terminated by mutual agreement, and that MSD has the right to require the Company to purchase MSD’s interest in the aircraft for an amount based on the aircraft's fair market value at that time. If the term of the joint ownership agreement is not extended by agreement of the Company and MSD, the aircraft must be sold and the net proceeds from the sale distributed to the Company and MSD in proportion to their ownership percentages. Under an aircraft maintenance agreement among the Company, MSD, and an unrelated aviation service company, the Company and MSD paid a total of $0.8 million in management fees to the service company in 2020 based on the Company's and MSD's respective ownership percentages. The maintenance agreement also provides that the Company must pay for all flight operating expenses for each flight conducted on its behalf, with a corresponding obligation by MSD, and that both the Company and MSD must pay their pro-rata portion, based on actual use percentages, of the cost of maintaining the aircraft.

On June 26, 2020, Nelnet Bank, Nelnet, Inc., and Mr. Dunlap (as Nelnet, Inc.’s controlling shareholder) entered into a Capital and Liquidity Maintenance Agreement and a Parent Company Agreement with the FDIC in connection with Nelnet, Inc.’s role as a source of financial strength for Nelnet Bank. As part of the Capital and Liquidity Maintenance Agreement, Nelnet, Inc. is obligated to (i) contribute capital to Nelnet Bank for it to maintain capital levels that meet FDIC requirements for a “well capitalized” bank, including a leverage ratio of capital to total assets of at least 12 percent; (ii) provide and maintain an irrevocable asset liquidity takeout commitment for the benefit of Nelnet Bank in an amount equal to the greater of either 10 percent of Nelnet Bank’s total assets or such additional amount as agreed to by Nelnet Bank and Nelnet, Inc.; (iii) provide additional liquidity to Nelnet Bank in such amount and duration as may be necessary for Nelnet Bank to meet its ongoing liquidity obligations; and (iv) establish and maintain a pledged deposit of $40.0 million with Nelnet Bank.

Transactions with Hudl

Prior to 2020, the Company and Mr. Dunlap, along with his children, held combined direct and indirect equity ownership interests in Hudl. On May 20, 2020, the Company made an additional equity investment in Hudl of approximately $26 million, as one of the participants in an equity raise completed by Hudl. The Company's and Mr. Dunlap's direct and indirect equity ownership interests in Hudl, which consist of preferred stock with certain liquidation preferences that are considered substantive, did not materially change as a result of Hudl's equity raise, and are currently 19.6% and 3.7%, respectively.

The Company holds a promissory note issued by Hudl for approximately $120,000 in certain fees paid by the Company on behalf of Hudl in December 2015 related to the construction of a building for Hudl's corporate headquarters in Lincoln, Nebraska. The promissory note is interest-free and repayment by Hudl is contingent upon its receipt of certain future refunds from the City of Lincoln based on future job creation.

The Company owns 25 percent of TDP Phase Three, LLC ("TDP"), an entity established during 2015 for the sole purpose of developing and operating a commercial building in Lincoln, Nebraska that is the corporate headquarters for Hudl and in which Hudl is the primary tenant. As of December 31, 2020, TDP had four notes payable outstanding totaling $23.6 million, of which recourse to the Company on these notes is equal to its ownership percentage of TDP.

Hudl has a $30.0 million unsecured line of credit with Union Bank, which expires on December 31, 2021.

Transactions with Assurity Life Insurance Company

During the year ended December 31, 2020, Nelnet Business Solutions, a subsidiary of the Company, paid $1.8 million to Assurity for insurance premiums for insurance on certain tuition payment plans. As part of providing the tuition payment plan insurance to Nelnet Business Solutions, Assurity entered into a reinsurance agreement with the Company's insurance subsidiary, under which Assurity paid the Company's insurance subsidiary reinsurance premiums of $1.4 million in 2020, and the Company's insurance subsidiary paid claims on such reinsurance to Assurity of $1.0 million in 2020. In addition, Assurity pays Nelnet Business Solutions a partial refund annually based on claim experience, which was approximately $64,000 in 2020.

