NELNET INC
Form 10-Q
November 08, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2018

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 (Address of principal executive offices)	68508 (Zip Code)

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

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

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

As of October 31, 2018, there were 29,257,880 and 11,468,587 shares of Class A Common Stock and Class B Common Stock, par value $0.01 per share, outstanding, respectively (excluding a total of 11,305,731 shares of Class A Common Stock held by wholly owned subsidiaries).

NELNET, INC.
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September 30, 2018

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	As of September 30, 2018	As of December 31, 2017
Assets:		
Loans receivable (net of allowance for loan losses of $60,217 and $54,590, respectively)	$22,528,362	21,814,507
Cash and cash equivalents:		
Cash and cash equivalents - not held at a related party	10,766	6,982
Cash and cash equivalents - held at a related party	72,771	59,770
Total cash and cash equivalents	83,537	66,752
Investments and notes receivable	246,815	240,538
Restricted cash	723,338	688,193
Restricted cash - due to customers	188,591	187,121
Loan accrued interest receivable	624,259	430,385
Accounts receivable (net of allowance for doubtful accounts of $2,426 and $1,436, respectively)	76,899	37,863
Goodwill	153,802	138,759
Intangible assets, net	95,660	38,427
Property and equipment, net	339,730	248,051
Other assets	41,889	73,021
Fair value of derivative instruments	2,043	818
Total assets	$25,104,925	23,964,435
Liabilities:		
Bonds and notes payable	$22,251,433	21,356,573
Accrued interest payable	60,658	50,039
Other liabilities	272,891	198,252
Due to customers	188,591	187,121
Fair value of derivative instruments	4,224	7,063
Total liabilities	22,777,797	21,799,048
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 29,341,791 shares and 29,341,517 shares, respectively	293	293
Class B, convertible, $0.01 par value. Authorized 60,000,000 shares; issued and outstanding 11,468,587 shares	115	115
Additional paid-in capital	4,908	521
Retained earnings	2,307,573	2,143,983
Accumulated other comprehensive earnings	3,975	4,617

Total Nelnet, Inc. shareholders' equity	2,316,864	2,149,529
Noncontrolling interests	10,264	15,858
Total equity	2,327,128	2,165,387
Total liabilities and equity	$25,104,925	23,964,435
Supplemental information - assets and liabilities of consolidated education lending variable interest entities:		
Student loans receivable	$22,536,434	21,909,476
Restricted cash	683,211	641,994
Loan accrued interest receivable and other assets	625,122	431,934
Bonds and notes payable	(22,337,987)	(21,702,298)
Accrued interest payable and other liabilities	(214,554)	(168,637)
Net assets of consolidated education lending variable interest entities	$1,292,226	1,112,469

See accompanying notes to consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Interest income:				
Loan interest	$232,320	193,087	653,414	564,173
Investment interest	7,628	3,800	18,581	9,616
Total interest income	239,948	196,887	671,995	573,789
Interest expense:				
Interest on bonds and notes payable	180,175	121,650	487,174	341,787
Net interest income	59,773	75,237	184,821	232,002
Less provision for loan losses	10,500	6,700	18,000	10,700
Net interest income after provision for loan losses	49,273	68,537	166,821	221,302
Other income:				
Loan servicing and systems revenue	112,579	55,950	327,265	167,079
Education technology, services, and payment processing revenue	58,409	50,358	167,372	149,862
Communications revenue	11,818	6,751	31,327	17,577
Other income	16,673	19,756	44,449	44,874
Gain from debt repurchases	—	116	359	5,537
Derivative market value and foreign currency transaction adjustments and derivative settlements, net	17,098	7,173	100,927	(25,568)
Total other income	216,577	140,104	671,699	359,361
Cost of services:				
Cost to provide education technology, services, and payment processing services	19,087	15,151	44,087	37,456
Cost to provide communications services	4,310	2,632	11,892	6,789
Total cost of services	23,397	17,783	55,979	44,245
Operating expenses:				
Salaries and benefits	114,172	74,193	321,932	220,684
Depreciation and amortization	22,992	10,051	62,943	27,687
Loan servicing fees	3,087	8,017	9,428	19,670
Other expenses	45,194	29,500	119,020	81,923
Total operating expenses	185,445	121,761	513,323	349,964
Income before income taxes	57,008	69,097	269,218	186,454
Income tax expense	13,882	25,562	63,369	70,349
Net income	43,126	43,535	205,849	116,105
Net (income) loss attributable to noncontrolling interests	(199)	2,768	438	8,960
Net income attributable to Nelnet, Inc.	$42,927	46,303	206,287	125,065
Earnings per common share:				
Net income attributable to Nelnet, Inc. shareholders - basic and diluted	$1.05	1.11	5.04	2.97
Weighted average common shares outstanding - basic and diluted	40,988,965	41,553,316	40,942,177	42,054,532

See accompanying notes to consolidated financial statements.

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net income	$43,126	43,535	205,849	116,105
Other comprehensive income (loss):				
Available-for-sale securities:				
Unrealized holding losses arising during period, net	2,438	405	964	383
Reclassification adjustment for gains recognized in net income, net of losses	(765)	(504)	(817)	(1,244)
Income tax effect	(402)	35	(46)	318
Total other comprehensive income (loss)	1,271	(64)	101	(543)
Comprehensive income	44,397	43,471	205,950	115,562
Comprehensive (income) loss attributable to noncontrolling interests	(199)	2,768	438	8,960
Comprehensive income attributable to Nelnet, Inc.	$44,198	46,239	206,388	124,522

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in thousands, except share data)
(unaudited)

	Nelnet, Inc. Shareholders										
		Common stock shares									
	Preferred stock shares	Class A	Class B	Preferred stock	Class A common stock	Class B common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) earnings	Noncontrolling interests	Total equity
Balance as of June 30, 2017	—	30,373,691	11,476,932	$ —	304	115	366	2,110,158	4,251	15,215	2,130,409
Issuance of noncontrolling interests	—	—	—	—	—	—	—	—	—	6,901	6,901
Net income (loss)	—	—	—	—	—	—	—	46,303	—	(2,768)	43,535
Other comprehensive loss	—	—	—	—	—	—	—	—	(64)	—	(64)
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	(759)	(759)
Cash dividend on Class A and Class B common stock - $0.14 per share	—	—	—	—	—	—	—	(5,766)	—	—	(5,766)
Issuance of common stock, net of forfeitures	—	10,125	—	—	—	—	278	—	—	—	278
Compensation expense for stock based awards	—	—	—	—	—	—	1,042	—	—	—	1,042
Repurchase of common stock	—	(947,794)	—	—	(10)	—	(1,326)	(43,800)	—	—	(45,136)
Balance as of September 30, 2017	—	29,436,022	11,476,932	$ —	294	115	360	2,106,895	4,187	18,589	2,130,440
Balance as of June 30, 2018	—	29,331,002	11,468,587	$ —	293	115	2,586	2,271,171	2,704	9,834	2,286,703
Issuance of noncontrolling interests	—	—	—	—	—	—	—	—	—	326	326
Net income	—	—	—	—	—	—	—	42,927	—	199	43,126
Other comprehensive income	—	—	—	—	—	—	—	—	1,271	—	1,271
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	(95)	(95)
Cash dividend on Class A and Class	—	—	—	—	—	—	—	(6,525)	—	—	(6,525)

