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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2012

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _to _.

COMMISSION FILE NUMBER 001-31924

NELNET, INC.

(Exact name of registrant as specified in its charter)

NEBRASKA (State or other jurisdiction of incorporation or organization)	**84-0748903** (I.R.S. Employer Identification No.)
121 SOUTH 13TH STREET, SUITE 201 **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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

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

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ]	Smaller reporting company [ ]

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

As of April 30, 2012 , there were 35,818,110 and 11,495,377 shares of Class A Common Stock and Class B Common Stock, par value $0.01 per share, outstanding, respectively (excluding 11,317,364 shares of Class A Common Stock held by wholly owned subsidiaries).

NELNET, INC.
FORM 10-Q
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March 31, 2012

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	As of March 31, 2012 (unaudited)	As of December 31, 2011
Assets:		
Student loans receivable (net of allowance for loan losses of $48,435 and $48,482, respectively)	$ 23,836,832	24,297,876
Cash and cash equivalents:		
Cash and cash equivalents - not held at a related party	6,693	7,299
Cash and cash equivalents - held at a related party	54,007	35,271
Total cash and cash equivalents	60,700	42,570
Investments	70,552	50,780
Restricted cash and investments	705,953	614,322
Restricted cash - due to customers	38,642	109,809
Accrued interest receivable	296,378	308,401
Accounts receivable (net of allowance for doubtful accounts of $1,359 and $1,284, respectively)	64,215	63,654
Goodwill	117,118	117,118
Intangible assets, net	23,682	28,374
Property and equipment, net	34,119	34,819
Other assets	90,587	92,275
Fair value of derivative instruments	107,534	92,219
Total assets	$ 25,446,312	25,852,217
Liabilities:		
Bonds and notes payable	$ 24,060,609	24,434,540
Accrued interest payable	19,281	19,634
Other liabilities	177,586	178,189
Due to customers	38,642	109,809
Fair value of derivative instruments	42,321	43,840
Total liabilities	24,338,439	24,786,012
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 35,821,057 shares and 35,643,102 shares, respectively	358	356
Class B, convertible, $0.01 par value. Authorized 60,000,000 shares; issued and outstanding 11,495,377 shares	115	115
Additional paid-in capital	50,948	49,245
Retained earnings	1,056,058	1,017,629
Accumulated other comprehensive income, net	605	—
Employee notes receivable	(368)	(1,140)
Total Nelnet, Inc. shareholders' equity	1,107,716	1,066,205
Noncontrolling interest	157	—
Total equity	1,107,873	1,066,205
Commitments and contingencies		
Total liabilities and equity	$ 25,446,312	25,852,217

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31,	
	2012	**2011**
Interest income:		
Loan interest	$ 153,058	137,358
Investment interest	1,095	726
Total interest income	154,153	138,084
Interest expense:		
Interest on bonds and notes payable	69,297	52,307
Net interest income	84,856	85,777
Less provision for loan losses	6,000	3,750
Net interest income after provision for loan losses	78,856	82,027
Other income (expense):		
Loan and guaranty servicing revenue	49,488	40,413
Tuition payment processing and campus commerce revenue	21,913	19,369
Enrollment services revenue	31,664	33,868
Other income	10,954	6,492
Gain on sale of loans and debt repurchases	—	8,307
Derivative market value and foreign currency adjustments and derivative settlements, net	(15,180)	(3,036)
Total other income	98,839	105,413
Operating expenses:		
Salaries and benefits	49,095	43,912
Cost to provide enrollment services	21,678	22,839
Depreciation and amortization	8,136	6,776
Other	32,263	26,105
Total operating expenses	111,172	99,632
Income before income taxes	66,523	87,808
Income tax expense	(23,230)	(32,928)
Net income	43,293	54,880
Net income attributable to noncontrolling interest	152	—
Net income attributable to Nelnet, Inc.	$ 43,141	54,880
Earnings per common share:		
Net income attributable to Nelnet, Inc. shareholders - basic	$ 0.91	1.13
Net income attributable to Nelnet, Inc. shareholders - diluted	$ 0.91	1.13
Weighted average common shares outstanding:		
Basic	46,989,773	48,171,317
Diluted	47,184,079	48,363,035
Dividends paid per common share	$ 0.10	0.07

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)
(unaudited)

	Three months ended March 31,	
	2012	**2011**
Net income	$ 43,293	54,880
Other comprehensive income:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during period, net	934	—
Income tax effect	(329)	—
Total other comprehensive income	605	—
Comprehensive income	43,898	54,880
Comprehensive income attributable to noncontrolling interest	152	—
Comprehensive income attributable to Nelnet, Inc.	$ 43,746	54,880

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 income, net	Employee notes receivable	Noncontrolling interest	Total equity
Balance as of December 31, 2010	—	36,846,353	11,495,377	$ —	368	115	76,263	831,057	—	(1,170)	—	906,633
Net income	—	—	—	—	—	—	—	54,880	—	—	—	54,880
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividend on Class A and Class B common stock - $0.07 per share	—	—	—	—	—	—	—	(3,387)	—	—	—	(3,387)
Contingency payment related to business combination	—	—	—	—	—	—	(5,893)	—	—	—	—	(5,893)
Issuance of common stock, net of forfeitures	—	151,669	—	—	2	—	3,087	—	—	—	—	3,089
Compensation expense for stock based awards	—	—	—	—	—	—	355	—	—	—	—	355
Repurchase of common stock	—	(14,465)	—	—	—	—	(310)	—	—	—	—	(310)
Balance as of March 31, 2011	—	36,983,557	11,495,377	$ —	370	115	73,502	882,550	—	(1,170)	—	955,367
Balance as of December 31, 2011	—	35,643,102	11,495,377	$ —	356	115	49,245	1,017,629	—	(1,140)	—	1,066,205
Issuance of minority membership interest	—	—	—	—	—	—	—	—	—	—	5	5
Net income	—	—	—	—	—	—	—	43,141	—	—	152	43,293
Other comprehensive income	—	—	—	—	—	—	—	—	605	—	—	605
Cash dividend on Class A and Class B common stock - $0.10 per share	—	—	—	—	—	—	—	(4,712)	—	—	—	(4,712)
Issuance of common stock, net of forfeitures	—	220,584	—	—	2	—	2,424	—	—	—	—	2,426
Compensation expense for stock based awards	—	—	—	—	—	—	395	—	—	—	—	395
Repurchase of common stock	—	(42,629)	—	—	—	—	(1,116)	—	—	—	—	(1,116)
Reduction of employee stock notes receivable	—	—	—	—	—	—	—	—	—	772	—	772
Balance as of March 31, 2012	—	35,821,057	11,495,377	$ —	358	115	50,948	1,056,058	605	(368)	157	1,107,873

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31,	
	2012	2011
Net income attributable to Nelnet, Inc.	$ 43,141	54,880
Net income attributable to noncontrolling interest	152	—
Net income	43,293	54,880
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including loan and debt premiums/discounts and deferred origination costs	17,521	18,964
Provision for loan losses	6,000	3,750
Derivative market value adjustment	(16,835)	(66,450)
Foreign currency transaction adjustment	32,242	65,334
Proceeds to terminate and/or amend derivative instruments	—	12,369
Payments to terminate and/or amend derivative instruments	—	(141)
Gain on sale of loans	—	(1,345)
Gain from debt repurchases	—	(6,962)
Change in investments - trading securities, net	(752)	5,517
Deferred income tax (benefit) expense	(7,190)	100
Non-cash compensation expense	700	557
Other non-cash items	(697)	(189)
Decrease in accrued interest receivable	12,023	9,668
Increase in accounts receivable	(561)	(198)
Decrease in other assets	1,140	1,016
Decrease in accrued interest payable	(353)	(3,566)
Increase (decrease) in other liabilities	14,040	(11,637)
Net cash provided by operating activities	100,571	81,667
Cash flows from investing activities:		
Originations and purchases of student loans	(176,212)	(235,599)
Purchases of student loans from a related party	(221)	(29)
Net proceeds from student loan repayments, claims, capitalized interest, participations, and other	597,034	630,606
Proceeds from sale of student loans	32,592	95,131
Purchases of available-for-sale securities	(27,719)	—
Proceeds from sales of available-for-sale securities	6,843	—
Purchases of property and equipment, net	(2,306)	(2,992)
Increase in restricted cash and investments, net	(91,631)	(127,472)
Business and asset acquisition contingency payments	(1,550)	(7,193)
Issuance of minority membership interest	5	—
Net cash provided by investing activities	336,835	352,452
Cash flows from financing activities:		
Payments on bonds and notes payable	(692,408)	(1,090,797)
Proceeds from issuance of bonds and notes payable	279,667	533,097
Payments on bonds payable due to a related party	—	(107,050)
Payments of debt issuance costs	(1,595)	(1,460)
Dividends paid	(4,712)	(3,387)
Repurchases of common stock	(1,116)	(310)
Proceeds from issuance of common stock	116	124
Payments received on employee stock notes receivable	772	—
Net cash used in financing activities	(419,276)	(669,783)
Net increase (decrease) in cash and cash equivalents	18,130	(235,664)
Cash and cash equivalents, beginning of period	42,570	283,801
Cash and cash equivalents, end of period	$ 60,700	48,137
Supplemental disclosures of cash flow information:		

Interest paid	$ 61,338	53,674
Income taxes paid, net of refunds	$ 2,920	32,293

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information as of March 31, 2012 and for the three months ended
March 31, 2012 and 2011 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

1. Basis of Financial Reporting

The accompanying unaudited consolidated financial statements of Nelnet, Inc. and subsidiaries (the "Company") as of March 31, 2012 and for the three months ended March 31, 2012 and 2011 have been prepared on the same basis as the audited consolidated financial statements for the year ended December 31, 2011 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 months ended March 31, 2012 are not necessarily indicative of the results for the year ending December 31, 2012 . 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, 2011 .

Noncontrolling Interest

Noncontrolling interest reflects the proportionate share of membership interest (equity) and net income attributable to the holders of minority membership interests in Whitetail Rock Capital Management, LLC ("WRCM"), a subsidiary of the Company that issued minority membership interests on January 1, 2012.

2. Student Loans Receivable and Allowance for Loan Losses

Student loans receivable consisted of the following:

	As of March 31, 2012	As of December 31, 2011
Federally insured loans	$ 23,881,483	24,332,709
Non-federally insured loans	24,825	26,916
	23,906,308	24,359,625
Unamortized loan premiums (discounts) and deferred origination costs, net	(21,041)	(13,267)
Allowance for loan losses – federally insured loans	(36,783)	(37,205)
Allowance for loan losses – non-federally insured loans	(11,652)	(11,277)
	$ 23,836,832	24,297,876
Allowance for federally insured loans as a percentage of such loans	0.15%	0.15%
Allowance for non-federally insured loans as a percentage of such loans	46.94%	41.90%

Activity in the Allowance for Loan Losses

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

	Three months ended March 31,	
	2012	**2011**
Balance at beginning of period	$ 48,482	43,626
Provision for loan losses:		
Federally insured loans	6,000	3,500
Non-federally insured loans	—	250
Total provision for loan losses	6,000	3,750
Charge-offs:		
Federally insured loans	(5,495)	(4,855)
Non-federally insured loans	(769)	(994)
Total charge-offs	(6,264)	(5,849)
Recoveries - non-federally insured loans	351	370
Purchase (sale) of loans, net:		
Federally insured loans	(927)	—
Non-federally insured loans	—	—
Transfer to/from repurchase obligation related to loans sold/purchased, net	793	(800)
Balance at end of period	$ 48,435	41,097
Allocation of the allowance for loan losses:		
Federally insured loans	$ 36,783	31,553
Non-federally insured loans	11,652	9,544
Total allowance for loan losses	$ 48,435	41,097

Repurchase Obligations

As of March 31, 2012 , the Company had participated a cumulative amount of $117.1 million of non-federally insured loans to third parties. Loans participated under these agreements 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. Per the terms of the servicing agreements, the Company's servicing operations are obligated to repurchase loans subject to the participation interests in the event such loans become 60 or 90 days delinquent.

In addition, on January 13, 2011, the Company sold a portfolio of non-federally insured loans for proceeds of $91.3 million (100% of par value). The Company retained credit risk related to this portfolio and will pay cash to purchase back any loans which become 60 days delinquent.

The Company's estimate related to its obligation to repurchase these loans is included in "other liabilities" in the Company's consolidated balance sheets. The activity related to this accrual is detailed below.

	Three months ended March 31,	
	2012	**2011**
Beginning balance	$ 19,223	12,600
Transfer to/from the allowance for loan losses related to loans purchased/sold, net	(793)	800
Repurchase obligation associated with loans sold on January 13, 2011	—	6,269
Ending balance	$ 18,430	19,669

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 student loan delinquencies.

	As of March 31, 2012		As of December 31, 2011		As of March 31, 2011	
Federally Insured Loans:						
Loans in-school/grace/deferment (a)	$ 3,625,631		$ 3,664,899		$ 4,332,130	
Loans in forbearance (b)	3,363,627		3,330,452		3,086,292	
Loans in repayment status:						
Loans current	14,696,906	87.0%	14,600,372	84.2%	13,933,107	87.3%
Loans delinquent 31-60 days (c)	557,476	3.3	844,204	4.9	595,386	3.7
Loans delinquent 61-90 days (c)	337,791	2.0	407,094	2.3	392,008	2.5
Loans delinquent 91-270 days (c)	973,406	5.8	1,163,437	6.7	838,404	5.3
Loans delinquent 271 days or greater (c)(d)	326,646	1.9	322,251	1.9	190,380	1.2
Total loans in repayment	16,892,225	100.0%	17,337,358	100.0%	15,949,285	100.0%
Total federally insured loans	$ 23,881,483		$ 24,332,709		$ 23,367,707	
Non-Federally Insured Loans:						
Loans in-school/grace/deferment (a)	$ 2,046		$ 2,058		$ 3,069	
Loans in forbearance (b)	316		371		239	
Loans in repayment status:						
Loans current	15,144	67.4%	16,776	68.5%	16,564	82.1%
Loans delinquent 31-60 days (c)	534	2.4	706	2.9	363	1.8
Loans delinquent 61-90 days (c)	1,820	8.1	1,987	8.1	692	3.4
Loans delinquent 91 days or greater (c)	4,965	22.1	5,018	20.5	2,562	12.7
Total loans in repayment	22,463	100.0%	24,487	100.0%	20,181	100.0%
Total non-federally insured loans	$ 24,825		$ 26,916		$ 23,489	

(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 federally insured loans in claim status, which are loans that have gone into default and have been submitted to the guaranty agency.