During the year ended December 31, 2020, the Company made available to its employees certain voluntary insurance products through Assurity. Premiums are paid by participants and are remitted to Assurity by the Company on behalf of the participants. The Company remitted to Assurity approximately $538,000 in premiums related to these products during 2020.

During 2020, Assurity invested approximately $1.2 million in a Company-managed limited liability company that invests in renewable energy (solar). As part of this transaction, the Company receives management and performance fees under a management agreement. During the year ended December 31, 2020, the Company earned approximately $12,000 in management fees from Assurity under this agreement.

Both the aggregate of the payments made by the Company to Assurity during 2020, and the aggregate of the payments received by the Company from Assurity during 2020, were less than 2% of Assurity's gross revenues for 2020.

Transactions with Ms. Butterfield

On May 27, 2020, the Company repurchased, in a privately negotiated transaction under the Company’s existing stock repurchase program, a total of 100,000 shares of the Company’s Class A common stock (the “Repurchased Shares”) from Ms. Butterfield. The shares were repurchased at a discount to the closing market price of the Company's Class A common stock as of May 27, 2020, which closing market price was $51.15 per share, and the transaction was separately approved by the Company’s Board of Directors. Immediately prior to the Company’s repurchase of the Repurchased Shares, the Repurchased Shares were shares of the Company’s Class B common stock that Ms. Butterfield converted to shares of Class A common stock.

WRCM has management agreements with Union Bank under which it is designated to serve as investment advisor with respect to the Nelnet stock within several trusts established by Ms. Butterfield and Stephen F. Butterfield (who passed away in 2018). Union Bank serves as trustee for the trusts. Per the terms of the agreements, Union Bank pays WRCM five basis points (annually) of the aggregate value of the Nelnet stock in the trusts as of the last day of each calendar quarter. As of December 31, 2020, WRCM was the investment advisor with respect to a total of 510 shares and 2.3 million shares of the Company's Class A and Class B common stock, respectively, held directly and indirectly by these trusts. During 2020, the Company earned approximately $63,000 of fees under these agreements.

Transactions with Ameritas

The Company and Ameritas have each invested approximately $800,000 for a 50 percent ownership interest in BenefitEd, a joint venture started in 2017 to help employers offer student loan repayment as an employee benefit by directly contributing toward an employee's student loan balance. The Company does not consolidate or control BenefitEd. The Company provides accounting and payment processing services to BenefitEd, and Ameritas provides marketing services. The total value of these services in 2020 was approximately $430,000 and $185,000, respectively.

During the year ended December 31, 2020, the Company used Ameritas Life Insurance Corp. to process claims related to the dental insurance plan the Company makes available to its employees and of which the Company self-insures. The total fee paid to Ameritas Life Insurance Corp. in 2020 was approximately $169,000.

The Company and Ameritas have co-investments in certain real estate projects focused on the development of commercial and multi-family properties throughout the United States. As of December 31, 2020, the book value of the Company's co-investments in these projects was $1.9 million. Additionally, as part of the co-investment transactions with Ameritas, the Company and Ameritas entered into an agreement under which the Company pays Ameritas a management fee related to each real estate project. The total fee paid in 2020 to Ameritas under this agreement was approximately $120,000.

Ameritas owns a building in Lincoln, Nebraska where the Company leases approximately 40,000 square feet of office space. During 2020, the Company paid Ameritas approximately $590,000 in rent for this space.

Other Employment Relationships

Mr. Cintani, who serves on the Company's Board of Directors, has a son, Brian Cintani, 44, who is employed by the Company as an experienced financial analyst in the Company's capital markets group. During the year ended December 31, 2020, Brian Cintani's total compensation was less than $200,000. Brian Cintani has been employed by the Company since 2002 and his employment preceded Mr. Cintani's service as a director which began in May 2012.

Mr. Dunlap has a son, Matthew Dunlap, 32, who is employed by the Company as a Managing Director in the Nelnet Business Solutions operating segment. During the year ended December 31, 2020, Matthew Dunlap's total compensation was less than $300,000. Matthew Dunlap has been employed by the Company since 2017.