B common stock - $0.16 per share											
Issuance of common stock, net of forfeitures	—	14,086	—	—	—	—	580	—	—	—	580
Compensation expense for stock based awards	—	—	—	—	—	—	1,934	—	—	—	1,934
Repurchase of common stock	—	(3,297)	—	—	—	—	(192)	—	—	—	(192)
Balance as of September 30, 2018	—	29,341,791	11,468,587	$ —	293	115	4,908	2,307,573	3,975	10,264	2,327,128
Balance as of December 31, 2016	—	30,628,112	11,476,932	$ —	306	115	420	2,056,084	4,730	9,270	2,070,925
Issuance of noncontrolling interests	—	—	—	—	—	—	—	—	—	19,553	19,553
Net income (loss)	—	—	—	—	—	—	—	125,065	—	(8,960)	116,105
Other comprehensive loss	—	—	—	—	—	—	—	—	(543)	—	(543)
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	(1,274)	(1,274)
Cash dividends on Class A and Class B common stock - $0.42 per share	—	—	—	—	—	—	—	(17,569)	—	—	(17,569)
Issuance of common stock, net of forfeitures	—	171,481	—	—	2	—	3,359	—	—	—	3,361
Compensation expense for stock based awards	—	—	—	—	—	—	3,213	—	—	—	3,213
Repurchase of common stock	—	(1,363,571)	—	—	(14)	—	(6,632)	(56,685)	—	—	(63,331)
Balance as of September 30, 2017	—	29,436,022	11,476,932	$ —	294	115	360	2,106,895	4,187	18,589	2,130,440
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	—	—	—	—	—	—	—	—	—	847	847
Net income (loss)	—	—	—	—	—	—	—	206,287	—	(438)	205,849
Other comprehensive income	—	—	—	—	—	—	—	—	101	—	101
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	(351)	(351)

Cash dividends on Class A and Class B common stock - $0.48 per share	—	—	—	—	—	—	—	(19,539)	—	—	(19,539)
Issuance of common stock, net of forfeitures	—	319,365	—	—	3	—	4,662	—	—	—	4,665
Compensation expense for stock based awards	—	—	—	—	—	—	4,526	—	—	—	4,526
Repurchase of common stock	—	(319,091)	—	—	(3)	—	(4,801)	(11,716)	—	—	(16,520)
Impact of adoption of new accounting standards	—	—	—	—	—	—	—	2,007	(743)	—	1,264
Acquisition of noncontrolling interest	—	—	—	—	—	—	—	(13,449)	—	(5,652)	(19,101)
Balance as of September 30, 2018	—	29,341,791	11,468,587	$ —	293	115	4,908	2,307,573	3,975	10,264	2,327,128

See accompanying notes to consolidated financial statements.

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

	Nine months ended September 30,	
	2018	2017
Net income attributable to Nelnet, Inc.	$206,287	125,065
Net loss attributable to noncontrolling interests	(438)	(8,960)
Net income	205,849	116,105
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisition:		
Depreciation and amortization, including debt discounts and loan premiums and deferred origination costs	136,816	99,826
Loan discount accretion	(31,315)	(32,820)
Provision for loan losses	18,000	10,700
Derivative market value adjustment	(49,909)	(22,381)
Unrealized foreign currency transaction adjustment	—	45,635
Proceeds from clearinghouse - initial and variation margin, net	46,418	58,900
Gain from debt repurchases	(359)	(5,537)
Gain from equity securities, net of losses	(8,280)	—
Deferred income tax expense (benefit)	23,574	(15,012)
Non-cash compensation expense	4,781	3,370
Impairment expense	3,907	—
Other	(856)	3,451
Increase in loan accrued interest receivable	(193,926)	(5,572)
Increase in accounts receivable	(15,328)	(19,209)
Decrease (increase) in other assets	49,255	(8,660)
Increase in accrued interest payable	10,619	2,147
(Decrease) increase in other liabilities	(7,159)	20,548
Increase (decrease) in due to customers	1,470	(14,403)
Net cash provided by operating activities	193,557	237,088
Cash flows from investing activities, net of acquisition:		
Purchases of loans	(3,231,956)	(183,466)
Net proceeds from loan repayments, claims, capitalized interest, and other	2,484,596	2,520,197
Proceeds from sale of loans	23,712	—
Purchases of available-for-sale securities	(38,064)	(109,666)
Proceeds from sales of available-for-sale securities	58,594	141,206
Purchases of investments and issuance of notes receivable	(49,216)	(21,823)
Proceeds from investments and notes receivable	21,461	6,174
Purchases of property and equipment	(96,480)	(106,656)
Business acquisition, net of cash acquired	(109,152)	—
Net cash (used in) provided by investing activities	(936,505)	2,245,966
Cash flows from financing activities:		
Payments on bonds and notes payable	(2,149,449)	(3,679,592)
Proceeds from issuance of bonds and notes payable	3,004,848	1,178,027
Payments of debt issuance costs	(10,953)	(4,411)
Dividends paid	(19,539)	(17,569)
Repurchases of common stock	(16,520)	(63,331)

Proceeds from issuance of common stock	993	457
Acquisition of noncontrolling interest	(13,449)	—
Issuance of noncontrolling interests	768	19,475
Distribution to noncontrolling interests	(351)	(1,274)
Net cash provided by (used in) financing activities	796,348	(2,568,218)
Net increase (decrease) in cash, cash equivalents, and restricted cash	53,400	(85,164)
Cash, cash equivalents, and restricted cash, beginning of period	942,066	1,170,317
Cash, cash equivalents, and restricted cash, end of period	$995,466	1,085,153

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

	Nine months ended September 30, 2018	2017
Supplemental disclosures of cash flow information:		
Cash disbursements made for interest	$425,782	287,265
Cash (refunds received) disbursements made for income taxes, net	$(6,491)	71,431

Supplemental disclosures of noncash operating and investing activities regarding the Company's business acquisition during the nine months ended September 30, 2018 are contained in note 7.

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 September 30, 2018	As of December 31, 2017	As of September 30, 2017	As of December 31, 2016
Total cash and cash equivalents	$ 83,537	66,752	254,391	69,654
Restricted cash	723,338	688,193	725,463	980,961
Restricted cash - due to customers	188,591	187,121	105,299	119,702
Cash, cash equivalents, and restricted cash	$ 995,466	942,066	1,085,153	1,170,317

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts, unless otherwise noted)
(unaudited)

1. Basis of Financial Reporting

The accompanying unaudited consolidated financial statements of Nelnet, Inc. and subsidiaries (the “Company”) as of September 30, 2018 and for the three and nine months ended September 30, 2018 and 2017 have been prepared on the same basis as the audited consolidated financial statements for the year ended December 31, 2017 and, in the opinion of the Company’s management, the unaudited consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results of operations for the interim periods presented. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results for the year ending December 31, 2018. The unaudited consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 (the "2017 Annual Report").

Reporting Segment Name Changes

During the first quarter of 2018, the Company changed the name of the Tuition Payment Processing and Campus Commerce operating segment to Education Technology, Services, and Payment Processing to better describe the evolution of services this operating segment provides. In addition, the Loan Systems and Servicing segment was retitled as Loan Servicing and Systems. As a result, the line items "tuition payment processing, school information, and campus commerce revenue" and "loan systems and servicing revenue" on the consolidated statements of income were changed to "education technology, services, and payment processing revenue" and "loan servicing and systems revenue," respectively.

Reclassifications

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

- Reclassifying certain non-customer receivables, which were previously included in "accounts receivable," to "other assets."