3. Bonds and Notes Payable

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

	As of March 31, 2012		
	Carrying amount	Interest rate range	Final maturity
Variable-rate bonds and notes (a):			
Bonds and notes based on indices	$ 19,832,162	0.50% - 6.90%	11/25/15 - 7/27/48
Bonds and notes based on auction or remarketing	970,575	0.18% - 2.27%	5/1/28 - 5/25/42
Total variable-rate bonds and notes	20,802,737		
FFELP warehouse facilities	959,978	0.18% - 0.35%	7/1/14 - 4/2/15
Department of Education Conduit	2,261,104	0.24%	5/8/14
Unsecured line of credit	50,000	1.74%	2/17/16
Unsecured debt - Junior Subordinated Hybrid Securities	100,697	3.86%	9/15/61
Other borrowings	40,154	3.73% - 5.72%	11/14/12 - 3/1/22
	24,214,670		
Discount on bonds and notes payable	(154,061)		
Total	$ 24,060,609		

	As of December 31, 2011		
	Carrying amount	Interest rate range	Final maturity
Variable-rate bonds and notes (a):			
Bonds and notes based on indices	$ 20,252,403	0.42% - 6.90%	11/25/15 - 7/27/48
Bonds and notes based on auction or remarketing	970,575	0.11% - 2.19%	5/1/28 - 5/25/42
Total variable-rate bonds and notes	21,222,978		
FFELP warehouse facilities	824,410	0.26% - 0.70%	7/1/14
Department of Education Conduit	2,339,575	0.24%	5/8/14
Unsecured line of credit	64,390	0.69%	5/8/12
Unsecured debt - Junior Subordinated Hybrid Securities	100,697	3.95%	9/15/61
Other borrowings	43,119	3.78% - 5.72%	11/14/12 - 3/1/22
	24,595,169		
Discount on bonds and notes payable	(160,629)		
Total	$ 24,434,540		

(a) Issued in asset-backed securitizations

Secured Financing Transactions

The Company has historically relied upon secured financing vehicles as its most significant source of funding for student loans. The net cash flow the Company receives from the securitized student loans generally represents the excess amounts, if any, generated by the underlying student 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 student loans are subordinate to bondholder interests and may fail to generate any cash flow beyond what is due to bondholders. The Company's secured student loan financing vehicles during the periods presented above include loan warehouse facilities, asset-backed securitizations, and the government's Conduit Program.

The majority of the bonds and notes payable are primarily secured by the student loans receivable, related accrued interest, and by the amounts on deposit in the accounts established under the respective bond resolutions or financing agreements. Certain variable rate bonds and notes are secured by a letter of credit and reimbursement agreement issued by a third-party liquidity provider.

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 March 31, 2012 , the Company has three FFELP warehouse facilities as summarized below.

	NFSLW-I (a)	NHELP-II (b)	NHELP-I (c)	Total
Maximum financing amount	$ 500,000	250,000	500,000	1,250,000
Amount outstanding	(484,856)	(229,667)	(245,455)	(959,978)
Amount available	$ 15,144	20,333	254,545	290,022
Expiration of liquidity provisions	July 1, 2012	January 31, 2013	October 2, 2013	
Final maturity date	July 1, 2014	January 31, 2015	April 2, 2015	
Maximum advance rates	85 - 95%	93.5%	93 - 95%	
Minimum advance rates	84.5 - 90%	90.5%	80 - 95%	
Advanced as equity support	$ 37,138	21,125	14,922	73,185

(a) The terms of this facility were amended on February 22, 2012. The table above reflects all amended terms.

(b) The Company entered into this facility on February 1, 2012.

(c) The terms of this facility were amended on April 2, 2012. The table above reflects all amended terms.

Each FFELP warehouse facility is supported by 364-day liquidity provisions, which are subject to the respective expiration date shown in the table above. 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 warehouse facilities provide for formula-based advance rates, depending on FFELP loan type, up to a maximum of the principal and interest of loans financed as shown in the table above. The advance rates for collateral may increase or decrease based on market conditions, but they are subject to minimums as disclosed above.

The FFELP warehouse facilities contain financial covenants relating to levels of the Company's consolidated net worth, ratio of adjusted EBITDA to corporate debt interest, and unencumbered cash. Any noncompliance with these covenants could result in a requirement for the immediate repayment of any outstanding borrowings under the facilities.

Unsecured Line of Credit

As of December 31, 2011, the Company had a $750.0 million unsecured line of credit with a maturity date of May 8, 2012. As of December 31, 2011, there was $64.4 million outstanding on this line. On February 17, 2012, the Company entered into a new $250.0 million unsecured line of credit. In conjunction with entering into this new agreement, the outstanding balance on the $750.0 million unsecured line of credit of $64.4 million was paid off in full and the agreement was terminated. As of March 31, 2012 , the $250.0 million unsecured line of credit had an outstanding balance of $50.0 million and $200.0 million was available for future use. The $250.0 million line of credit has a maturity date of February 17, 2016. Upon the maturity date in 2016, there can be no assurance that the Company will be able to renew this line of credit, increase the amount outstanding under the line, if necessary, or find alternative funding.

The new line of credit agreement contains certain financial covenants that, if not met, lead to an event of default under the agreement. The covenants include maintaining:

- A minimum consolidated net worth
- A minimum adjusted EBITDA to corporate debt interest (over the last four rolling quarters)
- A limitation on subsidiary indebtedness
- A limitation on the percentage of non-federally insured loans in the Company's portfolio

As of March 31, 2012 , 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 FFELP warehouse facilities.

The Company's new operating line of credit does not have any covenants related to unsecured debt ratings. However, changes in the Company's ratings (as well as the amounts the Company borrows) have modest implications on the pricing level at which the Company obtains funding.

A default on the Company's FFELP warehouse facilities would result in an event of default on the Company's new unsecured line of credit that would result in the outstanding balance on the line of credit becoming immediately due and payable.

Repurchase Agreement

On April 12, 2012, the Company entered into a $50.0 million line of credit, which is collateralized by asset-backed security investments. The line of credit has a maturity date of April 12, 2014 and has covenants similar to the Company's $250.0 million unsecured line of credit.

4. Gain on Sale of Loans and Debt Repurchases

During the first quarter of 2011, the Company sold a portfolio of non-federally insured student loans and recognized a gain of $1.4 million. In addition, during the first quarter of 2011, the Company purchased $62.6 million (notional amount) of its Junior Subordinated Hybrid Securities (unsecured debt) for $55.7 million and recognized a gain of $6.9 million. These items are included in "Gain on sale of loans and debt repurchases" in the consolidated statements of income.

5. Derivative Financial Instruments

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk and foreign currency exchange risk.

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. Because the Company generates a significant portion of its earnings from its student loan spread, the interest rate sensitivity of the balance sheet is a key profitability driver. The Company has adopted a policy of periodically reviewing the mismatch related to the interest rate characteristics of its assets and liabilities together with the Company's assessment of current and future market conditions. Based on those factors, the Company uses derivative instruments as part of its overall risk management strategy.

Basis Swaps

The Company funds the majority of its student loan assets with one-month or three-month LIBOR indexed floating rate securities. Meanwhile, the interest earned on the Company's student loan assets is indexed to commercial paper and treasury bill rates. The different interest rate characteristics of the Company's loan assets and liabilities funding these assets results in basis risk.

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. In a declining interest rate environment, this may cause the Company's student loan spread to compress, while in a rising rate environment, it may cause the spread to increase.

As of March 31, 2012 , the Company had $23.0 billion and $0.9 billion of FFELP loans indexed to the three-month financial commercial paper rate and the three-month treasury bill rate, respectively, both of which reset daily, and $19.2 billion of debt indexed to three-month LIBOR, which resets quarterly, and $0.9 billion of debt indexed to one-month LIBOR, which resets monthly.

The Company has used derivative instruments to hedge the repricing risk due to the timing of the interest rate resets on its assets and liabilities. 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 both March 31, 2012 and December 31, 2011 :

Maturity	Notional amount
2021	$ 250,000
2023	1,250,000
2024	250,000
2026	800,000
2028	100,000
2036	700,000
2039 (a)	150,000
2040 (b)	200,000
	$ 3,700,000

(a) This derivative has a forward effective start date in 2015.

(b) This derivative has a forward effective start date in 2020.

The Company does not generally hedge the basis risk on those assets indexed to the commercial paper rate that are funded with liabilities in which the Company pays primarily on the LIBOR indice, since the derivatives needed to hedge this risk are generally illiquid or non-existent. On December 23, 2011, the President signed the Consolidated Appropriations Act of 2012 into law. This Act includes changes that permit student loan lenders to change the index on which the Special Allowance Payments (or "SAP") are calculated for FFELP loans from the commercial paper rate to the one-month LIBOR rate effective April 1, 2012. As of March 31, 2012, the Company had $23.0 billion of loans in which it elected to change the SAP calculation to the one-month LIBOR rate. This change mitigates the Company's exposure to basis risk and will allow the Company to better match borrowing and lending rates.

Interest rate swaps – floor income hedges

FFELP loans originated prior to April 1, 2006 generally earn interest at the higher of a floating rate based on the SAP formula set by the Department of Education (the "Department") and the borrower rate, which is fixed over a period of time. The SAP formula is based on an applicable indice plus a fixed spread that is dependent upon when the loan was originated, the loan's repayment status, and funding sources for the loan. 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 rate produced by the SAP formula, the Company's student loans earn at a fixed rate while the interest on the variable rate debt typically continues to decline. 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. In accordance with legislation enacted in 2006, lenders are required to rebate fixed rate floor income and variable rate floor income to the Department for all FFELP loans first originated on or after April 1, 2006.

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 March 31, 2012 and December 31, 2011 , the Company had $9.0 billion and $10.9 billion , respectively, of student loan assets that were earning fixed rate floor income. The following table summarizes the outstanding derivative investments as of March 31, 2012 and December 31, 2011 used by the Company to economically hedge these loans.

Maturity	Notional amount	Weighted average fixed rate paid by the Company (a)
2013	$ 2,150,000	0.85%
2014	750,000	0.85
2015	100,000	2.26
2020	50,000	3.23
	$ 3,050,000	0.93%

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

Interest rate swaps – unsecured debt hedges

The Company has $100.7 million of unsecured Junior Subordinated Hybrid Securities debt outstanding. The interest rate on the Hybrid Securities through September 29, 2036 is equal to three-month LIBOR plus 3.375%, payable quarterly. As of March 31, 2012 and December 31, 2011 , the Company had the following derivatives outstanding that are used to effectively convert the variable interest rate on the Hybrid Securities to a fixed rate.

Notional amount (a)	Weighted average fixed rate paid by the Company (b)
$ 75,000	4.28%

(a) The maturity date of these derivatives is September 29, 2036.

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

Foreign Currency Exchange Risk

During 2006, the Company completed separate debt offerings of student loan asset-backed securities that included €420.5 million and €352.7 million Euro Notes with interest rates based on a spread to the EURIBOR index. As a result of these transactions, the Company is exposed to market risk related to fluctuations in foreign currency exchange rates between the U.S. dollar and Euro. The principal and accrued interest on these notes are re-measured at each reporting period and recorded on the Company's balance sheet in U.S. dollars based on the foreign currency exchange rate on that date. Changes in the principal and accrued interest amounts as a result of foreign currency exchange rate fluctuations are included in the "derivative market value and foreign currency adjustments and derivative settlements, net" in the Company's consolidated statements of income.

The Company entered into cross-currency interest rate swaps in connection with the issuance of the Euro Notes. Under the terms of these derivative instrument agreements, the Company receives from a counterparty a spread to the EURIBOR indice based on notional amounts of €420.5 million and €352.7 million and pays a spread to the LIBOR indice based on notional amounts of $500.0 million and $450.0 million , respectively. In addition, under the terms of these agreements, all principal payments on the Euro Notes will effectively be paid at the exchange rate in effect between the U.S. dollar and Euro as of the issuance of the notes.

The following table shows the income statement impact as a result of the re-measurement of the Euro Notes and the change in the fair value of the related derivative instruments. These items are included in "derivative market value and foreign currency adjustments and derivative settlements, net" in the Company's consolidated statements of income.

	Three months ended March 31,	
	2012	2011
Re-measurement of Euro Notes	$ (32,242)	(65,334)
Change in fair value of cross currency interest rate swaps	13,026	62,532
Total impact to statements of income - income (expense)	$ (19,216)	(2,802)

The re-measurement of the Euro-denominated bonds generally correlates with the change in fair value of the cross-currency interest rate swaps. However, the Company will experience unrealized gains or losses related to the cross-currency interest rate swaps if the two underlying indices (and related forward curve) do not move in parallel. Management intends to hold the cross-currency interest rate swaps through the maturity of the Euro-denominated bonds.

Accounting for Derivative Financial Instruments

The Company records derivative instruments on the consolidated balance sheets as either an asset or liability measured at its fair value. Management has structured the majority 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 the Company's derivatives at each reporting date are included in "derivative market value and foreign currency adjustments and derivative settlements, net" in the Company's consolidated statements of income. Changes or shifts in the forward yield curve and fluctuations in currency rates can significantly impact the valuation of the Company's derivatives. Accordingly, changes or shifts to the forward yield curve and fluctuations in currency rates will impact the financial position and results of operations of the Company.

Any proceeds received or payments made by the Company to terminate a derivative in advance of its expiration date, or to amend the terms of an existing derivative, are included in "derivative market value and foreign currency adjustments and derivative settlements, net" on the consolidated statements of income and are accounted for as a change in fair value of such derivative. During the three months ended March 31, 2011 , the Company terminated and/or amended certain derivatives for net proceeds of $12.2 million . There were no terminations and/or amendments during the first quarter of 2012.

The following table summarizes the fair value of the Company's derivatives:

	Fair value of asset derivatives		Fair value of liability derivatives	
	As of March 31, 2012	As of December 31, 2011	As of March 31, 2012	As of December 31, 2011
1:3 basis swaps	$ 13,626	10,988	277	641
Interest rate swaps - floor income hedges	—	592	23,427	18,384
Interest rate swaps - hybrid debt hedges	—	—	18,617	24,814
Cross-currency interest rate swaps	93,657	80,631	—	—
Other	251	8	—	1
Total	$ 107,534	92,219	42,321	43,840

The following table summarizes the effect of derivative instruments in the consolidated statements of income. All gains and losses recognized in income related to the Company's derivative activity are included in "derivative market value and foreign currency and derivative settlements, net" on the consolidated statements of income.

	Three months ended March 31,	
	2012	2011
Settlements:		
1:3 basis swaps	$ 1,381	208
Interest rate swaps - floor income hedges	(3,137)	(6,218)
Interest rate swaps - hybrid debt hedges	—	(246)
Cross-currency interest rate swaps	2,109	2,109
Other	(126)	(5)
Total settlements - income (expense)	227	(4,152)
Change in fair value:		
1:3 basis swaps	3,002	(4,210)
Interest rate swaps - floor income hedges	(5,634)	6,395
Interest rate swaps - hybrid debt hedges	6,197	1,448
Cross-currency interest rate swaps	13,026	62,532
Other	244	285
Total change in fair value - income (expense)	16,835	66,450
Re-measurement of Euro Notes (foreign currency transaction adjustment) - income (expense)	(32,242)	(65,334)
Derivative market value and foreign currency adjustments and derivative settlements - income (expense)	$ (15,180)	(3,036)

Derivative Instruments - Credit and Market Risk

By using derivative instruments, the Company is exposed to credit and market risk.

The Company manages credit and market risks associated with interest rates by establishing and monitoring limits as to the types and degree of risk that may be undertaken and by entering into transactions with high-quality counterparties that are reviewed periodically by the Company's risk committee. As of March 31, 2012 , all of the Company's derivative counterparties had investment grade credit ratings. The Company also has a policy of requiring that all derivative contracts be governed by an International Swaps and Derivatives Association, Inc. Master Agreement.

Credit Risk

When the fair value of a derivative contract is positive (an asset on the Company's balance sheet), this generally indicates that the counterparty would owe the Company if the derivative was settled. If the counterparty fails to perform, credit risk with such counterparty is equal to the extent of the fair value gain in the derivative less any collateral held by the Company. If the Company was unable to collect from a counterparty, it would have a loss equal to the amount the derivative is recorded on the consolidated balance sheet. As of March 31, 2012 , the trustee for certain of the Company's asset-backed securities transactions held $59.7 million of collateral from the counterparty on the cross-currency interest rate swaps.

The Company considers counterparties' credit risk when determining the fair value of derivative positions on its exposure net of collateral. However, the Company does not use the collateral to offset fair value amounts recognized in the financial statements for derivative instruments.