Other Transactions

Though not required to be disclosed under Item 404(a) of Regulation S-K, below are transactions and relationships the Company had with other related parties during 2020.

NEBCO, Inc. is a family-owned company based in Lincoln, Nebraska with interests in the manufacture of concrete building materials, road construction, insurance, mining, railroading, farming, and real estate, of which Mr. Abel, who has served on the Company's Board of Directors since 2003, is CEO. During 2020, ALLO, a majority owned communications subsidiary of the Company until December 21, 2020, paid a subsidiary of NEBCO $11,000 for construction rock products related to the construction and expansion of ALLO's fiber optic network in Lincoln, Nebraska. In addition, the Company has 50 percent ownership interests in several real estate joint venture entities that were established for the purpose of developing and operating various properties in Lincoln, Nebraska. The Company does not consolidate or control these entities, and the other 50 percent owner is an unrelated third party and the developer that makes the day-to-day operating and development decisions for the various real estate development projects. During the development phase of certain projects, the developer, general contractor, or a subcontractor may select NEBCO to be a supplier of materials, and these entities may pay NEBCO directly or indirectly for such materials. The Company has no participation or input with respect to any involvement of NEBCO with such projects.

Unico Group, Inc. ("Unico"), an insurance agency of which Mr. Dunlap and Ms. Muhleisen's children own approximately 4.0%, provided real estate related insurance services to TDP during 2020. TDP paid Unico approximately $18,000 for these services during 2020.

During 2020, the Company paid approximately $4,000 to Union Title Company, LLC, a 74.0% owned subsidiary of F&M, for fees related to the Company's real estate development activity.

The Company owns Canopy Park, LLC ("Canopy Park"), an entity that was established in 2019 for the sole purpose of acquiring, developing, and owning a commercial real estate property in Lincoln, Nebraska. The Company owns 50% of Canopy Park. On October 29, 2020, Great Western Bank, as lender, received a $32.5 million promissory note from Canopy Park. The promissory note carries an interest rate of 2.1% plus one-month LIBOR and has a maturity date of November 10, 2035. Mr. Henning has served on the board of directors of Great Western Bank since August 2015.

In addition to the foregoing, from time to time, the Company, some of the Company's executive officers, and some of the members of the Company's Board of Directors invest in small or startup companies, often in the Company's local community. In some cases, executive officers of the Company may also serve as members of the Board of Directors of such companies in connection with the investment.

The Company and certain executive officers have invested a total of $2.0 million in Capricorn Healthcare and Special Opportunities, LP ("Capricorn"). Capricorn is located in Palo Alto, California and is a limited partnership that primarily invests in healthcare-related companies. As of December 31, 2020, the investors and amount invested include the Company $973,000, Mr. Dunlap $973,000, and Mr. Noordhoek $97,000.

Neither the Company, the Company's executive officers, nor members of the Company's Board of Directors, individually or in the aggregate, owns a majority interest in any of these companies. While the Company does not deem these investments to be related party transactions, the Company reports investment activity of this type to the Board of Directors.

AUDIT COMMITTEE REPORT

Report of the Board Audit Committee

The Audit Committee of the Board of Directors (the “Committee”) is responsible for the oversight of the integrity of the Company's consolidated financial statements, the Company's system of internal control over financial reporting, the Company's policy standards and guidelines for risk assessment and risk management and compliance with legal and regulatory requirements, the qualifications and independence of the Company's independent auditor, and the performance of the Company's internal and independent auditors. The Committee has the sole authority and responsibility to select, determine the compensation of, evaluate, and, when appropriate, replace the Company's independent auditor. The Committee, with input from management, regularly monitors the performance of the key members of the independent auditors’ team, including the lead partner. In the case of rotation of the lead partner, the Committee is involved in the selection of the new lead audit partner, and considers such factors as the individual’s professional and relevant industry experience, other current assignments, and the proximity of their office location to the Company’s headquarters. The Committee is also responsible under the Sarbanes-Oxley Act of 2002 for establishing procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Committee is currently comprised of four independent directors and operates under a written charter adopted by the Board, a copy of which is available at www.nelnetinvestors.com. The Board has determined that each Committee member is independent under the standards of director independence established under the Company's Corporate Governance Guidelines and the NYSE listing requirements and is also independent under applicable independence standards of the Exchange Act and the SEC rules thereunder.