- Reclassifying direct costs to provide services for education technology, services, and payment processing, which were previously included in "other expenses," to "cost to provide education technology, services, and payment processing services."

- Reclassifying the line item "cost to provide communications services" on the consolidated statements of income from part of "operating expenses" and presenting such costs as part of "cost of services."

- Reclassifying consumer loan activity on the consolidated statements of income, which was previously included in "investment interest" and "other expenses," to "loan interest" and "provision for loan losses" and "loan servicing fees," respectively, and reclassifying consumer loan activity on the consolidated statements of cash flows as appropriate. This did not result in a change in the Company's previously reported net cash provided by operating or investing activities.

Accounting Standards Adopted in 2018

In the first quarter of 2018, the Company adopted the following new accounting standards and other guidance:
Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification Topic 606, Revenue from Contracts with Customers ("ASC Topic 606"). Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted the standard effective January 1, 2018, using the full retrospective method, which required it to restate each prior reporting period presented. As a result, the Company changed its accounting policy for revenue recognition as detailed in note 2, "Summary of Significant Accounting Policies and Practices."

The most significant impact of the standard relates to identifying the Company's fee-based Education Technology, Services, and Payment Processing operating segment as the principal in its payment services transactions. As a result of this change, the Company presents the payment services revenue gross, with the direct costs to provide these services presented separately. The Company's other fee-based operating segments will recognize revenue consistent with historical revenue recognition patterns. The majority of the Company's revenue earned in its non-fee-based Asset Generation and Management operating segment, including loan interest and derivative activity, is explicitly excluded from the scope of the new standard.

Impacts to Previously Reported Results

Adoption of the revenue recognition standard impacted the Company's previously reported results on the consolidated statements of income as follows:

	Three months ended September 30, 2017			
	As previously reported	Impact of adoption	As restated	
Education technology, services, and payment processing revenue	$35,450	14,908	50,358	
Cost to provide education technology, services, and payment processing services	—	14,908	14,908	(a)

	Nine months ended September 30, 2017			
	As previously reported	Impact of adoption	As restated	
Education technology, services, and payment processing revenue	$113,293	36,569	149,862	
Cost to provide education technology, services, and payment processing services	—	36,569	36,569	(a)

(a) In addition to the impact of adopting the new revenue recognition standard, as discussed above, the Company reclassified other direct costs to provide education technology, services, and payment processing services which were previously reported as part of "other expenses" to "cost to provide education technology, services, and payment processing services."

Adoption of the new revenue recognition standard had no impact to the consolidated balance sheets or cash provided by or used in operating, investing, or financing activities on the consolidated statements of cash flows.

Equity Investments

In January 2016, the FASB issued new accounting guidance related to the recognition and measurement of financial assets and financial liabilities. The guidance, including a related clarifying update, requires equity investments with readily determinable fair values to be 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). An entity may choose to measure equity investments without readily determinable fair values at fair value or use 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. In addition, the impairment assessment is simplified by requiring a qualitative assessment to identify impairment.

The guidance requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption to reclassify the cumulative change in fair value of equity securities with readily determinable fair values previously recognized in accumulated other comprehensive income, and was adopted by the Company as of January 1, 2018. Upon adoption, the Company recorded an immaterial cumulative-effect adjustment to retained earnings, accumulated other comprehensive earnings, and investments and notes receivable. Subsequent to the adoption, the Company is accounting for the majority of its equity investments without readily determinable fair values using the measurement alternative.

Other Comprehensive Income

In February 2018, the FASB issued guidance which allows a reclassification from accumulated other comprehensive earnings to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act, which became effective on January 1, 2018. This guidance is effective for fiscal years beginning after December 15, 2018, but early adoption is permitted. The Company elected to early adopt this guidance as of January 1, 2018. Upon adoption, the Company recorded an immaterial reclassification between accumulated other comprehensive earnings and retained earnings.

Restricted Cash

In November 2016, the FASB issued accounting guidance related to restricted cash. The new guidance requires that the statement of cash flows present the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents, and a reconciliation of such total to amounts on the balance sheet. The Company adopted the standard effective January 1, 2018 using the retrospective transition method. Adoption of this standard impacted the Company's previously reported amounts on the consolidated statements of cash flows as follows:

	Nine months ended September 30, 2017		
	As previously reported	Impact of adoption	As restated
Decrease in due to customers	$—	(14,403)	(14,403)
Proceeds from clearinghouse - initial and variation margin, net	37,444	21,456	58,900
Net cash provided by operating activities	230,733	6,355	237,088
Decrease in restricted cash, net	276,654	(276,654)	—
Net cash provided by investing activities	2,522,620	(276,654)	2,245,966

2. Summary of Significant Accounting Policies and Practices

Except for the changes below, no significant changes have been made to the Company’s significant accounting policies and practices disclosed in note 3, Summary of Significant Accounting Policies and Practices, in the 2017 Annual Report.

Revenue Recognition

The Company applies the provisions of 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. Additional information related to the Company's revenue recognition of specific items is provided below.

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.

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 will perform 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:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Government servicing - Nelnet	$38,907	38,594	118,015	117,409
Government servicing - Great Lakes (a)	45,671	—	122,107	—
FFELP servicing	7,422	3,979	24,259	11,693
Private education and consumer loan servicing	10,007	7,596	31,990	20,535
Software services	8,201	4,430	24,461	13,093
Outsourced services and other	2,371	1,351	6,433	4,349
Loan servicing and systems revenue	$112,579	55,950	327,265	167,079

(a) Great Lakes Educational Loan Services, Inc. ("Great Lakes") was acquired by the Company on February 7, 2018. For additional information about the acquisition, see note 7.

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.

- 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 include (i) assistance with financial needs assessment, (ii) automating administrative processes such as admissions, online applications and enrollment services, scheduling, student billing, 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 innovative education-focused technologies, services, and support solutions to help schools with the everyday challenges of collecting and processing commerce data. 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:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Tuition payment plan services	$19,771	17,885	63,209	58,543
Payment processing	26,956	22,541	62,908	55,371
Education technology and services	11,419	9,831	40,411	35,804
Other	263	101	844	144
Education technology, services, and payment processing revenue	$58,409	50,358	167,372	149,862

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:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Internet	$6,456	3,205	16,547	7,978
Television	3,385	2,115	9,250	5,498
Telephone	1,957	1,413	5,471	4,018
Other	20	18	59	83
Communications revenue	$11,818	6,751	31,327	17,577
Residential revenue	$8,896	4,680	23,367	11,851
Business revenue	2,861	2,013	7,779	5,525
Other	61	58	181	201
Communications revenue	$11,818	6,751	31,327	17,577

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:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Realized and unrealized gains on investments, net	$1,288	2,201	11,505	3,818
Borrower late fee income	3,253	2,731	8,994	9,098
Investment advisory fees	1,183	5,852	4,169	11,661
Management fee revenue	1,756	—	4,673	—
Peterson's revenue	—	3,402	—	9,282
Other	9,193	5,570	15,108	11,015
Other income	$16,673	19,756	44,449	44,874

- 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.

- Investment advisory fees - Investment advisory services are provided by the Company through an 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 technology and certain administrative support services provided to Great Lakes' former parent company. Revenue is allocated to the distinct service period, based on when each transaction is completed.