Market Risk

When the fair value of a derivative instrument is negative (a liability on the Company's balance sheet), the Company would owe the counterparty if the derivative was settled and, therefore, has no immediate credit risk. If the negative fair value of derivatives with a counterparty exceeds a specified threshold, the Company may have to make a collateral deposit with the counterparty. The threshold at which the Company may be required to post collateral is dependent upon the Company's unsecured credit rating. At the Company's current unsecured credit rating (Standard & Poor's: BBB- (stable outlook) and Moody's: Ba1 (stable outlook)), the Company has substantially collateralized its corporate derivative liability position with its counterparties. As such, any further downgrades would not result in additional collateral requirements of a material nature. In addition, no counterparty has the right to terminate its contracts in the event of further downgrades. However, some derivative contracts have mutual optional termination provisions that can be exercised in 2016 and 2021. As of March 31, 2012 , the fair value of derivatives with early termination provisions was a positive $0.5 million (an asset on the Company's balance sheet). As of March 31, 2012 , the Company had $35.4 million posted as collateral to derivative counterparties, which is included in “restricted cash and investments” in the Company's consolidated balance sheet.

Interest rate movements have an impact on the amount of collateral the Company is required to deposit with its derivative instrument counterparties. With the Company's current derivative portfolio, the Company does not currently anticipate any movement in interest rates having a material impact on its capital or liquidity profile, nor expects that any movement in interest rates would have a material impact on its ability to meet potential collateral deposits with its counterparties. 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 1-month and 3-month LIBOR and the limited notional amount of 1:3 Basis Swaps derivatives outstanding limits the Company's exposure to interest rate movements on these derivatives.

The Company's cross-currency interest rate swaps are derivatives entered into as a result of certain asset-backed security financings. These derivatives are entered into at the trust level with the counterparty. Trust related derivatives do not contain credit contingent features related to the Company or the trust's credit ratings.

6. Investments

The Company's available-for-sale investment portfolio consists of student loan asset-backed securities and equity and debt securities. These securities are carried at fair value, with the temporary changes in fair value carried as a separate component of stockholders’ equity, net of taxes. The amortized cost of debt securities in this category (including the student loan asset-backed securities) is adjusted for amortization of premiums and accretion of discounts, which are amortized using the effective interest rate method. Other-than-temporary impairment is evaluated by considering several factors, including the length of time and extent to which the fair value has been less than the amortized cost basis, the financial condition and near-term prospects of the security (considering factors such as adverse conditions specific to the security and ratings agency actions), and the intent and ability to

retain the investment to allow for an anticipated recovery in fair value. The entire fair value loss on a security that is other-than-temporary impairment is recorded in earnings if the Company intends to sell the security or if it is more likely than not that the Company will be required to sell the security before the expected recovery of the loss. However, if the impairment is other-than-temporary, and either of those two conditions does not exist, the portion of the impairment related to credit losses is recorded in earnings and the impairment related to other factors is recorded in other comprehensive income.

Securities classified as trading are accounted for at fair value with unrealized gains and losses included in "other income" on the consolidated statements of income.

Securities that the Company has the intent and ability to hold to maturity are classified as held-to-maturity and are accounted for at amortized cost unless the security is determined to have an other-than-temporary impairment. In that case, it is accounted for in the same manner as described above.

A summary of the Company's investments and restricted investments follows:

	As of March 31, 2012				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	As of December 31, 2011
Investments:					
Available-for-sale investments (a):					
Student loan asset-backed securities	$ 54,595	618	(942)	54,271	—
Equity securities	4,250	1,365	(107)	5,508	—
Debt securities (b)	1,308	—	—	1,308	—
Total available-for-sale investments	$ 60,153	1,983	(1,049)	61,087	—
Trading investments (a):					
Student loan asset-backed securities				$ 9,465	42,412
Equity securities				—	6,847
Debt securities (b)				—	1,521
Total trading investments				$ 9,465	50,780
Total available-for-sale and trading investments				$ 70,552	50,780
Restricted Investments (c):					
Guaranteed investment contracts - held-to-maturity				$ 284,639	236,899

(a) The Company transferred the majority of its investments from trading to available-for-sale on January 1, 2012 to reflect management's intention regarding such securities.

(b) Debt securities include corporate bonds, mortgage-backed securities, U.S. government bonds, and U.S. Treasury securities.

(c) Restricted investments are included in “Restricted cash and investments” on the Company's consolidated balance sheets. The Company's restricted investments include cash balances that the Company's indentured trusts deposit in guaranteed investment contracts that are held for the related note holders. These investments are classified as held-to-maturity and the Company accounts for them at amortized cost.

The Company sold available-for-sale securities with a fair value of $10.0 million during the three months ended March 31, 2012 and recognized $1.4 million and $0.2 million in gross realized gains and losses, respectively, which are included in “other income” in the Company's consolidated statement of income. The cost basis for these securities was determined through specific identification of the securities sold.

Maturities of student loan asset-backed securities and debt securities classified as available-for-sale were as follows at March 31, 2012 .

Year of Maturity:	Amortized cost	Fair value
2013-2016	$ 200	200
2017-2021	1,108	1,108
After 2021	54,595	54,271
Total	$ 55,903	55,579

As of March 31, 2012 , the stated maturities for the Company's restricted investments, which are classified as held-to-maturity, are shown in the following table:

Year of Maturity (a):	
2017-2021	$ 35,731
After 2021	248,908
Total	$ 284,639

(a) On May 1, 2012, the majority of the Company's remaining guaranteed investment contracts were terminated due to a downgrade in the credit rating of a guaranteed investment contract counterparty. The sales of these investments were at par and had no income statement impact. The proceeds from the sale of these investments were used to purchase permitted investments as specified by each underlying student loan asset-backed securitization trust indenture. The new investments will continue to be classified as “restricted cash and investments” included on the consolidated balance sheet while otherwise remaining as assets within their respective trust estates. As of May, 7, 2012, the Company has $28.1 million of guaranteed investment contracts outstanding.

7. Intangible Assets

Intangible assets consist of the following:

	Weighted average remaining useful life as of March 31, 2012 (months)	As of March 31, 2012	As of December 31, 2011
Customer relationships (net of accumulated amortization of $63,302 and $59,893, respectively)	66	$ 19,831	23,240
Computer software (net of accumulated amortization of $5,806 and $5,103, respectively)	9	2,112	2,815
Trade names (net of accumulated amortization of $9,854 and $9,274, respectively)	9	1,739	2,319
	57	$ 23,682	28,374

The Company recorded amortization expense on its intangible assets of $4.7 million and $4.0 million for the three months ended March 31, 2012 and 2011 , respectively. The Company will continue to amortize intangible assets over their remaining useful lives. As of March 31, 2012 , the Company estimates it will record amortization expense as follows:

2012 (April 1 - December 31)	$ 13,941
2013	3,399
2014	2,102
2015	829
2016	639
2017 and thereafter	2,772
	$ 23,682

8. Goodwill

The following table summarizes the Company's allocation of goodwill by operating segment as of March 31, 2012 and December 31, 2011 :

Student Loan and Guaranty Servicing	$	8,596
Tuition Payment Processing and Campus Commerce		58,086
Enrollment Services		8,553
Asset Generation and Management		41,883
	$	117,118

9. 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 of computing earnings per share, which requires the calculation of separate earnings per share amounts for unvested share-based awards and for common stock. Unvested share-based awards that contain nonforfeitable rights to dividends are considered securities which participate in undistributed earnings with common stock. Earnings per share attributable to common stock and a reconciliation of weighted average shares outstanding are shown in the table below.

	Three months ended March 31,		
		2012	2011
Net income attributable to Nelnet, Inc.	$	43,141	54,880
Less earnings allocated to holders of unvested restricted stock		279	346
Net income available to Nelnet, Inc. common shareholders	$	42,862	54,534
Weighted average common shares outstanding - basic		46,989,773	48,171,317
Dilutive effect of the assumed vesting of restricted stock awards		194,306	191,718
Weighted average common shares outstanding - diluted		47,184,079	48,363,035
Earnings per common share:			
Net income attributable to Nelnet, Inc. shareholders - basic	$	0.91	1.13
Net income attributable to Nelnet, Inc. shareholders - diluted	$	0.91	1.13

There were no shares that were antidilutive and not included in average shares outstanding for the diluted earnings per share calculation.

10. Segment Reporting

The Company earns fee-based revenue through its Student Loan and Guaranty Servicing, Tuition Payment Processing and Campus Commerce, and Enrollment Services operating segments. In addition, the Company earns net interest income on its student loan portfolio in its Asset Generation and Management operating segment. 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.

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 profitability. Prior to 2012, management measured the profitability of the Company's operating segments based on "base net income." The Company's "base net income" was not a defined term within U.S. generally accepted accounting principles ("GAAP") and was not necessarily comparable to similarly titled measures reported by other companies. However, "base net income," which consisted of GAAP net income excluding the derivative market value and foreign currency adjustments, amortization of intangible assets, compensation related to business combinations, and variable rate floor income, net of settlements on derivatives, was the primary financial performance measure used by management to develop the Company's financial plans, track results, and establish corporate performance targets and incentive compensation. Unlike financial accounting, there is no

comprehensive, authoritative guidance for management reporting. Accordingly, information regarding the Company's operating segments was historically provided based on "base net income." Due to the decrease in the number and dollar amount of differences between "base net income" and GAAP net income, during the first quarter of 2012, executive management determined to discontinue utilizing "base net income" and began to evaluate the performance and profitability of the Company's operating segments based on financial results prepared in conformity with GAAP. As such, the Company has changed its operating segment income measurement from "base net income" to GAAP net income. Prior period segment operating results have been restated to conform to the current period presentation.

The accounting policies of the Company's operating segments are the same as those described in note 2 in the notes to the consolidated financial statements included in the Company's Annual Report filed on Form 10-K for the year ended December 31, 2011 (the "2011 Annual Report"). Intersegment revenues are charged by a segment to another segment that provides the product or service. Intersegment revenues and expenses are included within each segment consistent with the income statement presentation provided to management. Changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial information. The Company allocates certain corporate overhead expenses to the individual operating segments. These expenses include certain corporate activities related to executive management, human resources, accounting, legal, occupancy, and marketing. These costs are allocated to each operating segment based on estimated use of such activities and services. In addition, income taxes are allocated based on 38% of income (loss) 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 Activity and Overhead.

The following describes the products and services of each operating segment. In addition, the tables below include the results of each of the Company's operating segments reconciled to the consolidated financial statements.

Fee-Based Operating Segments

Student Loan and Guaranty Servicing

The following are the primary product and service offerings the Company offers as part of its Student Loan and Guaranty Servicing segment:

- Servicing FFELP loans
- Origination and servicing of non-federally insured student loans
- Servicing federally-owned student loans for the Department of Education
- Servicing and support outsourcing for guaranty agencies
- Student loan servicing software and other information technology products and services

The Student Loan and Guaranty Servicing operating segment provides for the servicing of the Company's student loan portfolios and the portfolios of third parties. The loan servicing activities include loan origination activities, loan conversion activities, application processing, borrower updates, 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 June 2009, the Department of Education named the Company as one of four private sector companies awarded a servicing contract to service federally-owned student loans. In September 2009, the Company began servicing loans under this contract. The contract spans five years with one five-year renewal at the option of the Department.

This operating segment also provides servicing activities for guaranty agencies. These activities include providing software and data center services, borrower and loan updates, default aversion tracking services, claim processing services, and managing third-party collection agencies.

This operating segment also develops student loan servicing software, which is used internally by the Company and also licensed to third party student loan holders and servicers. In addition, this operating segment provides information technology products and services with core areas of business in educational loan software solutions, technical consulting services, and enterprise content management solutions.

Tuition Payment Processing and Campus Commerce

The Company's Tuition Payment Processing and Campus Commerce operating segment provides products and services to help students and families manage the payment of education costs at all levels (K-12 and higher education). It also provides innovative

education-focused technologies, services, and support solutions to help schools with the everyday challenges of collecting and processing commerce data.

In the K-12 market, this operating segment offers actively managed tuition payment plans as well as assistance with financial needs assessment and donor management. This operating segment offers two principal products to the higher education market: actively managed tuition payment plans and campus commerce technologies and payment processing.

Enrollment Services

The Enrollment Services operating segment offers products and services that are focused on helping colleges recruit and retain students and helping students plan and prepare for life after high school. The following are the primary service offerings the Company offers as part of the Enrollment Services segment:

- Inquiry Generation - Inquiry generation services include delivering qualified inquiries or clicks to third-party customers, primarily for-profit schools.

- Inquiry Management (Agency) - Agency services include managing the marketing activities for third-party customers, primarily for-profit schools, in order to provide qualified inquiries or clicks.

- Inquiry Management (Software) - Inquiry management services include the licensing of software to third-party customers, primarily for-profit schools. This software is also used internally by the Company. The inquiry management software has been adapted so that it can be offered as a hosted software solution that can be used by third-parties to manage and obtain qualified inquiries or clicks.

- Digital Marketing (Peterson's Interactive) - Digital marketing services include on-line information about colleges and universities and are sold primarily based on subscriptions. Digital marketing services also include online editing services for admission essays.

- Content Solutions - Content solutions includes test preparation study guides, school directories and databases, career exploration guides, on-line courses, scholarship search and selection data, career planning, and on-line information about colleges and universities. Content solutions also includes providing list marketing services to help higher education institutions and businesses reach the middle school, high school, college bound high school, college, and young adult market places.

Asset Generation and Management Operating Segment

The Asset Generation and Management Operating Segment includes the acquisition, management, and ownership of the Company’s student loan assets, which has historically been the Company’s largest product and service offering. The Company generates a substantial portion of its earnings from the spread, referred to as the Company’s student loan spread, between the yield it receives on its student loan portfolio and the associated costs to finance such portfolio. The student loan assets are held in a series of education lending subsidiaries designed specifically for this purpose. In addition to the student 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.

As a result of legislation effective July 1, 2010, all new federal loan originations are made by the Department of Education through the Direct Loan Program and the Company no longer originates FFELP loans. This legislation does not alter or affect the terms and conditions of existing FFELP loans.

Corporate Activity and Overhead

Corporate Activity and Overhead includes the following items:

- The operating results of WRCM, the Company's SEC-registered investment advisory subsidiary
- Income earned on certain investment activities
- Interest expense incurred on unsecured debt transactions
- Other products and service offerings that are not considered operating segments

Corporate Activities also includes certain corporate activities and overhead functions related to executive management, human resources, accounting, legal, occupancy, and marketing. These costs are allocated to each operating segment based on estimated use of such activities and services.