The Committee serves in an oversight capacity and is not part of the Company's managerial or operational decision-making process. Management is responsible for the financial reporting process, including the system of internal controls, for the preparation of consolidated financial statements in accordance with generally accepted accounting principles, and for the report on the Company's internal control over financial reporting. The Company's independent auditor, KPMG LLP, is responsible for auditing the Company's financial statements and expressing an opinion as to their conformity with generally accepted accounting principles and for expressing an opinion on the effectiveness of the Company's internal control over financial reporting. The Committee's responsibility is to oversee the financial reporting process and to review and discuss management's report on the Company's internal control over financial reporting. The Committee relies, without independent verification, on the information provided to it and on the representations made by management, the internal auditor, and the independent auditor.

The Committee held six meetings during 2020. The Committee, among other things:

- Reviewed and discussed the Company's earnings releases, Quarterly Reports on Form 10-Q, and Annual Report on Form 10-K, including the consolidated financial statements and compliance with legal and regulatory requirements

- Reviewed and discussed, in conjunction with the Risk and Finance Committee, the Company's policies and procedures for risk assessment and risk management and the major risk exposures of the Company and its business units, as appropriate

- Reviewed and discussed the annual plan and the scope of the work of the internal auditor for fiscal 2020 and reviewed all completed reports of the internal auditor

- Reviewed management's progress on addressing internal and certain external audit findings

- Reviewed and discussed the annual plan and scope of the work of the independent auditor

- Reviewed and discussed, in conjunction with the Compliance Committee, reports from management on the Company's policies regarding applicable consumer-oriented legal and regulatory requirements

- Met with KPMG LLP, the internal auditor, and Company management in separate executive sessions

The Committee reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2020 with management, the internal auditor, and KPMG LLP. The Committee reviewed and discussed the critical accounting policies and estimates as set forth in the Company's Annual Report on Form 10-K, management's annual report on the Company's internal control over financial reporting, and KPMG LLP's opinion on the effectiveness of internal control over financial reporting. The Committee also discussed with management and the internal auditor the process used to support certifications by the Company's Chief Executive Officer and Chief Financial Officer that are required by the SEC and the Sarbanes-Oxley Act of 2002 to accompany the Company's periodic filings with the SEC and the processes used to support management's annual report on the Company's internal control over financial reporting.

The Committee discussed with KPMG LLP matters related to the audit of the Company's consolidated financial statements and the matters required to be discussed by Auditing Standard No. 1301, *Communications with Audit Committees*, issued by the Public Company Accounting Oversight Board ("PCAOB"), and in connection therewith discussed with KPMG LLP the matters required to be discussed by the applicable requirements of the PCAOB and the SEC. This review included a discussion with management and KPMG LLP as to the quality (not merely the acceptability) of the Company's accounting principles, the reasonableness of significant estimates and judgments, and the disclosures within the Company's consolidated financial statements, including the disclosures relating to critical accounting policies.

KPMG LLP also provided to the Committee the written disclosures and the letter required by applicable requirements of the PCAOB regarding KPMG LLP's communications with the Committee concerning independence. The Committee discussed with KPMG LLP their independence from the Company. When considering KPMG LLP's independence, the Committee considered if services they provided to the Company beyond those rendered in connection with their audit of the Company's consolidated financial statements, reviews of the Company's interim condensed consolidated financial statements included in its Quarterly Reports on Form 10-Q, and their opinion on the effectiveness of the Company's internal control over financial reporting were compatible with maintaining their independence. The Committee also reviewed and pre-approved, among other things, the audit, audit-related, and tax services performed by KPMG LLP. For tax services, the pre-approval included discussion with KPMG concerning their independence as required by PCAOB Rule 3524 (Audit Committee Pre-approval of Certain Tax Services). The Committee received regular updates on the amount of fees and scope of audit, audit-related, and tax services provided.