- Peterson's revenue - The Company earned revenue related to digital marketing and content solution products and services under the brand name Peterson's. These products and services included test preparation study guides, school directories and databases, career exploration guides, on-line courses and test preparation, scholarship search and selection data, career planning information and guides, and on-line information about colleges and universities. Several content solutions services included services to connect students to colleges and universities, and were sold based on subscriptions. Revenue from sales of subscription services was recognized ratably over the term of the contract as it was earned. Subscription revenue received or receivable in advance of the delivery of services was included in deferred revenue. Revenue from the sale of print products was generally earned and recognized, net of estimated returns, upon shipment or delivery. All other digital marketing and content solutions revenue was recognized over the period in which services were provided to customers. On December 31, 2017, the Company sold Peterson's. The Company applied a practical expedient allowed for the retrospective comparative period which does not require the Company to restate revenue from contracts that began and were completed within the same annual reporting period.

Contract Balances - The following table provides information about liabilities from contracts with customers:

	As of September 30, 2018	As of December 31, 2017
Deferred revenue, which is included in "other liabilities" on the consolidated balance sheets	$ 42,831	32,276

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.

Activity in the deferred revenue balance is shown below:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Balance, beginning of period	$25,660	25,954	32,276	33,141
Deferral of revenue	45,174	38,705	97,726	79,435
Recognition of revenue	(27,992)	(22,181)	(87,303)	(70,128)
Other	(11)	27	132	57
Balance, end of period	$42,831	42,505	42,831	42,505

Assets Recognized from the Costs to Obtain a Contract with a Customer - 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 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.

3. Loans Receivable and Allowance for Loan Losses

Loans receivable consisted of the following:

	As of September 30, 2018	As of December 31, 2017
Federally insured student loans:		
Stafford and other	$4,956,324	4,418,881
Consolidation	17,434,419	17,302,725
Total	22,390,743	21,721,606
Private education loans	169,467	212,160
Consumer loans	112,547	62,111
	22,672,757	21,995,877
Loan discount, net of unamortized loan premiums and deferred origination costs	(63,566)	(113,695)
Non-accretable discount	(20,612)	(13,085)
Allowance for loan losses:		
Federally insured loans	(43,053)	(38,706)
Private education loans	(11,253)	(12,629)
Consumer loans	(5,911)	(3,255)
	$22,528,362	21,814,507

Activity in the Allowance for Loan Losses

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

	Balance at beginning of period	Provision for loan losses	Charge-offs	Recoveries	Other	Balance at end of period
	Three months ended September 30, 2018					
Federally insured loans	$37,263	8,000	(2,210)	—	—	43,053
Private education loans	11,664	—	(535)	124	—	11,253
Consumer loans	4,788	2,500	(1,403)	26	—	5,911
	$53,715	10,500	(4,148)	150	—	60,217
	Three months ended September 30, 2017					
Federally insured loans	$35,862	7,000	(3,464)	—	—	39,398
Private education loans	13,846	(1,000)	(491)	161	50	12,566
Consumer loans	1,000	700	(33)	—	—	1,667
	$50,708	6,700	(3,988)	161	50	53,631
	Nine months ended September 30, 2018					
Federally insured loans	$38,706	12,000	(8,653)	—	1,000	43,053
Private education loans	12,629	—	(1,846)	470	—	11,253
Consumer loans	3,255	6,000	(3,376)	32	—	5,911
	$54,590	18,000	(13,875)	502	1,000	60,217
	Nine months ended September 30, 2017					
Federally insured loans	$37,268	11,000	(8,870)	—	—	39,398
Private education loans	14,574	(2,000)	(861)	603	250	12,566
Consumer loans	—	1,700	(33)	—	—	1,667
	$51,842	10,700	(9,764)	603	250	53,631

Student Loan Status and Delinquencies

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

	As of September 30, 2018		As of December 31, 2017		As of September 30, 2017	
Federally insured loans:						
Loans in-school/grace/deferment	$1,410,902		$1,260,394		$1,448,172	
Loans in forbearance	1,487,107		1,774,405		2,406,346	
Loans in repayment status:						
Loans current	16,921,119	86.8 %	16,477,004	88.2 %	16,534,795	88.7 %
Loans delinquent 31-60 days	689,454	3.5	682,586	3.7	579,665	3.1
Loans delinquent 61-90 days	412,639	2.1	374,534	2.0	334,085	1.8
Loans delinquent 91-120 days	347,013	1.8	287,922	1.5	255,567	1.4
Loans delinquent 121-270 days	853,224	4.4	629,480	3.4	700,319	3.8
Loans delinquent 271 days or greater	269,285	1.4	235,281	1.2	228,335	1.2
Total loans in repayment	19,492,734	100.0%	18,686,807	100.0%	18,632,766	100.0%
Total federally insured loans	$22,390,743		$21,721,606		$22,487,284	
Private education loans:						
Loans in-school/grace/deferment	$3,550		$6,053		$27,188	
Loans in forbearance	1,577		2,237		2,904	
Loans in repayment status:						
Loans current	156,383	95.2 %	196,720	96.5 %	190,153	96.8 %
Loans delinquent 31-60 days	1,796	1.1	1,867	0.9	1,200	0.6
Loans delinquent 61-90 days	1,155	0.7	1,052	0.5	1,195	0.6
Loans delinquent 91 days or greater	5,006	3.0	4,231	2.1	3,989	2.0
Total loans in repayment	164,340	100.0%	203,870	100.0%	196,537	100.0%
Total private education loans	$169,467		$212,160		$226,629	

4. Bonds and Notes Payable

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

	As of September 30, 2018		
	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	$20,695,887	2.38% - 4.07%	4/25/24 - 10/25/66
Bonds and notes based on auction	799,576	2.77% - 3.51%	3/22/32 - 11/26/46
Total FFELP variable-rate bonds and notes	21,495,463		
FFELP warehouse facilities	705,144	2.34% / 2.38%	11/19/19 / 5/31/21
Variable-rate bonds and notes issued in private education loan asset-backed securitization	55,406	3.97%	12/26/40
Fixed-rate bonds and notes issued in private education loan asset-backed securitization	66,975	3.60% / 5.35%	12/26/40 / 12/28/43
Unsecured line of credit	160,000	3.65%	6/22/23
Unsecured debt - Junior Subordinated Hybrid Securities	20,381	6.91%	9/15/61
Other borrowings	79,669	2.77% - 5.22%	10/1/18 - 12/15/45
	22,583,038		
Discount on bonds and notes payable and debt issuance costs	(331,605)		
Total	$22,251,433		

	As of December 31, 2017		
	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	$20,352,045	1.47% - 3.37%	8/25/21 - 2/25/66
Bonds and notes based on auction	780,829	2.09% - 2.69%	3/22/32 - 11/26/46
Total FFELP variable-rate bonds and notes	21,132,874		
FFELP warehouse facilities	335,992	1.55% / 1.56%	11/19/19 / 5/31/20
Variable-rate bonds and notes issued in private education loan asset-backed securitization	74,717	3.30%	12/26/40
Fixed-rate bonds and notes issued in private education loan asset-backed securitization	82,647	3.60% / 5.35%	12/26/40 / 12/28/43
Unsecured line of credit	10,000	2.98%	12/12/21
Unsecured debt - Junior Subordinated Hybrid Securities	20,381	5.07%	9/15/61
Other borrowings	70,516	2.44% - 3.38%	1/12/18 - 12/15/45
	21,727,127		
Discount on bonds and notes payable and debt issuance costs	(370,554)		
Total	$21,356,573		

FFELP Warehouse Facilities

The Company funds a portion of its Federal Family Education Loan Program (the "FFEL Program" or "FFELP") loan acquisitions using its FFELP warehouse facilities. Student loan warehousing allows the Company to buy and manage student loans prior to transferring them into more permanent financing arrangements.