Segment Results of Operations

	Three months ended March 31, 2012							
	Fee-Based							
	Student Loan and Guaranty Servicing	Tuition Payment Processing and Campus Commerce	Enrollment Services	Total Fee-Based	Asset Generation and Management	Corporate Activity and Overhead	Eliminations	Total
Total interest income	$ 20	4	—	24	153,512	1,588	(971)	154,153
Interest expense	—	—	—	—	68,829	1,439	(971)	69,297
Net interest income	20	4	—	24	84,683	149	—	84,856
Less provision for loan losses	—	—	—	—	6,000	—	—	6,000
Net interest income after provision for loan losses	20	4	—	24	78,683	149	—	78,856
Other income (expense):								
Loan and guaranty servicing revenue	49,488	—	—	49,488	—	—	—	49,488
Intersegment servicing revenue	16,954	—	—	16,954	—	—	(16,954)	—
Tuition payment processing and campus commerce revenue	—	21,913	—	21,913	—	—	—	21,913
Enrollment services revenue	—	—	31,664	31,664	—	—	—	31,664
Other income	—	—	—	—	5,000	5,954	—	10,954
Gain on sale of loans and debt repurchases	—	—	—	—	—	—	—	—
Derivative market value and foreign currency adjustments, net	—	—	—	—	(21,604)	6,197	—	(15,407)
Derivative settlements, net	—	—	—	—	227	—	—	227
Total other income (expense)	66,442	21,913	31,664	120,019	(16,377)	12,151	(16,954)	98,839
Operating expenses:								
Salaries and benefits	29,042	8,618	6,279	43,939	719	4,437	—	49,095
Cost to provide enrollment services	—	—	21,678	21,678	—	—	—	21,678
Depreciation and amortization	4,413	1,740	1,617	7,770	—	366	—	8,136
Other	18,666	2,816	1,956	23,438	3,632	5,193	—	32,263
Intersegment expenses, net	1,385	1,333	848	3,566	17,143	(3,755)	(16,954)	—
Total operating expenses	53,506	14,507	32,378	100,391	21,494	6,241	(16,954)	111,172
Income (loss) before income taxes and corporate overhead allocation	12,956	7,410	(714)	19,652	40,812	6,059	—	66,523
Corporate overhead allocation	(1,503)	(501)	(501)	(2,505)	(1,392)	3,897	—	—
Income (loss) before income taxes	11,453	6,909	(1,215)	17,147	39,420	9,956	—	66,523
Income tax (expense) benefit	(4,352)	(2,625)	462	(6,515)	(14,979)	(1,736)	—	(23,230)
Net income (loss)	7,101	4,284	(753)	10,632	24,441	8,220	—	43,293
Net income attributable to noncontrolling interest	—	—	—	—	—	152	—	152
Net income (loss) attributable to Nelnet, Inc.	$ 7,101	4,284	(753)	10,632	24,441	8,068	—	43,141

	Three months ended March 31, 2011							
	Fee-Based							
	Student Loan and Guaranty Servicing	Tuition Payment Processing and Campus Commerce	Enrollment Services	Total Fee-Based	Asset Generation and Management	Corporate Activity and Overhead	Eliminations	Total
Total interest income	$ 15	6	—	21	137,639	1,146	(722)	138,084
Interest expense	—	—	—	—	49,716	3,313	(722)	52,307
Net interest income (loss)	15	6	—	21	87,923	(2,167)	—	85,777

Less provision for loan losses	—	—	—	—	3,750	—	—	3,750
Net interest income (loss) after provision for loan losses	15	6	—	21	84,173	(2,167)	—	82,027
Other income (expense):								
Loan and guaranty servicing revenue	40,413	—	—	40,413	—	—	—	40,413
Intersegment servicing revenue	17,857	—	—	17,857	—	—	(17,857)	—
Tuition payment processing and campus commerce revenue	—	19,369	—	19,369	—	—	—	19,369
Enrollment services revenue	—	—	33,868	33,868	—	—	—	33,868
Other income	—	—	—	—	4,136	2,356	—	6,492
Gain on sale of loans and debt repurchases	—	—	—	—	1,400	6,907	—	8,307
Derivative market value and foreign currency adjustments, net	—	—	—	—	(589)	1,705	—	1,116
Derivative settlements, net	—	—	—	—	(4,038)	(114)	—	(4,152)
Total other income (expense)	58,270	19,369	33,868	111,507	909	10,854	(17,857)	105,413
Operating expenses:								
Salaries and benefits	25,388	7,152	6,257	38,797	778	4,337	—	43,912
Cost to provide enrollment services	—	—	22,839	22,839	—	—	—	22,839
Depreciation and amortization	3,406	1,334	1,691	6,431	—	345	—	6,776
Other	14,579	2,634	2,318	19,531	1,538	5,036	—	26,105
Intersegment expenses, net	1,369	1,093	818	3,280	18,147	(3,570)	(17,857)	—
Total operating expenses	44,742	12,213	33,923	90,878	20,463	6,148	(17,857)	99,632
Income (loss) before income taxes and corporate overhead allocation	13,543	7,162	(55)	20,650	64,619	2,539	—	87,808
Corporate overhead allocation	(753)	(251)	(251)	(1,255)	(1,255)	2,510	—	—
Income (loss) before income taxes	12,790	6,911	(306)	19,395	63,364	5,049	—	87,808
Income tax (expense) benefit	(4,860)	(2,626)	117	(7,369)	(24,078)	(1,481)	—	(32,928)
Net income (loss)	7,930	4,285	(189)	12,026	39,286	3,568	—	54,880
Net income attributable to noncontrolling interest	—	—	—	—	—	—	—	—
Net income (loss) attributable to Nelnet, Inc.	$ 7,930	4,285	(189)	12,026	39,286	3,568	—	54,880

11. Related Party Transactions

The Company has entered into certain contractual arrangements with related parties as described in note 19 in the notes to the consolidated financial statements included in the Company's 2011 Annual Report. The following provides an update for related party transactions that have occurred during the first quarter of 2012.

Transactions with Union Financial Services, Inc.

Union Financial Services Inc. (“UFS”) is a corporation which is owned 50 percent by Michael S. Dunlap, a significant shareholder, Chief Executive Officer, Chairman, and a member of the Board of Directors of the Company, and 50 percent by Stephen F. Butterfield, Vice Chairman and a member of the Board of Directors of the Company.

The Company owns a majority 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 owns the remaining interest in the same aircraft. On March 1, 2012, the Company sold an additional 9.753 percent of its ownership in the aircraft to UFS for total consideration of approximately $156,000. The purchase price was determined by a third-party and the sale had no income statement impact to the Company. After this transaction, the Company and UFS own 65 percent and 35 percent of the aircraft, respectively.

Investment Services

Union Bank and Trust Company ("Union Bank"), an entity under common control, 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. On May 9, 2011, WRCM, an SEC-registered investment advisor and a subsidiary of the Company, entered into a management agreement with Union Bank, effective as of May 1, 2011, 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 March 31, 2012, the outstanding balance of investments in the trusts was $470.2 million, of which the Company had a $7.8 million investment. The Company's investment in the trusts are included in "investments" on the consolidated balance sheet and as of March 31, 2012 are classified as available-for-sale as discussed in note 6, "Investments." 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.

On February 9, 2012, WRCM established a private investment fund (the “Fund”) for the primary purpose of purchasing, selling, investing, and trading, directly or indirectly, in student loan asset-backed securities (“Student Loan ABS”), and to engage in financial transactions related thereto. As of the date the Fund was established, the total amount invested in the Fund was $48.9 million, and Michael S. Dunlap, UFS, Jeffrey R. Noordhoek (an executive officer of the Company), Farmers & Merchants Investment Inc. ("F&M") (which owns 81.4 percent of Union Bank and of which Mr. Dunlap along with his spouse owns 40.3 percent of its stock), Ms. Muhleisen (who is Mr. Dunlap's sister, as well as Director, Chairperson, President, and Chief Executive Officer of Union Bank, and owner of 38.6 percent of F&M stock) and her spouse, and WRCM had investments in the Fund in the amounts of $2.5 million, $1.0 million, $1.0 million, $2.0 million, $2.6 million, and $0.1 million, respectively. The management agreement for the Fund provides that WRCM will earn 50 basis points (annually) from the Fund on the outstanding balance of the investments in the Fund, of which WRCM will pay approximately 50 percent of such amount to Union Bank as custodian. In addition, WRCM will earn up to 50 percent of the gains from the sale of securities from the Fund.

For the three months ended March 31, 2012, the Company recognized $3.0 million of fee revenue related to the agreements discussed above, which is included in "other income" in the Company's consolidated statement of income.

12. Fair Value

The following tables present the Company’s financial assets and liabilities that are measured at fair value on a recurring basis.

	As of March 31, 2012		
	Level 1	**Level 2**	**Total**
Assets:			
Investments: (a)			
Student loan asset-backed securities	$ —	63,736	63,736
Equity securities	5,508	—	5,508
Debt securities	1,308	—	1,308
Total investments	6,816	63,736	70,552
Fair value of derivative instruments (b)	—	107,534	107,534
Total assets	$ 6,816	171,270	178,086
Liabilities:			
Fair value of derivative instruments (b)	$ —	42,321	42,321
Total liabilities	$ —	42,321	42,321

	As of December 31, 2011		
	Level 1	Level 2	Total
Assets:			
Investments: (a)			
Student loan asset-backed securities	$ —	42,412	42,412
Equity securities	6,847	—	6,847
Debt securities	1,521	—	1,521
Total investments	8,368	42,412	50,780
Fair value of derivative instruments (b)	—	92,219	92,219
Total assets	$ 8,368	134,631	142,999
Liabilities:			
Fair value of derivative instruments (b)	$ —	43,840	43,840
Total liabilities	$ —	43,840	43,840

(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. 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 to companies with comparable credit risk.

(b) All derivatives are accounted for at fair value on a recurring basis. The fair value of derivative financial instruments is determined by derivative pricing models using the stated terms of the contracts and observable yield curves, forward foreign currency exchange rates, and volatilities from active markets.

When determining the fair value of derivatives, the Company takes into account counterparty credit risk for positions where it is exposed to the counterparty on a net basis by assessing exposure net of collateral held. The net exposures for each counterparty are adjusted based on market information available for the specific counterparty.

There were no transfers into or out of level 1, level 2, or level 3 for the three months ended March 31, 2012 .

The following table summarizes the fair values of all of the Company's financial instruments on the consolidated balance sheets:

	As of March 31, 2012				
	Fair value	Carrying value	Level 1	Level 2	Level 3
Financial assets:					
Student loans receivable	$ 23,759,545	23,836,832	—	—	23,759,545
Cash and cash equivalents	60,700	60,700	60,700	—	—
Investments	70,552	70,552	6,816	63,736	—
Restricted cash	421,314	421,314	421,314	—	—
Restricted cash – due to customers	38,642	38,642	38,642	—	—
Restricted investments	284,639	284,639	284,639	—	—
Accrued interest receivable	296,378	296,378	296,378	—	—
Derivative instruments	107,534	107,534	—	107,534	—
Financial liabilities:					
Bonds and notes payable	23,010,542	24,060,609	—	23,010,542	—
Accrued interest payable	19,281	19,281	19,281	—	—
Due to customers	38,642	38,642	38,642	—	—
Derivative instruments	42,321	42,321	—	42,321	—

	As of December 31, 2011				
	Fair value	Carrying value	Level 1	Level 2	Level 3
Financial assets:					
Student loans receivable	$ 23,894,005	24,297,876	—	—	23,894,005
Cash and cash equivalents	42,570	42,570	42,570	—	—
Investments	50,780	50,780	8,368	42,412	—
Restricted cash	377,423	377,423	377,423	—	—
Restricted cash – due to customers	109,809	109,809	109,809	—	—
Restricted investments	236,899	236,899	236,899	—	—
Accrued interest receivable	308,401	308,401	308,401	—	—
Derivative instruments	92,219	92,219	—	92,219	—
Financial liabilities:					
Bonds and notes payable	23,003,453	24,434,540	—	23,003,453	—
Accrued interest payable	19,634	19,634	19,634	—	—
Due to customers	109,809	109,809	109,809	—	—
Derivative instruments	43,840	43,840	—	43,840	—

The methodologies for estimating the fair value of financial assets and liabilities that are measured at fair value on a recurring basis are discussed above. The fair values of the remaining financial assets and liabilities were estimated using the following methods and assumptions:

Student Loans Receivable

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. Fair values for student loan receivables were determined by modeling loan cash flows using stated terms of the assets and internally-developed assumptions to determine aggregate portfolio yield, net present value, and average life. 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 indice 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, Restricted Investments, Accrued Interest Receivable/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

Bonds and notes payable are accounted for at cost in the financial statements except when denominated in a foreign currency. Foreign currency-denominated borrowings are re-measured at current spot rates in the financial statements. 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, and market credit spreads. Fair value adjustments for unsecured corporate debt are made based on indicative quotes from observable trades.

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.

13. Legal Proceedings

General

The Company is subject to various claims, lawsuits, and proceedings that arise in the normal course of business. These matters principally consist of claims by student loan borrowers disputing the manner in which their student loans have been processed 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 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 of Education thereunder, and the Department's guidance regarding those rules and regulations. Other than as specifically discussed below, 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.

Bais Yaakov of Spring Valley v. Peterson's Nelnet, LLC

On January 4, 2011, a complaint against Peterson's Nelnet, LLC ("Peterson's"), a subsidiary of the Company, was filed in the U.S. federal District Court for the District of New Jersey (the "District Court"). The complaint alleges that Peterson's sent six advertising faxes to the named plaintiff in 2008-2009 that were not the result of express invitation or permission granted by the plaintiff and did not include certain opt out language. The complaint also alleges that such faxes violated the federal Telephone Consumer Protection Act (the "TCPA"), purportedly entitling the plaintiff to $500 per violation, trebled for willful violations for each of the six faxes. The complaint further alleges that Peterson's had sent putative class members more than 10,000 faxes that violated the TCPA, amounting to more than $5 million in statutory penalty damages and more than $15 million if trebled for willful violations. The complaint seeks to establish a class action. As of the filing date of this report, the District Court has not established or recognized any class.

On April 14, 2012, the U.S. Court of Appeals for the Third Circuit, which has jurisdiction over the District Court, issued an order in an unrelated TCPA case which remanded that case to the District Court to determine whether the statutory provisions of the TCPA limit whether or to what extent a TCPA claim can be heard as a class action in federal court where applicable state law would impose limitations on a class action if the claim were brought in state court. The resolution of this issue may affect whether the claim against Peterson's can be pursued as a class action.

Peterson's intends to continue to contest the suit vigorously. Due to the preliminary stage of this matter and the uncertainty and risks inherent in class determination and the overall litigation process, the Company believes that a meaningful estimate of a reasonably possible loss, if any, or range of reasonably possible losses, if any, cannot currently be made.

14. Subsequent Events

Subsequent to March 31, 2012, state income tax laws were enacted that will reduce the Company's income tax expense by approximately $4.6 million for the quarter ending June 30, 2012.

ITEM 2. 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 three months ended March 31, 2012 and 2011 . All dollars are in thousands, except per share amounts, 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 should be read in conjunction with the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 .

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 “may,” “should,” “could,” “would,” “predict,” “potential,” “continue,” “expect,” “anticipate,” “future,” “intend,” “plan,” “believe,” “estimate,” “assume,” “forecast,” “will,” 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 analysis 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 the “Risk Factors” section included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011 and subsequent Quarterly Reports on Form 10-Q and elsewhere in this report, and include such risks and uncertainties as:

- risks related to the Company's student loan portfolio, such as interest rate basis and repricing risk resulting from the fact that the interest rate characteristics of the Company's 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 Federal Family Education Loan Program (the “FFEL Program” or “FFELP”) of the U.S. Department of Education (the “Department”), risks related to the use of derivatives to manage exposure to interest rate fluctuations, and potential losses from loan defaults, changes in prepayment rates, guaranty rates, loan floor rates, and credit spreads;

- risks related to the Company's funding requirements, including the Company's ability to maintain credit facilities or obtain new facilities, the ability of lenders under the Company's credit facilities to fulfill their lending commitments under these facilities, the Company's ability to satisfy debt obligations secured by student loan assets and related collateral, and changes in the general interest rate environment and in the securitization markets for education loans, which may increase the costs or limit the availability of financings necessary to purchase, refinance, or continue to carry education loans;

- risks from changes in the student loan and educational credit and services marketplace resulting from the implementation of, or changes in, applicable laws, regulations, and government programs, including the discontinuance of private sector student loan originations under the FFEL Program effective July 1, 2010, and new regulations effective July 1, 2011 that could affect enrollment at for-profit schools, the uncertain nature of the potential impact of the Department's new loan consolidation initiative or similar consolidation programs, and the Company’s ability to maintain or increase volumes under its loan servicing contract with the Department to service federally-owned student loans and to comply with servicing agreements with third-party customers for the service of loans under the Federal Direct Loan and FFEL Programs;

- risks from changes in the demand or preferences for educational financing and related services by educational institutions, students, and their families;

- uncertainties inherent in forecasting future cash flows from student loan assets and related asset-backed securitizations;

- risks associated with litigation, complex government regulations, changes in general economic conditions (which have recently led to higher rates of student loan defaults), changes in credit market conditions, and related party transactions; 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 securities laws.