Based on the Committee's review and these meetings, discussions, and reports, and subject to the limitations on the Committee's role and responsibilities referred to above and in the Audit Committee Charter, the Committee recommended to the Board that the Company's audited consolidated financial statements for the year ended December 31, 2020 be included in the Company's 2020 Annual Report on Form 10-K for filing with the SEC.

The Committee has also selected KPMG LLP as the Company's independent auditor for the year ending December 31, 2021 and is presenting the selection to the shareholders for ratification.

KPMG has been the Company's independent auditor since 1998. The Committee last went through a Request for Proposal for independent audit and non-audit services effective for the year ended December 31, 2012.

Respectfully submitted,

Thomas E. Henning, Chairman
William R. Cintani
David S. Graff
JoAnn M. Martin

PROPOSAL 2 - RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee selects the Company's independent registered public accounting firm. This proposal is put before the shareholders because the Board believes that it is good corporate governance practice to seek shareholder ratification of the selection of the independent registered public accounting firm. If the appointment of KPMG LLP is not ratified, the Audit Committee will evaluate the basis for the shareholders' vote when determining whether to continue the firm's engagement.

The Board of Directors of the Company recommends a vote FOR the ratification of the appointment of KPMG LLP as the independent registered public accounting firm for 2021.

The affirmative vote of the majority of votes cast at the Annual Meeting is required to ratify the appointment of KPMG LLP. Unless marked to the contrary, proxies will be voted FOR the ratification of the appointment of KPMG LLP as the independent registered public accounting firm for 2021.

Representatives of KPMG LLP are expected to attend the Annual Meeting and to respond to appropriate questions from shareholders present at the meeting and will have an opportunity to make a statement if they desire to do so.

Independent Accountant Fees and Services

Aggregate fees for professional services rendered by KPMG LLP for the years ended December 31, 2020 and 2019 are set forth below.

	2020	2019
Audit fees	$ 1,157,853	827,910
Audit-related fees	1,467,500	1,476,500
Tax fees	109,000	30,898
All other fees	1,780	1,780
Total	$ 2,736,133	2,337,088

Audit-related fees were for assurance and other services related to service provider compliance reports, including Service Organization Controls (SOC1) reports on the effectiveness of the Company's controls for student loan servicing and other services provided for its customers, employee benefit plan audits, agreed-upon procedures for Company-sponsored student loan securitization financings and other matters, and consultations concerning financial accounting and reporting standards.

Tax fees were for services related to tax compliance and planning.

All other fees represent the amount paid by the Company for access to an online accounting and tax reference tool.

In addition to the services and fees described above, KPMG was engaged to perform audits of and provide tax services for certain private investment funds which are managed by WRCM, for which KPMG received total fees of $85,500 and $82,500 in 2020 and 2019, respectively. Additionally, TDP Phase Three, LLC, an entity of which the Company owns 25 percent and was established for the sole purpose of developing and operating a building, engaged KPMG to perform audits in 2020 and 2019, for which KPMG received total fees of $25,000 in each respective year.

The Audit Committee's pre-approval policy with respect to audit and permitted non-audit services by the independent auditor is set forth in its charter. The Audit Committee has the sole authority to appoint, retain, and terminate the Company's independent

auditor, which reports directly to the Audit Committee. The Audit Committee is directly responsible for the evaluation, compensation (including as to fees and terms), and oversight of the work of the Company's independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review, or attestation services for the Company. All related fees and costs of the independent auditor, as determined by the Audit Committee, are paid promptly by the Company in accordance with its normal business practices. All auditing services and permitted non-audit services performed for the Company by the independent auditor, including the services for 2020 and 2019 described above, are pre-approved by the Audit Committee, subject to applicable laws, rules, and regulations. The Audit Committee may form and delegate to a subcommittee the authority to grant pre-approvals with respect to auditing services and permitted non-auditing services, provided that any such grant of pre-approval shall be reported to the full Audit Committee at its next meeting.