As of September 30, 2018, the Company had two FFELP warehouse facilities as summarized below.

	NFSLW-I (a)	NHELP-II (b)	Total
Maximum financing amount	$ 550,000	500,000	1,050,000
Amount outstanding	531,782	173,362	705,144
Amount available	$ 18,218	326,638	344,856
Expiration of liquidity provisions	September 20, 2019	May 31, 2019	
Final maturity date	November 19, 2019	May 31, 2021	
Maximum advance rates	92 - 98%	85 - 95%	
Minimum advance rates	84 - 90%	85 - 95%	
Advanced as equity support	$ 21,349	14,797	36,146

(a) On April 24, 2018, the Company increased the maximum financing amount for this warehouse facility from $500.0 million to $1.25 billion. On May 3, 2018, the Company temporarily increased the maximum financing amount for this warehouse facility an additional $75.0 million to $1.325 billion. During the three months ended September 30, 2018, the Company decreased the maximum financing amount for this warehouse facility to $550.0 million.

On November 6, 2018, the Company amended the agreement for this warehouse facility, which changed the expiration date for the liquidity provisions to May 20, 2019 and changed the final maturity date to May 20, 2020. In addition, the amendment changed the advance rates on this facility that provides for formula-based advance rates that are static 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.

(b) On April 24, 2018, the Company amended the agreement for this warehouse facility, which changed the expiration date for the liquidity provisions to May 31, 2019 and changed the final maturity date to May 31, 2021.

Asset-Backed Securitizations

The following table summarizes the asset-backed securitization transactions completed during the first nine months of 2018.

	2018-1 Class A-1 Notes	Class A-2 Notes	2018-1 total	2018-2	2018-3 Class A-1 Notes	Class A-2 Notes	Class A-3 Notes	2018-3 total	2018-4 Class A-1 Notes	Class A-2 Notes	2018-4 total
Date securities issued	3/29/18	3/29/18	3/29/18	6/7/18	7/26/18	7/26/18	7/26/18	7/26/18	8/30/18	8/30/18	8/30/18
Total original principal amount	$98,000	375,750	473,750	509,800	220,000	546,900	220,000	1,001,900	30,500	451,900	495,700
Class A senior notes:											
Total principal amount	$98,000	375,750	473,750	509,800	220,000	546,900	220,000	986,900	30,500	451,900	482,400
Cost of funds (1-month LIBOR plus:)	0.32%	0.76%		0.65%	0.30 %	0.44 %	0.75 %		0.26 %	0.70 %	
Final maturity date	5/25/66	5/25/66		7/26/66	9/27/66	9/27/66	9/27/66		10/25/66	10/25/66	
Class B subordinated notes:											
Total original principal amount								$15,000			13,300
Bond discount								(229)			—
Issue price								$14,771			13,300
Cost of funds (1-month LIBOR plus:)								1.20 %			1.40
Final maturity date								9/27/66			10/25/6

Unsecured Line of Credit

On June 22, 2018, the Company amended its $350.0 million unsecured line of credit. The following provisions were modified under the amendment:

- The maturity date was extended from December 12, 2021 to June 22, 2023.

- The definition of the Company's line of business was expanded and other terms were modified to allow the formation or acquisition of a chartered bank subsidiary.

- The definition for permitted acquisitions was revised to increase the aggregate amount of consideration that may be paid for the acquisition in any fiscal year of a business or businesses not in the Company's defined line of business.

- The provisions for permitted investments were expanded to allow (i) a one-time, initial capital contribution of up to $150.0 million by the Company in connection with the formation or acquisition of a chartered bank subsidiary, and (ii) investments in pools of consumer loans.

- The amount of loans not originated under the FFEL Program that the Company is permitted to own was increased from $500.0 million to $850.0 million.

The facility size of $350.0 million and the cost of funds did not change as part of the amendment. As of September 30, 2018, $160.0 million was outstanding under the line of credit and $190.0 million was available for future use.

Debt Repurchases

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

	Par value	Purchase price	Gain	Par value	Purchase price	Gain
	Three months ended					
	September 30, 2018			September 30, 2017		
Asset-backed securities	$—	—	—	14,702	14,586	116
	Nine months ended					
	September 30, 2018			September 30, 2017		
Asset-backed securities	$12,905	12,546	359	18,790	17,670	1,120
Unsecured debt - Hybrid Securities	—	—	—	29,658	25,241	4,417
	$12,905	12,546	359	48,448	42,911	5,537

5. Derivative Financial Instruments

The Company uses derivative financial instruments primarily to manage interest rate risk. In addition, the Company previously used derivative financial instruments to manage foreign currency exchange risk associated with student loan asset-backed notes that were denominated in Euros prior to a remarketing of such notes in October 2017. Derivative instruments used as part of the Company's risk management strategy are further described in note 6 of the notes to consolidated financial statements included in the 2017 Annual Report. A tabular presentation of such derivatives outstanding as of September 30, 2018 and December 31, 2017 is presented below.

Basis Swaps

The following table summarizes the Company’s outstanding 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").

	As of September 30, 2018	As of December 31, 2017
Maturity	Notional amount	Notional amount
2018	$250,000	4,250,000
2019	3,500,000	3,500,000
2020	1,000,000	—
2021	250,000	—
2022	2,000,000	1,000,000
2023	750,000	—
2024	250,000	250,000
2026	1,150,000	1,150,000
2027	375,000	375,000
2028	325,000	325,000
2029	100,000	100,000
2031	300,000	300,000

$10,250,000	11,250,000

The weighted average rate paid by the Company on the 1:3 Basis Swaps as of September 30, 2018 and December 31, 2017 was one-month LIBOR plus 9.4 basis points and 12.5 basis points, respectively.

Interest Rate Swaps – Floor Income Hedges

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

	As of September 30, 2018		As of December 31, 2017	
Maturity	Notional amount	Weighted average fixed rate paid by the Company (a)	Notional amount	Weighted average fixed rate paid by the Company (a)
2018	$250,000	0.92 %	$1,350,000	1.07 %
2019	3,250,000	0.97	3,250,000	0.97
2020	1,500,000	1.01	1,500,000	1.01
2023	750,000	2.28	750,000	2.28
2024	300,000	2.28	300,000	2.28
2025	100,000	2.32	100,000	2.32
2027	50,000	2.32	50,000	2.32
2028	100,000	3.03	—	—
	$6,300,000	1.26 %	$7,300,000	1.21 %

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

On August 20, 2014, the Company paid $9.1 million for an interest rate swap option to economically hedge loans earning fixed rate floor income. The interest rate swap option gives the Company the right, but not the obligation, to enter into a $250.0 million notional interest rate swap in which the Company would pay a fixed amount of 3.30% and receive discrete one-month LIBOR. If the interest rate swap option is exercised, the swap would become effective on August 21, 2019 and mature on August 21, 2024.