OVERVIEW

The Company is an education services company focused primarily on providing fee-based processing services and quality education-related products and services in four core areas: loan financing, loan servicing, payment processing, and enrollment services (education planning). These products and services help students and families plan, prepare, and pay for their education and make the administrative and financial processes more efficient for schools and financial organizations. In addition, the Company earns net interest income on a portfolio of federally insured student loans.

A summary of consolidated results and financial highlights as of and for the three months ended March 31, 2012 include:

- Continued strong earnings (net income of $52.7 million, or $1.11 per share, excluding derivative market value and foreign currency adjustments)(a)
- An increase in book value per share to $23.41, or 18.8%, from March 31, 2011
- An increase in revenue from fee-based businesses to $120.1 million, or 7.6%, as compared to the first quarter of 2011
- Strong liquidity represented by $100.6 million of net cash provided by operating activities during the first quarter of 2012 and $495.1 million of liquidity available for use as of March 31, 2012 (b)

The following tables set forth financial and other operating information of the Company.

	Three months ended		
	March 31, 2012	December 31, 2011	March 31, 2011
Operating Data:			
Core student loan spread	1.43 %	1.51 %	1.46 %
Net interest income, net of settlements on derivatives	$ 79,083	85,868	77,875
Fixed rate floor income, net of settlements on derivatives	38,092	39,373	31,682
Total revenue (c)	193,102	194,800	186,324
Operating expenses	111,172	102,691	99,632
Net income	43,141	64,879	54,880
Net income, excluding derivative market value and foreign currency adjustments (a)	52,693	57,577	54,188
Net income - per share	0.91	1.37	1.13
Net income, excluding derivative market value and foreign currency adjustments - per share (a)	1.11	1.22	1.12

	As of March 31, 2012	As of December 31, 2011	As of March 31, 2011
Balance Sheet Data:			
Total assets	$ 25,446,312	25,852,217	25,294,699
Nelnet, Inc. shareholders' equity	1,107,716	1,066,205	955,367
Nelnet, Inc. tangible shareholders' equity	966,916	920,713	803,513
Book value per common share	23.41	22.62	19.71
Tangible book value per common share	20.43	19.53	16.57
Ratios:			
Nelnet, Inc. shareholders' equity to total assets	4.35%	4.12%	3.78%

(a) "Derivative market value and foreign currency adjustments" include (i) the unrealized gains and losses that are caused by the change in fair value on derivatives in which the Company does not qualify for "hedge treatment" under GAAP; and (ii) the foreign currency transaction gains or losses caused by the re-measurement of the Company's Euro-denominated bonds to U.S. dollars. The derivative market value and foreign currency adjustments, net of tax, was an expense of $9.6 million ($0.20 per share) and income of $7.3 million ($0.15 per share) and $0.7 million ($0.01 per share) for the three months ended March 31, 2012, December 31, 2011, and March 31, 2011, respectively.

(b) See "Liquidity and Capital Resources - Sources of liquidity currently available" in this Item 2.

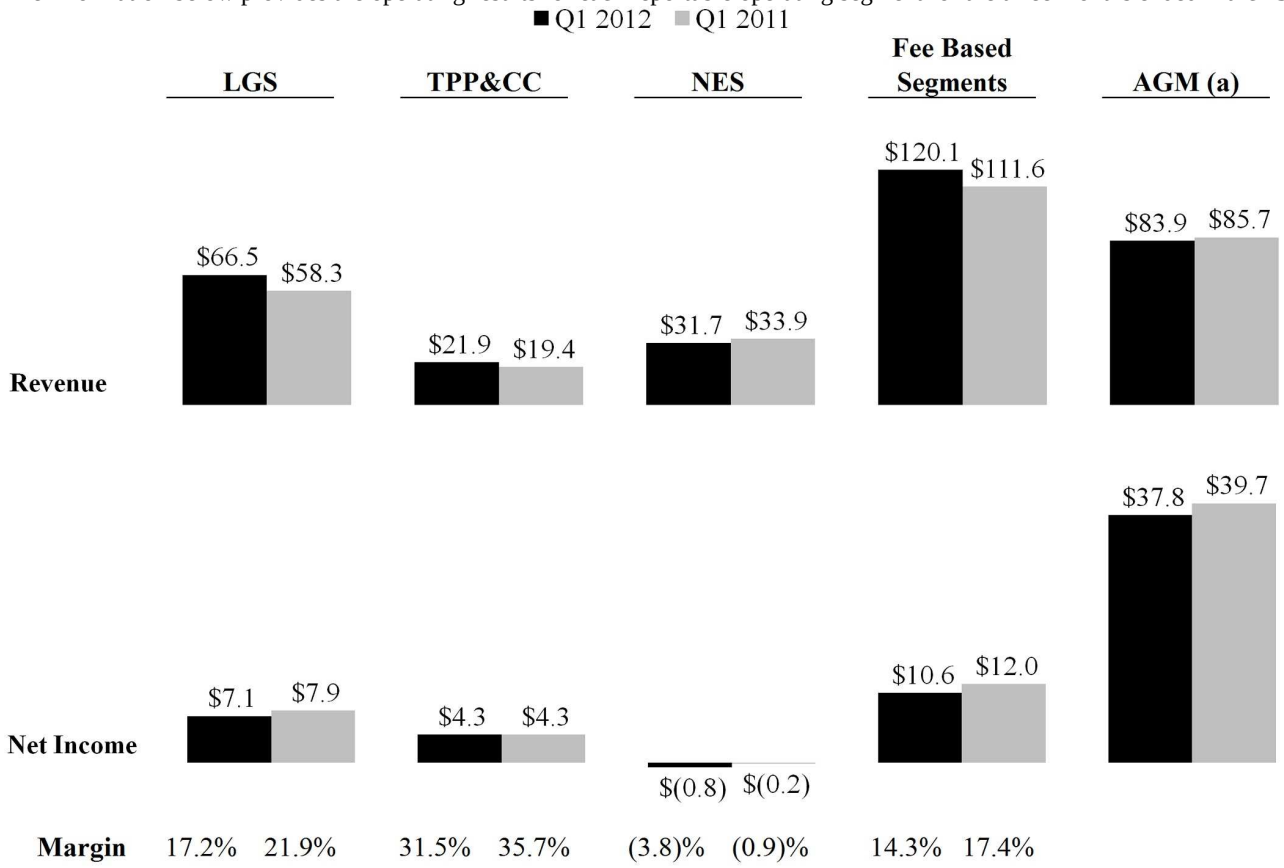
(c) Total revenue includes "net interest income after provision for loan losses" and "total other income" from the Company's statements of income, excluding the impact from the change in fair value on derivatives and the foreign currency transaction adjustments of $15.4 million, $11.8 million, and $1.1 million for the three months ended March 31, 2012, December 31, 2011, and March 31, 2011, respectively.

The Company earns fee-based revenue through the following operating segments:

- Student Loan and Guaranty Servicing ("LGS") - referred to as Nelnet Diversified Solutions ("NDS")
- Tuition Payment Processing and Campus Commerce ("TPP&CC") - referred to as Nelnet Business Solutions ("NBS")
- Enrollment Services ("NES") - commonly called Nelnet Enrollment Solutions ("NES")

In addition, the Company earns net interest income on its student loan portfolio in its Asset Generation and Management ("AGM") operating segment.

The information below provides the operating results for each reportable operating segment for the three months ended March 31, 2012 and 2011.



(a) Total revenue includes "net interest income after provision for loan losses" and "total other income" from the Company's segment statements of income, excluding the impact from the change in fair value on derivatives and the foreign currency transaction adjustment, which were expenses of $21.6 million and $0.6 million for the three months ended March 31, 2012 and 2011, respectively. Net income excludes the change in fair value on derivatives and the foreign currency transaction adjustment which was $13.4 million and $0.4 million for the three months ended March 31, 2012 and 2011, respectively.

A summary of the results and financial highlights for each reportable operating segment for the first quarter of 2012 and a summary of the company's liquidity and capital resources follows. See "Results of Operations" for each reportable operating segment and "Liquidity and Capital Resources" under this Item 2 for additional detail.

Student Loan and Guaranty Servicing

- An increase in government servicing revenue due to increased volume from the Department.
- An increase in guaranty servicing revenue due to an increase in rehabilitation collection revenue.
- An increase in software services revenue as a result of the Company beginning to provide hosted student loan servicing to a significant customer in October 2011.
- A decrease in operating margin due to the government servicing portfolio growing as a percentage of the Company's total servicing portfolio.
- An increase in operating expenses due to incurring additional costs related to the government servicing contract and the hosted servicing software product.

Tuition Payment Processing and Campus Commerce

- An increase in revenue as a result of an increase in the number of managed tuition payment plans and campus commerce customers.
- A slight compression in margin due to an increase in amortization of intangible assets and continued investment in new products and services to meet customer needs and expand product and service offerings.

Enrollment Services

- Continued decrease in revenue and operating margin due to the effects from regulatory uncertainty in the for-profit college industry, which has caused schools to decrease spending on marketing efforts.

Asset Generation and Management

- A decrease in variable student loan spread as a result of the widening student loan yield and debt indices (CP/LIBOR spread).
- Continued recognition of significant fixed rate floor income due to historically low interest rates.

Liquidity and Capital Resources

- As of March 31, 2012, the Company had $495.1 million of liquidity available for use.
- For the three months ended March 31, 2012, the Company generated $100.6 million in net cash provided by operating activities.
- Forecasted future cash flows from the Company's FFELP student loan portfolio remain strong and are estimated to be $1.81 billion as of March 31, 2012.
- On February 17, 2012, the Company entered into a new $250.0 million unsecured line of credit that has a maturity date of February 17, 2016. In conjunction with entering into this new agreement, the outstanding balance on the previous $750.0 million unsecured line of credit of $64.4 million was paid off in full and that agreement was terminated.
- The Company will continue to use its strong liquidity position to capitalize on market opportunities, including FFELP student loan acquisitions; strategic acquisitions and investments in its core business areas of loan financing, loan servicing, payment processing, and enrollment services (education planning); and capital management initiatives, including stock repurchases, debt repurchases, and dividend distributions.

RESULTS OF OPERATIONS

The Company's operating results are primarily driven by the performance of its existing student 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 and losses related to credit quality of the assets, along with the cost to administer and service the assets and related debt.

Net Interest Income

The Company generates a significant portion of its earnings from the spread, referred to as its student loan spread, between the yield the Company receives on its student loan portfolio and the cost of funding these loans. This spread income is reported on the Company's consolidated statements of income as net interest income. The amortization/accretion of loan premiums and discounts, including capitalized costs of origination, the 1.05% per year consolidation loan rebate fee paid to the Department, and yield adjustments from borrower benefit programs, are netted against loan interest income on the Company's consolidated statements of income. The amortization of debt issuance costs is included in interest expense on the Company's consolidated statements of income.

The Company's portfolio of FFELP loans originated prior to April 1, 2006 earns interest at the higher of a variable rate based on the special allowance payment or SAP formula set by the Department and the borrower rate. The SAP formula is based on an applicable indice plus a fixed spread that is dependent upon when the loan was originated, the loan's repayment status, and funding sources for the loan. The Company's portfolio of FFELP loans originated on or after April 1, 2006 earns interest at a variable rate based on the SAP formula. For the portfolio of loans originated on or after April 1, 2006, when the borrower rate exceeds the variable rate based on the SAP formula, the Company must return the excess to the Department.

Because the Company generates a significant portion of its earnings from its student 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 earnings, net interest income, and net income. The effects of changing interest rate environments are further outlined in Item 3, "Quantitative and Qualitative Disclosures about Market Risk — Interest Rate Risk."

Investment interest income, which is a component of net interest income, includes income from unrestricted interest-earning deposits and investments and funds in the Company's special purpose entities which are utilized for its asset-backed securitizations.

Net interest income also includes interest expense on unsecured debt offerings. The proceeds from these unsecured debt offerings were used by the Company to fund general business operations and certain asset and business acquisitions.

Provision for Loan Losses

Management estimates and establishes an allowance for loan losses through a provision charged to expense. Losses are charged against the allowance when management believes the collection of the loan principal is unlikely. Recovery of amounts previously charged off is credited to the allowance for loan losses. Management maintains the allowance for federally insured and non-federally insured loans at a level believed to be appropriate to provide for estimated probable credit losses inherent in the loan portfolio. This evaluation is inherently subjective because it requires estimates that may be susceptible to significant changes. The Company analyzes the allowance separately for its federally insured loans and its non-federally insured loans.

The allowance for the federally insured loan portfolio is based on periodic evaluations of the Company's loan portfolios considering 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, current economic conditions, and other relevant factors. The federal government guarantees 97% of the principal of and the interest on federally insured student loans disbursed on and after July 1, 2006 (and 98% for those loans disbursed prior to July 1, 2006), which limits the Company's loss exposure on the outstanding balance of the Company's federally insured portfolio. Student loans disbursed prior to October 1, 1993 are fully insured.

In determining the appropriateness of the allowance for loan losses on the non-federally insured loans, the Company considers several factors including: loans in repayment versus those in a nonpaying status, delinquency status, type of program, trends in defaults in the portfolio based on Company and industry data, past experience, current economic conditions, and other relevant factors. The Company places a non-federally insured loan on nonaccrual status when the collection of principal and interest is 30 days past due, and charges off the loan and accrued interest when the collection of principal and interest is 120 days past due.

Other Income

The Company also earns fees and generates revenue from other sources as summarized below.

Student Loan and Guaranty Servicing Revenue – Student loan and guaranty servicing revenue consists of the following items:

- *Loan and guaranty servicing fees* - Loan servicing fees are determined according to individual agreements with customers and are calculated based on the dollar value of loans, number of loans, or number of borrowers serviced for each customer. Guaranty servicing fees, generally, are calculated based on the number of loans serviced, volume of loans serviced, or amounts collected. Revenue is recognized when earned pursuant to applicable agreements, and when ultimate collection is assured.

- *Software services revenue* - Software services revenue is determined from individual agreements with customers and includes license and maintenance fees associated with student loan software products. Computer and software consulting and remote hosting revenues are recognized over the period in which services are provided to customers.

Tuition Payment Processing and Campus Commerce Revenue – Tuition payment processing and campus commerce revenue primarily includes actively managed tuition payment solutions and online payment processing. Fees for these services are recognized over the period in which services are provided to customers.

Enrollment Services Revenue – Enrollment services revenue primarily consists of the following items:

- *Inquiry Generation* - Inquiry generation services include delivering qualified inquiries or clicks to third-party customers, primarily for-profit schools.

- *Inquiry Management (Agency)* - Agency services include managing the marketing activities for third-party customers, primarily for-profit schools, in order to provide qualified inquiries or clicks.