PROPOSAL 3 - ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

Section 14A of the Exchange Act requires that the Company provide its shareholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of the Company's Named Executive Officers as disclosed pursuant to the compensation disclosure rules of the SEC, and the Company is therefore providing its shareholders with the opportunity to cast such an advisory vote on executive compensation at this year's Annual Meeting as described below. The Company believes that it is appropriate to seek the views of shareholders on the design and effectiveness of the Company's executive compensation program.

Based on the results of an advisory vote on the frequency of advisory votes on executive compensation at the Company's 2017 annual meeting of shareholders, where the Board of Directors recommended and the shareholders voted in favor of holding an advisory vote on executive compensation every year, the Board of Directors determined that, until the next vote on the frequency of holding advisory votes on executive compensation, the Company will hold a shareholder advisory vote on executive compensation every year. Therefore, the next advisory vote on executive compensation will occur at the Company's 2022 annual meeting of shareholders. Section 14A of the Exchange Act requires that at least once every six years the Company provide its shareholders with the opportunity to vote, on a nonbinding, advisory basis, on whether the frequency of future advisory votes on executive compensation will be every one, two, or three years.

As described in the Compensation Discussion and Analysis section of this Proxy Statement, the Company's objective for its executive compensation program is to attract, motivate, develop, and retain executives who will contribute to the Company's long-term success and the creation of shareholder value. The Company seeks to accomplish this objective in a way that rewards performance and is aligned with its shareholders' long-term interests, and the Company's compensation programs are designed to reward the Named Executive Officers for the achievement of short-term and long-term strategic and operational goals and the achievement of increased shareholder return, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking.

The framework and executive compensation philosophy are established by an independent People Development and Compensation Committee of the Board of Directors. The following items reflect our commitment to pay for performance and to maintain a strong executive compensation governance framework:

- Incentive plans that are based upon financial and operational goals that are reviewed annually by the People Development and Compensation Committee.

- An annual risk assessment conducted by the People Development and Compensation Committee to evaluate whether incentive programs drive behaviors that are demonstrably within the risk management parameters it deems prudent.

- A robust share ownership and retention policy.

The Compensation Discussion and Analysis and the compensation tables and disclosures provided in this Proxy Statement describe the Company's executive compensation program in more detail, and discuss the following key elements of the program:

- We pay for performance, both in setting base salaries and awarding incentives via an Executive Officers Incentive Compensation Plan. This plan is used to assess the participating Named Executive Officers' performance based on numerous criteria, including certain financial measures such as levels of earnings, growth of assets, return on equity and assets, cash flow, market share, operating margins and operating expenses; certain service measures including performance of the Company's operating segments; employee engagement; and strategic positioning.

- Periodically, we retain external, independent compensation consultants to review the compensation levels and practices for the Named Executive Officers, compare those levels to executives in comparable positions in select industries and companies, and identify potential gaps or inconsistencies in our compensation practices.

- None of the Named Executive Officers has an employment agreement or severance arrangement. In addition, the Company generally does not provide significant perquisites, tax reimbursements, or change in control benefits to the Named Executive Officers that are not available to other employees, and we do not issue stock options.

- Each of the Named Executive Officers is employed at-will and is expected to demonstrate exceptional personal performance in order to continue serving as a member of the executive team.

The Company believes the compensation program for the Named Executive Officers is instrumental in helping the Company achieve its strong financial performance, and is asking shareholders to approve the compensation of the Company's Named Executive Officers as disclosed in this Proxy Statement, including in the Compensation Discussion and Analysis, the compensation tables, and the narrative disclosures that accompany the compensation tables.

The vote on this proposal is not intended to address any specific element of compensation; rather, the vote relates to the compensation of our Named Executive Officers, as described in this Proxy Statement in accordance with the compensation disclosure rules of the SEC. As an advisory vote, the vote on this proposal is not binding upon the Company, the Board of Directors, or the People Development and Compensation Committee. However, the People Development and Compensation Committee, which is responsible for designing and administering the Company's executive compensation program, values the opinions expressed by shareholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for Named Executive Officers.