Interest Rate Caps

In June 2015, in conjunction with the entry into a $275.0 million private education loan warehouse facility, the Company paid $2.9 million for two interest rate cap contracts with a total notional amount of $275.0 million. The first interest rate cap has a notional amount of $125.0 million and a one-month LIBOR strike rate of 2.50%, and the second interest rate cap has a notional amount of $150.0 million and a one-month LIBOR strike rate of 4.99%. In the event that the one-month LIBOR rate rises above the applicable strike rate, the Company would receive monthly payments related to the spread difference. Both interest rate cap contracts have a maturity date of July 15, 2020. The private education loan warehouse facility was terminated by the Company on December 21, 2016. During the first quarter of 2017, the Company received $913,000 to terminate the interest rate cap contracts that were held in the private education loan warehouse legal entity and paid $929,000 to enter into new interest rate cap contracts with identical terms at Nelnet, Inc. (the parent company). The Company currently intends to keep these derivatives outstanding to partially mitigate a rise in interest rates and its impact on earnings related to the Company's student loan portfolio earning a fixed rate.

Interest Rate Swaps – Unsecured Debt Hedges

As of September 30, 2018 and December 31, 2017, the Company had $20.4 million of unsecured Hybrid Securities outstanding. The interest rate on the Hybrid Securities through September 29, 2036 is equal to three-month LIBOR plus 3.375%, payable quarterly. The Company had the following derivatives outstanding as of September 30, 2018 and December 31, 2017 that are used to effectively convert the variable interest rate on a designated notional amount with respect to the Hybrid Securities to a fixed rate of 7.66%.

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

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

Consolidated Financial Statement Impact Related to Derivatives

Balance Sheet

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

	Fair value of asset derivatives		Fair value of liability derivatives	
	As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017
Interest rate swap option - floor income hedge	$1,200	543	—	—
Interest rate caps	843	275	—	—
Interest rate swaps - hybrid debt hedges	—	—	4,224	7,063
Total	$2,043	818	4,224	7,063

Offsetting of Derivative Assets/Liabilities

The following tables include the gross amounts related to the Company's derivative portfolio recognized in the consolidated balance sheets, reconciled to the net amount when excluding derivatives subject to enforceable master netting arrangements and cash collateral received/pledged.

		Gross amounts not offset in the consolidated balance sheets		
Derivative assets	Gross amounts of recognized assets presented in the consolidated balance sheets	Derivatives subject to enforceable master netting arrangement	Cash collateral received	Net asset
Balance as of September 30, 2018	$ 2,043	—	—	2,043
Balance as of December 31, 2017	818	—	—	818

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

	the consolidated balance sheets		netting arrangement	
Balance as of September 30, 2018	$ (4,224	)	— 7,520	3,296
Balance as of December 31, 2017	(7,063	)	— 8,520	1,457

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Income Statement Impact

The following table summarizes the components of "derivative market value and foreign currency transaction adjustments and derivative settlements, net" included in the consolidated statements of income.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Settlements:				
1:3 basis swaps	$3,361	(2,172)	4,676	(1,836)
Interest rate swaps - floor income hedges	19,087	3,883	46,752	5,877
Interest rate swaps - hybrid debt hedges	(124)	(191)	(410)	(593)
Cross-currency interest rate swap	—	(2,093)	—	(5,762)
Total settlements - income (expense)	22,324	(573)	51,018	(2,314)
Change in fair value:				
1:3 basis swaps	1,283	5,916	12,058	(5,499)
Interest rate swaps - floor income hedges	(7,427)	(185)	34,008	(13,670)
Interest rate swap option - floor income hedge	(31)	(500)	437	(2,212)
Interest rate caps	119	(103)	567	(936)
Interest rate swaps - hybrid debt hedges	830	44	2,839	10
Cross-currency interest rate swap	—	16,257	—	44,831
Other	—	—	—	(143)
Total change in fair value - income (expense)	(5,226)	21,429	49,909	22,381
Re-measurement of Euro Notes (foreign currency transaction adjustment)	—	(13,683)	—	(45,635)
Derivative market value and foreign currency transaction adjustments and derivative settlements, net - income (expense)	$17,098	7,173	100,927	(25,568)

6. Investments and Notes Receivable

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

	As of September 30, 2018			
	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)	$52,232	5,178	—	57,410
Equity securities	12,318	4,835	(380)	16,773
Total investments (at fair value)	$64,550	10,013	(380)	74,183
Other Investments and Notes Receivable (not measured at fair value):				
Venture capital and funds:				
Measurement alternative (b)				70,881
Equity method				17,526
Other				883
Total venture capital and funds				89,290
Real estate:				
Equity method				30,135
Other				29,058
Total real estate				59,193
Notes receivable				16,373
Tax liens and affordable housing				7,776
Total investments and notes receivable (not measured at fair value)				172,632
Total investments and notes receivable				$246,815

	As of December 31, 2017			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Investments (at fair value):				
Available-for-sale investments:				
Student loan asset-backed and other debt securities	$71,943	5,056	(25)	76,974
Equity securities	1,630	2,298	—	3,928
Total available-for-sale investments	$73,573	7,354	(25)	80,902
Other Investments and Notes Receivable (not measured at fair value):				
Venture capital and funds				84,752
Real estate				49,464
Notes receivable				16,393
Tax liens and affordable housing				9,027
Total investments and notes receivable				$240,538

(a) As of September 30, 2018, the stated maturities of substantially all of the Company's student loan asset-backed and other debt securities classified as available-for-sale were greater than 10 years.

(b) The Company accounts for the majority of its equity securities without readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer (the measurement alternative method). During the three months ended March 31, 2018 and June 30, 2018, the Company recorded upward adjustments of $6.9 million and $0.3 million, respectively, on these investments. There were no adjustments recorded by the Company during the three months ended September 30, 2018. The impacts related to the adjustments to these investments are included in "other income" in the consolidated statements of income. The upward adjustments were made as a result of observable price changes. The Company has recorded no impairments in 2018 on these investments.

7. Business Combination

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 U.S. Department of Education (the "Department"), 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, LLC ("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. During the three months ended June 30, 2018, the Company recognized certain adjustments to the provisional amounts recorded on the acquisition date that were needed to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The net impact of these adjustments was a decrease to goodwill, and the adjustments had no impact on operating results. 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 Great Lakes assets acquired and liabilities assumed were recorded by the Company at their respective fair values at the date of acquisition, and Great Lakes' operating results from the date of acquisition forward are included in the Company's consolidated operating results. During the second quarter of 2018, the Company converted Great Lakes'

FFELP and private education loan servicing volume to Nelnet Servicing's servicing platform. In addition, the Company began to combine certain shared services and overhead functions between Great Lakes and the Company. As a result of these operational changes, the results of operations for the three and nine months ended September 30, 2018 attributed to Great Lakes since the acquisition are not provided since the results of the Great Lakes legal entity are no longer reflective of the entity acquired.