- *Inquiry Management (Software)* - Inquiry management services include the licensing of software to third-party customers, primarily for-profit schools. This software is also used internally by the Company. The inquiry management software has been adapted so that it can be offered as a hosted software solution that can be used by third-parties to manage and obtain qualified inquiries or clicks.

  Inquiry generation and management revenue described above is derived primarily from fees which are earned through the delivery of qualified inquiries or clicks. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. Delivery is deemed to have occurred at the time a qualified inquiry or click is delivered to the customer provided that no significant obligations remain. From time to time, the Company may agree to credit certain inquiries or clicks if they fail to meet the contractual or other guidelines of a particular client. The Company has established a sales reserve based on historical experience. To date, such credits have been immaterial and within management's expectations.

  For a portion of its inquiry generation and management revenue, the Company has agreements with providers of online media or traffic ("Publishers") used in the generation of inquiries or clicks. The Company receives a fee from its customers and pays a fee to Publishers either on a cost per inquiry, cost per click, or cost per number of impressions basis. The Company is the primary obligor in the transaction. As a result, the fees paid by the Company's customers are recognized as revenue and the fees paid to its Publishers are included in "cost to provide enrollment services" in the Company's consolidated statements of income.

- *Digital Marketing (Peterson's Interactive)* - Digital marketing services include on-line information about colleges and universities and are sold primarily based on subscriptions. Revenues from sales of subscription services are recognized ratably over the term of the contract as earned. Subscription revenues received or receivable in advance of the delivery of services is included in deferred revenue. Digital marketing services also include on-line editing services for admission essays. Fees for these services are recognized over the period in which services are provided to customers.

- *Content Solutions* - Content solutions includes test preparation study guides, school directories and databases, career exploration guides, on-line courses, scholarship search and selection data, career planning, and on-line information about colleges and universities. Several of these services are sold based on subscriptions. Revenues from sales of subscription services are recognized ratably over the term of the contract as earned. Subscription revenues received or receivable in advance of the delivery of services is included in deferred revenue. Revenue from the sale of print products is generally

earned and recognized, net of estimated returns, upon shipment or delivery. All other services are recognized over the period in which services are provided to customers. Content solutions also includes providing list marketing services to help higher education institutions and businesses reach the middle school, high school, college bound high school, college, and young adult market places. Revenue from the sale of lists is generally earned and recognized, net of estimated returns, upon delivery.

Other income - Other income includes realized and unrealized gains and losses on investments and borrower late fee income, which is earned by the education lending subsidiaries and is recognized when payments are collected from the borrower. Other income also includes investment advisory income, which is recognized as these services are provided to customers.

Operating Expenses

Operating expenses includes indirect costs incurred to acquire student loans; costs incurred to manage and administer the Company's student loan portfolio and its financing transactions; costs incurred to service the Company's student loan portfolio and the portfolios of third parties; collection costs related to rehabilitation revenue; the cost to provide enrollment services; costs incurred to provide tuition payment processing and campus commerce to third parties; the depreciation and amortization of capital assets and intangible assets; investments in products, services, and technology to meet customer needs and support continued revenue growth; and other general and administrative expenses. The cost to provide enrollment services, as discussed previously, consists of costs incurred to provide inquiry generation, agency, digital marketing, and content solutions services in the Company's Enrollment Services operating segment.

Consolidated Results - Summary and Comparison of Operating Results

Net Interest Income (net of settlements on derivatives)

	Three months ended March 31,		Change	
	2012	2011	$	%
Interest income:				
Loan interest	$ 153,058	137,358	15,700	11.4 %
Investment interest	1,095	726	369	50.8
Total interest income	154,153	138,084	16,069	11.6
Interest expense:				
Interest on bonds and notes payable	69,297	52,307	16,990	32.5
Net interest income	84,856	85,777	(921)	(1.1)
Provision for loan losses	6,000	3,750	2,250	60.0
Net interest income after provision for loan losses	78,856	82,027	(3,171)	(3.9)
Derivative settlements, net (a)	227	(4,152)	4,379	(105.5)
Net interest income after provision for loan losses (net of settlements on derivatives)	$ 79,083	77,875	1,208	1.6 %

(a) The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. Management has structured the majority 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. Derivative settlements for each applicable period should be evaluated with the Company’s net interest income.

Net interest income after provision for loan losses, net of settlements on derivatives, includes the following items:

	Three months ended March 31,		Change	
	2012	2011	$	%
Variable student loan interest margin, net of settlements on derivatives (a)	$ 47,335	52,644	(5,309)	(10.1)%
Fixed rate floor income, net of settlements on derivatives (b)	38,092	31,682	6,410	20.2
Investment interest	1,095	726	369	50.8
Non-portfolio related derivative settlements	—	(114)	114	(100.0)
Corporate debt interest expense (c)	(1,439)	(3,313)	1,874	(56.6)
Provision for loan losses (d)	(6,000)	(3,750)	(2,250)	60.0
Net interest income after provision for loan losses (net of settlements on derivatives)	$ 79,083	77,875	1,208	1.6 %

(a) Variable student loan spread is impacted by variable rate student loan interest, consolidation rebate fees, amortization/accretion of loan premiums and discounts, and interest expense on bonds and notes. See "Asset Generation and Management Operating Segment – Results of Operations" in this Item 2 for additional information.

(b) 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 3, “Quantitative and Qualitative Disclosures about Market Risk – Interest Rate Risk” for additional information.

(c) Corporate debt interest expense includes interest expense incurred by the Company on its Junior Subordinated Hybrid Securities and its unsecured line of credit. Corporate debt interest expense decreased for the three months ended March 31, 2012 compared with the same period in 2011 due to a reduction in debt outstanding. The Company repurchased $62.6 million of Junior Subordinated Hybrid Securities in February 2011. The average balance outstanding on the Company's unsecured line of credit was $33.3 million during the first quarter of 2012 compared to $202.1 million in 2011.

(d) The provision for loan losses represents the periodic expense of maintaining an allowance sufficient to absorb losses inherent in the Company's portfolio of loans. The provision for loan losses recognized by the Company increased during the three months ended March 31, 2012 compared to the same period in 2011 , primarily due to an increase in delinquent loans.

Other Income

	Three months ended March 31,		Change	
	2012	2011	$	%
Loan and guaranty servicing revenue (a)	$ 49,488	40,413	9,075	22.5 %
Tuition payment processing and campus commerce revenue (b)	21,913	19,369	2,544	13.1
Enrollment services revenue (c)	31,664	33,868	(2,204)	(6.5)
Other income (d)	10,954	6,492	4,462	68.7
Gain on sale of loans and debt repurchases (e)	—	8,307	(8,307)	(100.0)
Derivative market value and foreign currency adjustments (f)	(15,407)	1,116	(16,523)	(1,480.6)
Derivative settlements, net (g)	227	(4,152)	4,379	(105.5)
Total other income	$ 98,839	105,413	(6,574)	(6.2)%

(a) "Loan and guaranty servicing revenue" increased for the three months ended March 31, 2012 compared to the same period in 2011 due to an increase in servicing revenue from the Department of Education, an increase in guaranty servicing revenue, and an increase in software services revenue. See Item 2 under "Student Loan and Guaranty Servicing Operating Segment – Results of Operations" for additional information.

(b) "Tuition payment processing and campus commerce revenue" increased due to an increase in the number of managed tuition payment plans and campus commerce customers as discussed in this Item 2 under "Tuition Payment Processing and Campus Commerce Operating Segment – Results of Operations."

(c) "Enrollment services revenue" decreased due to decreases in inquiry generation and inquiry management volume, as further discussed in this Item 2 under "Enrollment Services Operating Segment – Results of Operations." Enrollment services revenue has been negatively affected by the ongoing regulatory uncertainty in the for-profit college industry, which has caused schools to decrease spending on marketing efforts.

(d) The following table summarizes the components of "other income."

	Three months ended March 31,	
	2012	2011
Borrower late fee income	$ 3,703	3,590
Investment advisory fees (1)	2,989	—
Investments - realized gains/(losses), net	1,610	(1,760)
529 Plan administration fees	420	1,133
Trading investments - unrealized gains/(losses), net	(192)	1,922
Other	2,424	1,607
Other income	$ 10,954	6,492

(1) The Company provides investment advisory services through its subsidiary, WRCM, and earns annual fees of 25 basis points on the outstanding balance of investments and up to 50 percent of the gains from the sale of securities in which it provides advisory services. As of March 31, 2012, the outstanding balance of investments subject to these arrangements was approximately $520 million.

(e) During the first quarter of 2011, the Company sold a portfolio of non-federally insured student loans and recognized a gain of $1.4 million. In addition, during the first quarter of 2011, the Company purchased $62.6 million (notional amount) of its Junior Subordinated Hybrid Securities (unsecured debt) for $55.7 million and recognized a gain of $6.9 million. Due to improvements in the capital markets, the opportunities for the Company to repurchase debt at less than par are becoming more limited.

(f) The change in “derivative market value and foreign currency adjustments” is the result of the change in the fair value of the Company’s derivative portfolio and translation gains/losses resulting from the re-measurement of the Company’s Euro-denominated bonds to U.S. dollars. These changes are summarized below.

	Three months ended March 31,	
	2012	2011
Change in fair value of derivatives - income (expense)	$ 16,835	66,450
Foreign currency transaction adjustment - income (expense)	(32,242)	(65,334)
Derivative market value and foreign currency adjustments - income (expense)	$ (15,407)	1,116

(g) The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. Management has structured the majority 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. Derivative settlements for each applicable period should be evaluated with the Company’s net interest income.

Further detail of the components of derivative settlements is included in Item 3, "Quantitative and Qualitative Disclosures about Market Risk."

Operating Expenses

As shown below, operating expenses, excluding the cost to provide enrollment services and collection costs related to loan rehabilitation revenue, increased $11.2 million (15.2%) for the three months ended March 31, 2012 compared to the same period in 2011 .

	Three months ended March 31,		Change	
	2012	**2011**	**$**	**%**
Salaries and benefits	$ 49,095	43,912	5,183	11.8%
Depreciation and amortization	8,136	6,776	1,360	20.1
Other expenses	27,465	22,804	4,661	20.4
Operating expenses, excluding cost to provide enrollment services and collection costs related to loan rehabilitation revenue	84,696	73,492	$ 11,204	15.2%
Cost to provide enrollment services	21,678	22,839		
Collection costs related to loan rehabilitation revenue (a)	4,798	3,301		
Total operating expenses	$ 111,172	99,632		

(a) The Company incurred collection costs directly related to revenue earned from rehabilitation loans. These costs are included in "other" under the operating expense section of the consolidated statements of income and are shown separately in the above table for comparability purposes for the periods shown.

The increase in operating expenses for the three months ended March 31, 2012 compared to the same period in 2011 was due to the addition of resources and incurring other expenses to (i) support the growth in loan and guaranty servicing revenue and improve survey results related to the government servicing contract; (ii) support the hosted servicing software product; (iii) implement and comply with the Special Direct Consolidation program; and (iv) support the increase in the number of managed tuition payment plans and campus commerce customers.

Income Taxes

The Company's effective tax rate was 35.0% for the three months ended March 31, 2012 compared to 37.5% for the same period in 2011. The effective tax rate for 2012 decreased compared to the same period in 2011 due to state incentive tax credits and an overall reduction of the state effective tax rate.

Subsequent to March 31, 2012, state income tax laws were enacted that will reduce the Company's income tax expense by approximately $4.6 million for the quarter ending June 30, 2012.

Segment Operating Results

Additional information on the Company’s results of operations is included with the discussion of the Company’s operating segments in this Item 2 under “Operating Segments.”

Financial Condition as of March 31, 2012 compared to December 31, 2011

	As of March 31, 2012	As of December 31, 2011	Change $	Change %
Assets:				
Student loans receivable, net	$ 23,836,832	24,297,876	(461,044)	(1.9)%
Cash, cash equivalents, and investments	875,847	817,481	58,366	7.1
Goodwill	117,118	117,118	—	—
Intangible assets, net	23,682	28,374	(4,692)	(16.5)
Fair value of derivative instruments	107,534	92,219	15,315	16.6
Other assets	485,299	499,149	(13,850)	(2.8)
Total assets	$ 25,446,312	25,852,217	(405,905)	(1.6)%
Liabilities:				
Bonds and notes payable	$ 24,060,609	24,434,540	(373,931)	(1.5)%
Fair value of derivative instruments	42,321	43,840	(1,519)	(3.5)
Other liabilities	235,509	307,632	(72,123)	(23.4)
Total liabilities	24,338,439	24,786,012	(447,573)	(1.8)
Shareholders' equity				
Nelnet, Inc. shareholders' equity	1,107,716	1,066,205	41,511	3.9
Noncontrolling interest	157	—	157	100.0
Total liabilities and shareholders' equity	$ 25,446,312	25,852,217	(405,905)	(1.6)%

The primary items on the Company's balance sheet are student loans and notes payable. During the three months ended March 31, 2012, student loans receivable decreased primarily as a result of repayments and the loss of loans to consolidation to external parties, partially offset by loan acquisitions during the quarter. See the activity of loans acquired and loan repayments in this Item 2 under "Asset Generation and Management - Results of Operations." Bonds and notes payable decreased primarily as a result of less funding needs as the student loan portfolio decreases.

OPERATING SEGMENTS

The results of each of the Company's reportable operating segments, as well as descriptions of the segments, are included in note 10, "Segment Reporting," in the notes to the consolidated financial statements included in this report. The following provides additional information and analysis of the results of operations for each reportable segment.

STUDENT LOAN AND GUARANTY SERVICING OPERATING SEGMENT – RESULTS OF OPERATIONS

The following are the primary services the Company offers as part of its Student Loan and Guaranty Servicing segment:

- Servicing FFELP loans
- Originating and servicing non-federally insured student loans
- Servicing federally-owned student loans for the Department of Education
- Servicing and outsourcing services for guaranty agencies
- Providing student loan servicing software and other information technology products and services

The Student Loan and Guaranty Servicing operating segment provides for the servicing of the Company's student loan portfolio and the portfolios of third parties. The loan servicing activities include loan origination activities, loan conversion activities, application processing, borrower updates, 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.

Beginning in 2009, the Company began servicing loans for the Department of Education as further discussed below.

This operating segment also provides servicing activities for guarantee agencies. These activities include providing software and data center services, borrower and loan updates, default aversion tracking services, claim processing services, and managing third-party collection agencies.

This operating segment also provides student loan servicing software, which is used internally by the Company and licensed to third-party student loan holders and servicers. This software system has been adapted so that it can be offered as a hosted servicing software solution that can be used by third-parties to service various types of student loans, including Federal Direct Loan Program and FFEL Program loans. In October 2011, the Company began hosting student loan servicing volume on its servicing software platforms for a significant customer. The Company earns a monthly fee from remote hosting customers for each unique borrower on the Company's platform. As of March 31, 2012 , 8.6 million borrowers were hosted on the Company's hosted servicing software solution platforms. In addition, this operating segment provides information technology products and services, with core areas of business in educational loan software solutions, technical consulting services, and enterprise content management solutions.

Direct Loan Servicing Contract

In June 2009, the Company was one of four private sector companies awarded a student loan servicing contract by the Department to provide additional servicing capacity for loans owned by the Department. These loans include Direct Loan Program loans and FFEL Program loans purchased by the Department. The Company earns a monthly fee from the Department for each unique borrower that has loans owned by the Department that are serviced by the Company. In September 2009, the Department began assigning FFELP purchased loans to the four servicers. Beginning with the second year of servicing, the Department began allocating new loan volume among the four servicers based on five performance metrics.