Accordingly, the Company's shareholders are asked to vote on the following resolution at the Annual Meeting:

> "RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the Named Executive Officers, as disclosed in the Company's Proxy Statement for the 2021 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table, and the other related tables and disclosure."

The Board of Directors recommends a vote FOR the approval of the compensation of the Company's Named Executive Officers, as disclosed in this Proxy Statement.

OTHER SHAREHOLDER MATTERS

Householding

Under SEC rules, we are allowed to send in a single envelope our Notice of Internet Availability of Proxy Materials or a single copy of our proxy solicitation and other required annual meeting materials to two or more shareholders sharing the same address. We may do this only if the shareholders at that address share the same last name or if we reasonably believe that the shareholders are members of the same family or group. If we are sending a Notice, the envelope must contain a separate Notice for each shareholder at the shared address. Each Notice must also contain a unique control number that each shareholder will use to gain access to our proxy materials and vote online. If we are mailing a paper copy of our proxy materials, the rules require us to send each shareholder at the shared address a separate proxy card.

We believe these rules are beneficial to both our shareholders and to us. Our printing and postage costs are lowered anytime we eliminate duplicate mailings to the same household. However, shareholders at a shared address may revoke their consent to the householding program and receive their Notice in a separate envelope, or, if they have elected to receive a full copy of our proxy materials in the mail, receive a separate copy of these materials. If you receive a single set of proxy materials but prefer to receive separate copies for each registered account in your household, please contact our agent, Broadridge, at: 1-866-540-7095, or in writing at: Broadridge Householding Department, 51 Mercedes Way, Edgewood, New York 11717. Broadridge will remove you from the householding program within 30 days of receipt of your request, following which you will begin receiving an individual copy of the material.

You can also contact Broadridge at the phone number above if you received multiple copies of the proxy materials and would prefer to receive a single copy in the future.

Other Business

On the date that this Proxy Statement was first made available to shareholders, the Board of Directors had no knowledge of any other matter which will come before the Annual Meeting other than the matters described herein. However, if any such matter is properly presented at the Annual Meeting, the proxy solicited hereby confers discretionary authority to the proxies to vote in their sole discretion with respect to such matters, as well as other matters incident to the conduct of the Annual Meeting.

Shareholder Proposals for 2022 Annual Meeting

Shareholder proposals intended to be presented at the 2022 Annual Meeting of Shareholders, currently scheduled for May 19, 2022, must be received at the Company's offices at 121 South 13th Street, Suite 100, Lincoln, Nebraska 68508, Attention: Corporate Secretary, on or before December 9, 2021, to be eligible for inclusion in the Company's 2022 proxy materials. The inclusion of any such proposal in such proxy materials shall be subject to the requirements of the proxy rules adopted under the Exchange Act (the "Proxy Rules"). The submission of a shareholder proposal does not guarantee that it will be included in the Company's Proxy Statement.

A shareholder may otherwise propose business for consideration or nominate persons for election to the Board of Directors, in compliance with federal proxy rules, applicable state law, and other legal requirements and without seeking to have the proposal included in the Company's Proxy Statement pursuant to the Proxy Rules. Under the Company's Bylaws, the Secretary of the Company must receive notice of any such proposal or nominations for the Company's 2022 Annual Meeting between January 20 and February 19, 2022 (90 to 120 days before the first anniversary of this year's Annual Meeting date). The notice must contain the information required by the Company's Bylaws. A proxy may confer discretionary authority to vote on any matter at a meeting if the Company does not receive notice of the matter within the time frame described above. A copy of the Company's Bylaws is available at the Company's investor relations website at www.nelnetinvestors.com under "Corporate Governance" - "Governance Documents" or is available upon request to: Nelnet, Inc., 121 South 13th Street, Suite 100, Lincoln, Nebraska 68508, Attention: Corporate Secretary. The Chairman of the meeting may exclude matters that are not properly presented in accordance with these requirements.

MISCELLANEOUS

The information under the captions "People Development and Compensation Committee Report" and "Audit Committee Report" (i) shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or the liabilities of Section 18 of the Exchange Act, and (ii) shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the Company specifically incorporates such information by reference in such filing.