The following unaudited pro forma information for the Company has been prepared as if the acquisition of Great Lakes had occurred on January 1, 2017. The information is based on the historical results of the separate companies and may not necessarily be indicative of the results that could have been achieved or of results that may occur in the future. The pro forma adjustments include the impact of depreciation and amortization of property and equipment and intangible assets acquired.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Loan servicing and systems revenue	$112,579	117,044	347,312	348,752
Net income attributable to Nelnet, Inc.	$42,927	48,794	207,783	135,523
Net income per share - basic and diluted	$1.05	1.17	5.08	3.22

8. Intangible Assets

Intangible assets consist of the following:

	Weighted average remaining useful life as of September 30, 2018 (months)	As of September 30, 2018	As of December 31, 2017
Amortizable intangible assets, net:			
Customer relationships (net of accumulated amortization of $28,023 and $12,715, respectively)	73	$79,070	24,168
Trade names (net of accumulated amortization of $4,978 and $2,498, respectively)	86	11,715	9,074
Computer software (net of accumulated amortization of $14,061 and $10,013, respectively)	21	4,674	4,958
Covenants not to compete (net of accumulated amortization of $153 and $127, respectively)	68	201	227
Total - amortizable intangible assets, net	72	$95,660	38,427

The Company recorded amortization expense on its intangible assets of $7.9 million and $2.3 million during the three months ended September 30, 2018 and 2017, respectively, and $21.9 million and $7.1 million during the nine months ended September 30, 2018 and 2017, respectively. The Company will continue to amortize intangible assets over their remaining useful lives. As of September 30, 2018, the Company estimates it will record amortization expense as follows:

2018 (October 1 - December 31)	$7,650
2019	27,854
2020	24,656
2021	14,629
2022	4,671
2023 and thereafter	16,200
	$95,660

9. 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	Communications	Asset Generation and Management	Corporate and Other Activities	Total

		Processing				
Balance as of December 31, 2017	$ 8,596	67,168	21,112	41,883	—	138,759
Goodwill acquired during the period	19,697	—	—	—	—	19,697
Balance as of March 31, 2018	28,293	67,168	21,112	41,883	—	158,456
Great Lakes purchase price allocation adjustment - second quarter of 2018	(4,654)	—	—	—	—	(4,654)
Balance as of June 30, 2018 and September 30, 2018	$ 23,639	67,168	21,112	41,883	—	153,802

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10. Property and Equipment

Property and equipment consisted of the following:

	Useful life	As of September 30, 2018	As of December 31, 2017
Non-communications:			
Computer equipment and software	1-5 years	$146,831	124,708
Building and building improvements	5-48 years	49,128	24,003
Office furniture and equipment	1-10 years	22,445	15,210
Leasehold improvements	1-15 years	9,310	7,759
Transportation equipment	4-10 years	4,447	3,813
Land	—	3,328	2,628
Construction in progress	—	2,073	4,127
		237,562	182,248
Accumulated depreciation - non-communications		(119,535)	(105,017)
Non-communications, net property and equipment		118,027	77,231
Communications:			
Network plant and fiber	5-15 years	195,015	138,122
Customer located property	5-10 years	19,146	13,767
Central office	5-15 years	13,584	10,754
Transportation equipment	4-10 years	6,379	5,759
Computer equipment and software	1-5 years	4,988	3,790
Other	1-39 years	2,669	2,516
Land	—	70	70
Construction in progress	—	11,364	11,620
		253,215	186,398
Accumulated depreciation - communications		(31,512)	(15,578)
Communications, net property and equipment		221,703	170,820
Total property and equipment, net		$339,730	248,051

The Company recorded depreciation expense on its property and equipment of $15.1 million and $7.7 million during the three months ended September 30, 2018 and 2017, respectively, and $41.1 million and $20.6 million during the nine months ended September 30, 2018 and 2017, respectively.

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, during the three months ended September 30, 2018, the Company recorded an impairment charge of $3.9 million within its Loan Servicing and Systems operating segment related to certain external software development costs that were previously capitalized. The impairment charge is included in "other expenses" on the Company's consolidated statements of income for the three and nine months ended September 30, 2018. There were no impairment charges recognized for the three and nine months ended September 30, 2017.

11. Earnings per Common Share

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

	Three months ended September 30,					
	2018			2017		
	Common shareholders	Unvested restricted stock shareholders	Total	Common shareholders	Unvested restricted stock shareholders	Total
Numerator:						
Net income attributable to Nelnet, Inc.	$42,354	573	42,927	45,850	453	46,303
Denominator:						
Weighted-average common shares outstanding - basic and diluted	40,441,783	547,182	40,988,965	41,146,424	406,892	41,553,316
Earnings per share - basic and diluted	$1.05	1.05	1.05	1.11	1.11	1.11

	Nine months ended September 30,					
	2018			2017		
	Common shareholders	Unvested restricted stock shareholders	Total	Common shareholders	Unvested restricted stock shareholders	Total
Numerator:						
Net income attributable to Nelnet, Inc.	$203,881	2,406	206,287	123,816	1,249	125,065
Denominator:						
Weighted-average common shares outstanding - basic and diluted	40,464,638	477,539	40,942,177	41,634,578	419,954	42,054,532
Earnings per share - basic and diluted	$5.04	5.04	5.04	2.97	2.97	2.97

12. Segment Reporting

See note 15 of the notes to consolidated financial statements included in the 2017 Annual Report for a description of the Company's operating segments. As discussed in note 1 above, the names of certain operating segments were changed during the first quarter of 2018. The following tables include the results of each of the Company's operating segments reconciled to the consolidated financial statements.

	Three months ended September 30, 2018						
	Loan Servicing and Systems	Education Technology, Services, and Payment Processing	Communications	Asset Generation and Management	Corporate and Other Activities	Eliminations	Total
Total interest income	$381	1,513	1	236,039	6,860	(4,846)	239,948
Interest expense	—	3	4,174	176,874	3,968	(4,846)	180,175
Net interest income	381	1,510	(4,173)	59,165	2,892	—	59,773
Less provision for loan losses	—	—	—	10,500	—	—	10,500
Net interest income (loss) after provision for loan losses	381	1,510	(4,173)	48,665	2,892	—	49,273
Other income:							
Loan servicing and systems revenue	112,579	—	—	—	—	—	112,579
Intersegment servicing revenue	12,290	—	—	—	—	(12,290)	—
Education technology, services, and payment processing revenue	—	58,409	—	—	—	—	58,409
Communications revenue	—	—	11,818	—	—	—	11,818
Other income	1,948	—	950	3,267	10,508	—	16,673
Derivative settlements, net	—	—	—	22,448	(124)	—	22,324
Derivative market value and foreign currency transaction adjustments, net	—	—	—	(6,056)	830	—	(5,226)
Total other income	126,817	58,409	12,768	19,659	11,214	(12,290)	216,577
Cost of services:							
Cost to provide education technology, services, and payment processing services	—	19,087	—	—	—	—	19,087
Cost to provide communications services	—	—	4,310	—	—	—	4,310
Total cost of services	—	19,087	4,310	—	—	—	23,397
Operating expenses:							
Salaries and benefits	70,440	19,972	4,554	424	18,782	—	114,172
Depreciation and amortization	8,957	3,435	6,167	—	4,433	—	22,992
Loan servicing fees	—	—	—	3,087	—	—	3,087
Other expenses	19,638	4,943	3,151	845	16,616	—	45,194
Intersegment expenses, net	15,029	2,494	598	12,378	(18,208)	(12,290)	—

Total operating expenses	114,064	30,844	14,470	16,734	21,623	(12,290)	185,445
Income (loss) before income taxes	13,134	9,988	(10,185)	51,590	(7,517)	—	57,008
Income tax (expense) benefit (a)	(3,152)	(2,397)	2,444	(12,381)	1,604	—	(13,882)
Net income (loss)	9,982	7,591	(7,741)	39,209	(5,913)	—	43,126
Net income attributable to noncontrolling interests	—	—	—	—	(199)	—	(199)
Net income (loss) attributable to Nelnet, Inc.	$9,982	7,591	(7,741)	39,209	(6,112)	—	42,927
Total assets as of September 30, 2018	$276,153	243,497	271,370	23,927,156	723,985	(337,236)	25,104,925

(a) As a result of the Tax Cuts and Jobs Act, beginning January 1, 2018, 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 the taxes calculated for each operating segment, if any, is included in income taxes in Corporate and Other Activities.