- Three metrics measure the satisfaction among separate customer groups, including borrowers, financial aid personnel at postsecondary schools participating in the federal student loan programs, and Federal Student Aid and other federal agency personnel or contractors who work with the servicers.

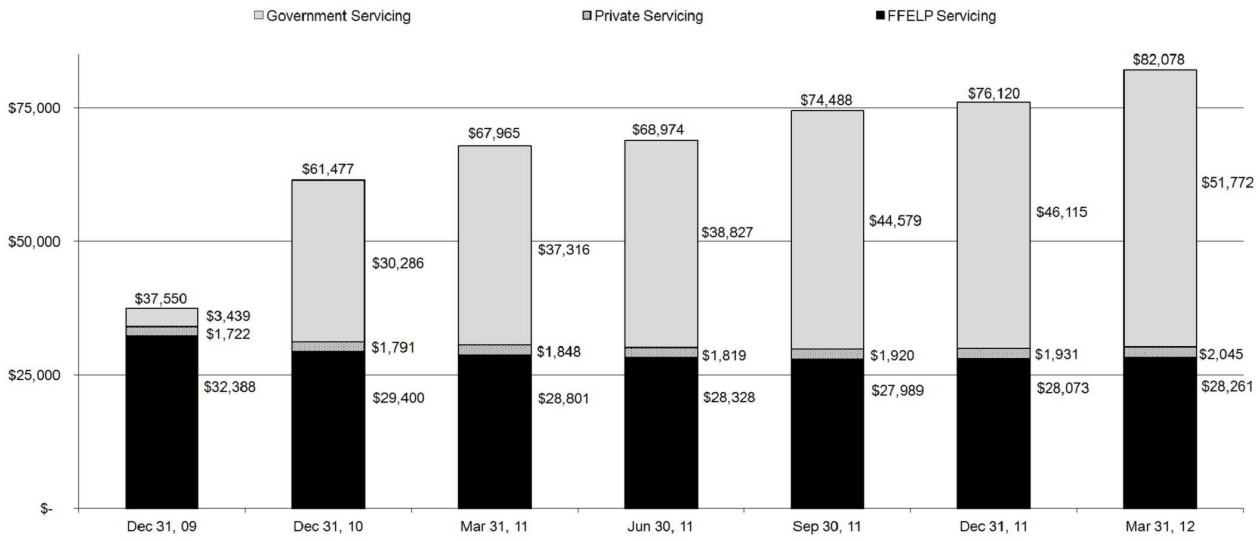
- Two performance metrics measure the success of default prevention efforts as reflected by the percentage of borrowers and percentage of dollars in each servicer’s portfolio that go into default.

Based on the first and second years of survey results, the Company was ranked fourth out of the four private sector companies and has been allocated 16% of new loan volume originated by the Department from the period from August 15, 2010 through August 14, 2012 (the second and third years of the servicing contract). The Department projects it will originate new loans for 4.1 million borrowers in total during the third year of this contract (August 15, 2011 through August 14, 2012), which is currently being allocated to the four servicers. The Company is focused on improving survey results to increase this allocation in future periods and has and will continue to incur additional operating expenses in support of these initiatives. Based on the most recent survey results that will affect the next year of loan allocations by the Department, the Company has improved upon its ranking among the other servicers. The improved survey results could lead to a larger allocation of loan volume to the Company during the fourth year of this contract (August 15, 2012 through August 14, 2013).

The servicing contract with the Department spans five years (through June 2014), with one five-year renewal at the option of the Department. Servicing loans under this contract will increase revenue earned by this segment. However, as the federally-owned

student loan portfolio becomes a larger portion of the Company's total student loan servicing portfolio, operating margins are expected to be lower than historical levels achieved.

Student Loan Servicing Volumes (dollars in millions)



Company owned	$23,139	$23,727	$23,249	$22,757	$22,503	$22,650	$22,277
% of Total	61.6%	38.6%	34.2%	33.0%	30.2%	29.8%	27.1%
Number of servicing borrowers:							
Government servicing:	441,913	2,804,502	2,814,142	2,666,183	2,966,706	3,036,534	3,096,026
FFELP servicing:	2,311,558	1,912,748	1,870,538	1,837,272	1,812,582	1,799,484	1,779,245
Total:	2,753,471	4,717,250	4,684,680	4,503,455	4,779,288	4,836,018	4,875,271

Summary and Comparison of Operating Results

	Three months ended March 31,		Change	
	2012	2011	$	%
Net interest income	$ 20	15	5	33.3 %
Loan and guaranty servicing revenue	49,488	40,413	9,075	22.5
Intersegment servicing revenue	16,954	17,857	(903)	(5.1)
Total other income	66,442	58,270	8,172	14.0
Salaries and benefits	29,042	25,388	3,654	14.4
Depreciation and amortization	4,413	3,406	1,007	29.6
Other expenses	18,666	14,579	4,087	28.0
Intersegment expenses, net	1,385	1,369	16	1.2
Total operating expenses	53,506	44,742	8,764	19.6
Income before income taxes and corporate overhead allocation	12,956	13,543	(587)	(4.3)
Corporate overhead allocation	(1,503)	(753)	(750)	99.6
Income before income taxes	11,453	12,790	(1,337)	(10.5)
Income tax expense	(4,352)	(4,860)	508	(10.5)
Net income	$ 7,101	7,930	(829)	(10.5)%
Before Tax Operating Margin	17.2%	21.9%		

Loan and guaranty servicing revenue .

	Three months ended March 31,					
	2012			2011		
	Origination revenue	Servicing revenue	Total revenue	Origination revenue	Servicing revenue	Total revenue
FFELP servicing (a)	$ —	6,714	6,714	—	6,997	6,997
Private servicing	195	2,073	2,268	274	2,143	2,417
Government servicing (b)	—	14,810	14,810	—	12,285	12,285
Guaranty servicing (c)	—	18,029	18,029	—	13,937	13,937
Software services (d)	—	7,667	7,667	—	4,777	4,777
Loan and guaranty servicing revenue	$ 195	49,293	49,488	274	40,139	40,413

(a) FFELP servicing revenue decreased in 2012 compared to 2011 due to the loss of servicing volume from third-party customers as a result of these customers selling their portfolios to the Company and/or the Department under the Purchase Program. The decrease is also due to third-party customers' FFELP portfolios decreasing in size due to runoff.

(b) Government servicing revenue increased during 2012 compared to 2011 due to an increase in volume from the Department.

(c) Guaranty servicing revenue increased in 2012 compared to 2011 due to an increase in revenue earned from rehabilitation collections on defaulted loan assets. For the three months ended March 31, 2012 , the Company earned $10.1 million in revenue from rehabilitation collections compared to $6.5 million for the same period in 2011 . Excluding the rehabilitation collection revenue, guaranty servicing revenue increased $0.4 million .

(d) In October 2011, the Company began providing hosted student loan servicing to a significant customer, which resulted in an increase in software services revenue compared to the prior year. This increase was offset by a reduction in revenue due to a decrease in the number of other products and services provided to external customers as a result of legislative changes in the student loan industry.

Intersegment servicing revenue . Intersegment servicing revenue includes servicing revenue earned by the Student Loan and Guaranty Servicing operating segment as a result of servicing loans for the Asset Generation and Management operating segment.

Operating expenses . Excluding collection costs related to loan rehabilitation revenue, operating expenses increased $9.4 million (23.8%) for the three months ended March 31, 2012 , compared with the same period in 2011 . These increases were due to incurring additional costs related to:

- Supporting the increase in government servicing volume
- Supporting initiatives to improve performance metrics under the government servicing contract
- Supporting the additional volume that was added to the Company's servicing platforms in October 2011 related to the hosted servicing software solution

There is potential for continued compression of operating margin in this operating segment as a result of the government servicing portfolio growing as a percentage of the Company’s total servicing portfolio.

TUITION PAYMENT PROCESSING AND CAMPUS COMMERCE OPERATING SEGMENT – RESULTS OF OPERATIONS

The Company’s Tuition Payment Processing and Campus Commerce operating segment provides products and services to help students and families manage the payment of education costs at all levels (K-12 and higher education). It also provides innovative education-focused technologies, services, and support solutions to help schools with the everyday challenges of collecting and processing commerce data.

In the K-12 market, the Company offers actively managed tuition payment plans as well as assistance with financial needs assessment and donor management. The Company offers two principal products to the higher education market: actively managed tuition payment plans and campus commerce technologies and payment processing.

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. Revenue associated with providing electronic commerce subscription services is recognized over the service period with the highest revenue months being July through September and December and January. 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. For example, generally revenue and pre-tax operating margin are higher in the first and third quarters and lower in the second and fourth quarters.

Summary and Comparison of Operating Results

	Three months ended March 31,		Change	
	2012	**2011**	**$**	**%**
Net interest income	$ 4	6	(2)	(33.3)%
Tuition payment processing and campus commerce revenue	21,913	19,369	2,544	13.1
Salaries and benefits	8,618	7,152	1,466	20.5
Depreciation and amortization	1,740	1,334	406	30.4
Other expenses	2,816	2,634	182	6.9
Intersegment expenses, net	1,333	1,093	240	22.0
Total operating expenses	14,507	12,213	2,294	18.8
Income before income taxes and corporate overhead allocation	7,410	7,162	248	3.5
Corporate overhead allocation	(501)	(251)	(250)	99.6
Income before income taxes	6,909	6,911	(2)	—
Income tax expense	(2,625)	(2,626)	1	—
Net income	$ 4,284	4,285	(1)	— %
Before Tax Operating Margin	31.5%	35.7%		

Tuition payment processing and campus commerce revenue . Tuition payment processing and campus commerce revenue increased for the three months ended March 31, 2012 compared to the same period in 2011 as a result of an increase in the number of managed tuition payment plans, as well as an increase in campus commerce customers.

Operating expenses . Operating expenses increased for the three months ended March 31, 2012 compared to the same periods in 2011 as a result of incurring additional costs to support the increase in the number of managed tuition payment plans and campus commerce customers. In addition, the Company continues to invest in new products and services to meet customer needs and expand product and service offerings. The 2012 operating expenses includes $0.6 million of amortization expense related to the acquisition of tuition payment plan contracts in June 2011. These investments increased operating expenses in 2012 compared to 2011 .

ENROLLMENT SERVICES OPERATING SEGMENT – RESULTS OF OPERATIONS

The Enrollment Services operating segment offers products and services that are focused on helping colleges recruit and retain students and helping students plan and prepare for life after high school. The following are the primary service offerings the Company offers as part of the Enrollment Services segment:

- Inquiry Generation - Inquiry generation services include delivering qualified inquiries or clicks to third-party customers, primarily for-profit schools.

- Inquiry Management (Agency) - Agency services include managing the marketing activities for third-party customers, primarily for-profit schools, in order to provide qualified inquiries or clicks.

- Inquiry Management (Software) - Inquiry management services includes the licensing of software to third-party customers, primarily for-profit schools. This software is also used internally by the Company. The inquiry management software has been adapted so that it can be offered as a hosted software solution that can be used by third-parties to manage and obtain qualified inquiries or clicks.

- Digital Marketing (Peterson's Interactive) - Digital marketing services include on-line information about colleges and universities and are sold primarily based on subscriptions. Digital marketing services also includes online editing services for admission essays.

- Content Solutions - Content solutions includes test preparation study guides, school directories and databases, career exploration guides, on-line courses, scholarship search and selection data, career planning, and on-line information about colleges and universities. Content solutions also includes providing list marketing services to help higher education institutions and businesses reach the middle school, high school, college bound high school, college, and young adult market places.

Summary and Comparison of Operating Results

	Three months ended March 31,		Change	
	2012	2011	$	%
Enrollment services revenue	$ 31,664	33,868	(2,204)	(6.5)%
Salaries and benefits	6,279	6,257	22	0.4
Cost to provide enrollment services	21,678	22,839	(1,161)	(5.1)
Depreciation and amortization	1,617	1,691	(74)	(4.4)
Other expenses	1,956	2,318	(362)	(15.6)
Intersegment expenses, net	848	818	30	3.7
Total operating expenses	32,378	33,923	(1,545)	(4.6)
Loss before income taxes and corporate overhead allocation	(714)	(55)	(659)	1,198.2
Corporate overhead allocation	(501)	(251)	(250)	99.6
Loss before income taxes	(1,215)	(306)	(909)	297.1
Income tax benefit	462	117	345	294.9
Net loss	$ (753)	(189)	(564)	298.4 %
Before Tax Operating Margin	(3.8)%	(0.9)%		

Enrollment services revenue, cost to provide enrollment services, and gross profit

	Three months ended March 31, 2012					
	Inquiry Generation (a)	Inquiry Management (Agency) (b)	Inquiry Management (Software)	Digital Marketing (Peterson's Interactive)	Content Solutions	Total
Enrollment services revenue	$ 4,552	20,365	894	1,197	4,656	31,664
Cost to provide enrollment services	2,700	18,214	—	58	706	21,678
Gross profit	$ 1,852	2,151	894	1,139	3,950	9,986
Gross profit %	40.7%	10.6%				

	Three months ended March 31, 2011					
	Inquiry Generation (a)	Inquiry Management (Agency) (b)	Inquiry Management (Software)	Digital Marketing (Peterson's Interactive)	Content Solutions	Total
Enrollment services revenue	$ 6,258	21,339	586	1,157	4,528	33,868
Cost to provide enrollment services	3,674	18,651	—	76	438	22,839
Gross profit	$ 2,584	2,688	586	1,081	4,090	11,029
Gross profit %	41.3%	12.6%				

(a) Inquiry generation revenue decreased $1.7 million (27.3%) for the three months ended March 31, 2012 compared to the same period in 2011 as a result of a decrease in services volume. The gross profit margin for the three months ended March 31, 2012 compared to the same period in 2011 decreased as a result of more competitive pricing. Revenue and

profit margin have been affected by the ongoing regulatory uncertainty in the for-profit college industry, which has caused schools to decrease spending on marketing efforts.

(b) Inquiry management revenue decreased $1.0 million (4.6%) for the three months ended March 31, 2012 compared to the same period in 2011 as a result of a decrease in volume. The gross margin decreased as a result of more competitive pricing. Revenue and profit margin have been affected by the ongoing regulatory uncertainty in the for-profit college industry, which has caused schools to decrease spending on marketing efforts.

Operating expenses . Excluding the cost to provide enrollment services, operating expenses for the three months ended March 31, 2012 decreased $0.4 million (3.5%) compared to the same period in 2011 due to cost saving measures relating to the decline in revenue.

ASSET GENERATION AND MANAGEMENT OPERATING SEGMENT – RESULTS OF OPERATIONS

The Asset Generation and Management Operating Segment includes the acquisition, management, and ownership of the Company's student loan assets, which has historically been the Company's largest product and service offering. The Company generates a substantial portion of its earnings from the spread, referred to as the Company's student loan spread, between the yield it receives on its student loan portfolio and the associated costs to finance such portfolio. The student loan assets are held in a series of education lending subsidiaries designed specifically for this purpose. In addition to the student 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.

Student Loan Portfolio

The table below outlines the components of the Company's student loan portfolio:

	As of March 31, 2012	As of December 31, 2011
Federally insured loans:		
Stafford and other	$ 7,257,986	7,480,182
Consolidation	16,623,497	16,852,527
Total	23,881,483	24,332,709
Non-federally insured loans	24,825	26,916
	23,906,308	24,359,625
Unamortized loan (discount) premium and deferred origination costs, net	(21,041)	(13,267)
Allowance for loan losses – federally insured loans	(36,783)	(37,205)
Allowance for loan losses – non-federally insured loans	(11,652)	(11,277)
	$ 23,836,832	24,297,876
Allowance for federally insured loans as a percentage of such loans	0.15%	0.15%
Allowance for non-federally insured loans as a percentage of such loans	46.94%	41.90%

Loan Activity

The following table sets forth the activity of loans.