	Three months ended September 30, 2017						
	Loan Servicing and Systems	Education Technology, Services, and Payment Processing	Communications	Asset Generation and Management	Corporate and Other Activities	Eliminations	Total
Total interest income	$147	5	1	194,971	3,903	(2,139)	196,887
Interest expense	—	—	1,551	121,074	1,165	(2,139)	121,650
Net interest income	147	5	(1,550)	73,897	2,738	—	75,237
Less provision for loan losses	—	—	—	6,700	—	—	6,700
Net interest income (loss) after provision for loan losses	147	5	(1,550)	67,197	2,738	—	68,537
Other income:							
Loan servicing and systems revenue	55,950	—	—	—	—	—	55,950
Intersegment servicing revenue	10,563	—	—	—	—	(10,563)	—
Education technology, services, and payment processing revenue	—	50,358	—	—	—	—	50,358
Communications revenue	—	—	6,751	—	—	—	6,751
Other income	—	—	—	2,753	17,003	—	19,756
Gain from debt repurchases	—	—	—	116	—	—	116
Derivative settlements, net	—	—	—	(382)	(191)	—	(573)
Derivative market value and foreign currency transaction adjustments, net	—	—	—	7,702	44	—	7,746
Total other income	66,513	50,358	6,751	10,189	16,856	(10,563)	140,104
Cost of services:							
Cost to provide education technology, services, and payment processing services	—	15,151	—	—	—	—	15,151
Cost to provide communications services	—	—	2,632	—	—	—	2,632
Total cost of services	—	15,151	2,632	—	—	—	17,783
Operating expenses:							
Salaries and benefits	38,435	17,432	4,099	392	13,834	—	74,193
Depreciation and amortization	549	2,316	3,145	—	4,040	—	10,051
Loan servicing fees	—	—	—	8,017	—	—	8,017
Other expenses	10,317	3,981	2,278	676	12,248	—	29,500
Intersegment expenses, net	7,774	2,219	470	10,659	(10,559)	(10,563)	—
Total operating expenses	57,075	25,948	9,992	19,744	19,563	(10,563)	121,761
Income (loss) before income taxes	9,585	9,264	(7,423)	57,642	31	—	69,097
Income tax (expense) benefit	(4,937)	(3,520)	2,821	(21,904)	1,978	—	(25,562)
Net income (loss)	4,648	5,744	(4,602)	35,738	2,009	—	43,535
Net loss (income) attributable to noncontrolling interests	3,408	—	—	—	(640)	—	2,768

Net income (loss) attributable to Nelnet, Inc.	$8,056	5,744	(4,602)	35,738	1,369	—	46,303
Total assets as of September 30, 2017	$98,555	208,290	179,206	23,724,413	863,700	(305,454)	24,768,710

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	Nine months ended September 30, 2018						
	Loan Servicing and Systems	Education Technology, Services, and Payment Processing	Communications	Asset Generation and Management	Corporate and Other Activities	Eliminations	Total
Total interest income	$931	2,927	3	662,881	17,673	(12,420)	671,995
Interest expense	—	3	9,987	480,729	8,875	(12,420)	487,174
Net interest income	931	2,924	(9,984)	182,152	8,798	—	184,821
Less provision for loan losses	—	—	—	18,000	—	—	18,000
Net interest income (loss) after provision for loan losses	931	2,924	(9,984)	164,152	8,798	—	166,821
Other income:							
Loan servicing and systems revenue	327,265	—	—	—	—	—	327,265
Intersegment servicing revenue	34,670	—	—	—	—	(34,670)	—
Education technology, services, and payment processing revenue	—	167,372	—	—	—	—	167,372
Communications revenue	—	—	31,327	—	—	—	31,327
Other income	5,196	—	950	9,032	29,272	—	44,449
Gain from debt repurchases	—	—	—	359	—	—	359
Derivative settlements, net	—	—	—	51,428	(410)	—	51,018
Derivative market value and foreign currency transaction adjustments, net	—	—	—	47,070	2,839	—	49,909
Total other income	367,131	167,372	32,277	107,889	31,701	(34,670)	671,699
Cost of services:							
Cost to provide education technology, services, and payment processing services	—	44,087	—	—	—	—	44,087
Cost to provide communications services	—	—	11,892	—	—	—	11,892
Total cost of services	—	44,087	11,892	—	—	—	55,979
Operating expenses:							
Salaries and benefits	198,411	58,552	13,284	1,183	50,502	—	321,932
Depreciation and amortization	23,237	10,062	16,585	—	13,058	—	62,943
Loan servicing fees	—	—	—	9,428	—	—	9,428
Other expenses	51,591	14,950	8,811	2,982	40,686	—	119,020
Intersegment expenses, net	43,968	7,630	1,802	34,943	(53,672)	(34,670)	—
Total operating expenses	317,207	91,194	40,482	48,536	50,574	(34,670)	513,323
Income (loss) before income taxes	50,855	35,015	(30,081)	223,505	(10,075)	—	269,218
Income tax (expense) benefit (a)	(12,399)	(8,404)	7,220	(53,641)	3,855	—	(63,369)
Net income (loss)	38,456	26,611	(22,861)	169,864	(6,220)	—	205,849

Net loss (income) attributable to noncontrolling interests	808	—	—	—	(371)	—	438
Net income (loss) attributable to Nelnet, Inc.	$39,264	26,611	(22,861)	169,864	(6,591)	—	206,287
Total assets as of September 30, 2018	$276,153	243,497	271,370	23,927,156	723,985	(337,236)	25,104,925

(a) As a result of the Tax Cuts and Jobs Act, beginning January 1, 2018, 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 the taxes calculated for each operating segment, if any, is included in income taxes in Corporate and Other Activities.

	Nine months ended September 30, 2017						
	Loan Servicing and Systems	Education Technology, Services, and Payment Processing	Communications	Asset Generation and Management	Corporate and Other Activities	Eliminations	Total
Total interest income	$361	10	2	568,665	10,026	(5,274)	573,789
Interest expense	—	—	3,367	340,898	2,794	(5,274)	341,787
Net interest income	361	10	(3,365)	227,767	7,232	—	232,002
Less provision for loan losses	—	—	—	10,700	—	—	10,700
Net interest income (loss) after provision for loan losses	361	10	(3,365)	217,067	7,232	—	221,302
Other income:							
Loan servicing and systems revenue	167,079	—	—	—	—	—	167,079
Intersegment servicing revenue	30,839	—	—	—	—	(30,839)	—
Education technology, services, and payment processing revenue	—	149,862	—	—	—	—	149,862
Communications revenue	—	—	17,577	—	—	—	17,577
Other income	—	—	—	9,152	35,722	—	44,874
Gain from debt repurchases	—	—	—	1,097	4,440	—	5,537
Derivative settlements, net	—	—	—	(1,721)	(593)	—	(2,314)
Derivative market value and foreign currency transaction adjustments, net	—	—	—	(23,121)	(133)	—	(23,254)
Total other income	197,918	149,862	17,577	(14,593)	39,436	(30,839)	359,361
Cost of services:							
Cost to provide education technology, services, and payment processing services	—	37,456	—	—	—	—	37,456
Cost to provide communications services	—	—	6,789	—	—	—	6,789
Total cost of services	—	37,456	6,789				