	Three months ended March 31,	
	2012	2011
Beginning balance	$ 24,359,625	23,784,069
Loan acquisitions (a)	183,293	240,733
Repayments, claims, capitalized interest, participations, and other	(437,039)	(424,896)
Consolidation loans lost to external parties	(165,908)	(205,710)
Loans sold	(33,663)	(3,000)
Ending balance	$ 23,906,308	23,391,196

(a) As a result of legislation effective July 1, 2010, all new federal loan originations are made by the Department of Education through the Direct Loan Program and the Company no longer originates FFELP loans. However, the Company believes there will be opportunities to continue to purchase FFELP loan portfolios from current FFELP participants looking to adjust their businesses.

Allowance for Loan Losses, Loan Repurchase Obligations, and Loan Delinquencies

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

In addition, the Company's servicing operations are obligated to repurchase loans subject to certain participation interests in the event such loans become 60 or 90 days delinquent, and the Company has also retained credit risk related to certain non-federally insured loans sold and will pay cash to purchase back any of these loans which become 60 days delinquent. The Company's estimate related to its obligation to repurchase these loans is included in "other liabilities" in the Company's consolidated balance sheets.

Delinquencies have the potential to adversely impact the Company's earnings through increased servicing and collection costs and account charge-offs.

Activity in the allowance for loan losses and accrual related to the Company's loan repurchase obligations for the three months ended March 31, 2012 and 2011 and a summary of the Company's student loan delinquency amounts as of March 31, 2012, December 31, 2011, and March 31, 2011 is included in note 2, "Student Loans Receivable and Allowance for Loan Losses," in the notes to the consolidated financial statements included in this report.

The delinquency trends on the Company's portfolio of federally insured loans increased as of December 31, 2011 compared to March 31, 2011 due to the sustained downturn in the economy. During the first quarter of 2012 , the notional amount of delinquent loans has improved as the Company continues to allocate resources to improve the performance of its portfolio. However, the increase in the amount of loans delinquent compared to the prior year has resulted in an increase in the federally insured loan provision for the three months ended March 31, 2012 compared to March 31, 2011 .

The Company's non-federally insured loan portfolio has decreased since 2008 as a result of loan sales, runoff, and the Company no longer originating non-federally insured loans. The amortization of the non-federally insured student loan portfolio has resulted in provision expense being less than charge-offs during the three months ended March 31, 2012 and 2011 .

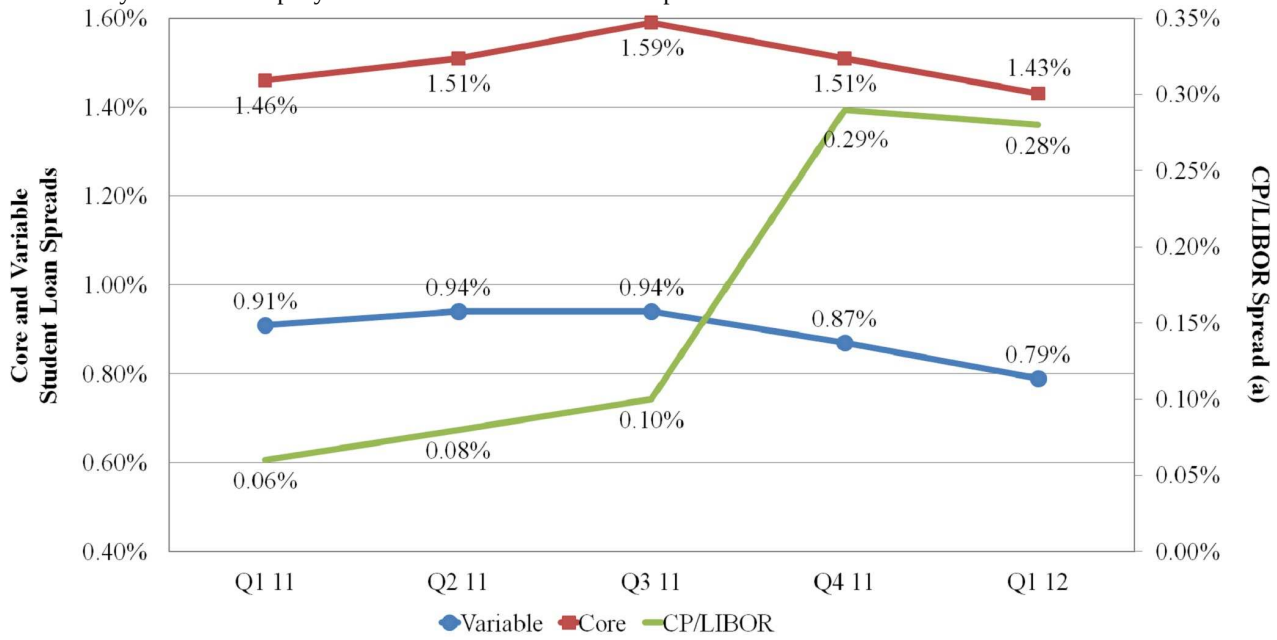
Student Loan Spread Analysis

The following table analyzes the student loan spread on the Company's portfolio of student loans and represents the spread on assets earned in conjunction with the liabilities and derivative instruments used to fund the assets.

	Three months ended		
	March 31, 2012	**December 31, 2011**	**March 31, 2011**
Variable student loan yield, gross	2.63 %	2.59 %	2.60 %
Consolidation rebate fees	(0.75)	(0.74)	(0.72)
Premium/discount and deferred origination costs amortization/accretion, net (a)	(0.02)	(0.02)	(0.17)
Variable student loan yield, net	1.86	1.83	1.71
Student loan cost of funds - interest expense	(1.02)	(0.91)	(0.83)
Student loan cost of funds - bonds and notes payable discount accretion (a)	(0.11)	(0.11)	—
Student loan cost of funds - derivative settlements	0.06	0.06	0.03
Variable student loan spread	0.79	0.87	0.91
Fixed rate floor income, net of settlements on derivatives	0.64	0.64	0.55
Core student loan spread	1.43 %	1.51 %	1.46 %
Average balance of student loans	$ 24,118,892	24,505,476	23,586,250
Average balance of debt outstanding	24,236,068	24,590,560	23,853,620

(a) On July 8, 2011, the Company purchased the residual interest in $1.9 billion of consolidation loans and recorded the loans and related debt at fair value resulting in the recognition of a significant student loan discount and bonds and notes payable discount. These discounts are being accreted using the effective interest method over the lives of the underlying assets/liabilities.

A trend analysis of the Company's core and variable student loan spreads is summarized below.



(a) The interest earned on the majority of the Company's FFELP student loan assets is indexed to the three-month commercial paper indice. The Company funds the majority of its assets with the three-month LIBOR indexed floating rate securities. The relationship between these two indices has a significant impact on student loan spread. This table (the right axis) shows the difference between the average three-month LIBOR and commercial paper indices by quarter.

Variable student loan spread decreased during the first quarter of 2012 as compared to the first quarter of 2011 as a result of the widening of the CP/LIBOR spread, offset by a decrease in the amortization of loan premiums/discounts and deferred origination costs as a result of loans purchased at a discount, reducing the net costs being amortized.

The primary difference between variable student loan spread and core student loan spread is fixed rate floor income, net of settlements on derivatives. A summary of fixed rate floor income and its contribution to core student spread follows:

	Three months ended		
	March 31, 2012	December 31, 2011	March 31, 2011
Fixed rate floor income, gross	$ 41,229	43,574	37,900
Derivative settlements (a)	(3,137)	(4,201)	(6,218)
Fixed rate floor income, net	$ 38,092	39,373	31,682
Fixed rate floor income contribution to spread, net	0.64%	0.64%	0.55%

(a) Includes settlement payments on derivatives used to hedge student loans earning fixed rate floor income.

The high levels of fixed rate floor income earned during 2012 and 2011 are due to historically low interest rates. In addition, in July 2011, the Company purchased the residual interest in $1.9 billion of consolidation loans which has increased the amount of fixed rate floor income earned by the Company. If interest rates remain low, the Company anticipates continuing to earn significant fixed rate floor income in future periods. See Item 3, “Quantitative and Qualitative Disclosures about Market Risk,” which provides additional detail on the Company’s portfolio earning fixed rate floor income and the derivatives used by the Company to hedge these loans.

On December 23, 2011, the President signed the Consolidated Appropriations Act of 2012 into law. This Act includes changes that permit student loan lenders to change the index on which the Special Allowance Payments are calculated for FFELP loans from the commercial paper rate to the one-month LIBOR rate effective April 1, 2012. As of March 31, 2012 , the Company had $23.0 billion of loans in which it elected to change the SAP calculation to the one-month LIBOR rate. This change mitigates the Company's exposure to basis risk and will allow the Company to better match borrowing and lending rates.

Summary and Comparison of Operating Results

	Three months ended March 31,		Change	
	2012	2011	$	%
Net interest income after provision for loan losses	$ 78,683	84,173	(5,490)	(6.5)%
Other income	5,000	4,136	864	20.9
Gain on sale of loans and debt repurchases	—	1,400	(1,400)	(100.0)
Derivative market value and foreign currency adjustments, net	(21,604)	(589)	(21,015)	(3,567.9)
Derivative settlements, net	227	(4,038)	4,265	(105.6)
Total other income	(16,377)	909	(17,286)	(1,901.7)
Salaries and benefits	719	778	(59)	(7.6)
Other expenses	3,632	1,538	2,094	136.2
Intersegment expenses, net	17,143	18,147	(1,004)	(5.5)
Total operating expenses	21,494	20,463	1,031	5.0
Income before income taxes and corporate overhead allocation	40,812	64,619	(23,807)	(36.8)
Corporate overhead allocation	(1,392)	(1,255)	(137)	10.9
Income before income taxes	39,420	63,364	(23,944)	(37.8)
Income tax expense	(14,979)	(24,078)	9,099	(37.8)
Net income	$ 24,441	39,286	(14,845)	(37.8)%
Additional information:				
Net income	$ 24,441	39,286	(14,845)	(37.8)%
Derivative market value and foreign currency adjustments, net	21,604	589	21,015	3,567.9
Tax effect	(8,210)	(224)	(7,986)	(3,565.2)
Net income, excluding market value and foreign currency adjustments	$ 37,835	39,651	(1,816)	(4.6)%

Net interest income after provision for loan losses (net of settlements on derivatives) .

	Three months ended March 31,		Change	
	2012	2011	$	%
Variable interest income, net of settlements on derivatives (a)	$ 161,142	153,411	7,731	5.0 %
Consolidation rebate fees (b)	(44,889)	(41,784)	(3,105)	7.4
Amortization/accretion of loan premiums/discounts and deferred origination costs, net (c)	(1,060)	(9,989)	8,929	(89.4)
Interest on bonds and notes payable (d)	(61,290)	(48,994)	(12,296)	25.1
Bonds and notes payable discount accretion (e)	(6,568)	—	(6,568)	100.0
Variable student loan interest margin, net of settlements on derivatives	47,335	52,644	(5,309)	(10.1)
Fixed rate floor income, net of settlements on derivatives (f)	38,092	31,682	6,410	20.2
Investment interest	454	281	173	61.6
Intercompany interest	(971)	(722)	(249)	34.5
Provision for loan losses (g)	(6,000)	(3,750)	(2,250)	60.0
Net interest income after provision for loan losses (net of settlements on derivatives (h))	$ 78,910	80,135	(1,225)	(1.5)%

(a) Variable interest income, net of settlements on derivatives, increased as a result of an increase in the average student loan portfolio of $0.5 billion (2.3%) for the three months ended March 31, 2012 compared to the same period in 2011 . In addition, the yield earned on student loans, net of settlements on derivatives, increased to 2.69% for the three months ended March 31, 2012 from 2.63% during the same period in 2011 .

(b) Consolidation rebate fees increased for the three months ended March 31, 2012 compared to the same period in 2011 due to the purchase of the residual interest in $1.9 billion of consolidation loans in July 2011.

(c) The amortization/accretion of loan premiums/discounts and deferred origination costs decreased as a result of the ongoing purchase of loans at a discount, which has reduced the net costs being amortized/accreted.

(d) Interest on bonds and notes payable increased as a result of an increase in average debt outstanding of $0.4 billion (1.6%) for the three months ended March 31, 2012 , compared to the same period in 2011 . In addition, the Company's cost of funds increased to 1.02% for the three months ended March 31, 2012 from 0.83% during the same period in 2011 .

(e) During July 2011, the Company recorded a discount on bonds and notes payable assumed as a result of the purchase of the residual interest on $1.9 billion of student loans and related debt. The bonds and notes payable discount is being accreted using the effective interest method over the lives of the bonds and notes payable.

(f) Depending on the type of loan and when it was originated, the borrower rate on student loans 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.

The high levels of fixed rate floor income earned during the three months ended March 31, 2012 and 2011 are due to historically low interest rates. In addition, the 2012 amount increased due to the purchase of the residual interest in $1.9 billion of consolidation loans in July 2011.

(g) The provision for loan losses represents the periodic expense of maintaining an allowance sufficient to absorb probable losses inherent in the Company's portfolio of loans. The federally insured loan provision increased $2.5 million during the three months ended March 31, 2012 compared to the same period in 2011 primarily due to a increase in delinquent loans.

(h) The Company maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. Management has structured the majority 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. Derivative settlements for each applicable period should be evaluated with the Company's net interest income.

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

	Three months ended March 31,	
	2012	**2011**
Borrower late fee income	$ 3,703	3,590
Other	1,297	546
Other income	$ 5,000	4,136

Gain on sale of loans and debt repurchases . During 2011, the Company recognized a gain of $1.4 million from the sale of a portfolio of non-federally insured loans.

Derivative market value and foreign currency adjustment, net. The Company maintains an overall interest rate risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate volatility. Derivative instruments primarily used by the Company to manage interest rate risk includes interest rate swaps and basis swaps. Management has structured the majority of the Company's derivative transactions with the intent that each is economically effective. However, the Company does not qualify its derivatives for "hedge treatment," and the stand-alone derivative must be marked-to-market, the adjustments for which are included in "derivative market value and foreign currency adjustments, net" in the consolidated statements of income.

In addition, the Company has Euro-denominated bonds of which the principal and accrued interest are re-measured at each reporting period to U.S. dollars. Changes in the principal and accrued interest amounts as a result of foreign currency exchange rate fluctuations are included in “derivative market value and foreign currency adjustments, net.” In connection with the issuance of the Euro-denominated bonds, the Company has entered into cross-currency interest rate swaps in which the Company did not qualify for "hedge treatment" for accounting purposes. The re-measurement of the Euro-denominated bonds generally correlates with the change in fair value of the cross-currency interest rate swaps. However, the Company will experience unrealized gains or losses related to the cross-currency interest rate swaps if the two underlying indices (and related forward curve) do not move in parallel.

The gains and/or losses included in “derivative market value and foreign currency adjustments and derivative settlements, net” on the Company's statements of income are primarily caused by interest rate and currency volatility, as well as the volume and terms of derivatives not receiving hedge treatment.

Included in the table of operating results above, the Company has included additional information which reflects the operating results of this segment excluding the unrealized gains and losses from the Company's derivative portfolio and the foreign currency transaction adjustment.

Other expenses . Other expenses increased during the three months ended March 31, 2012 compared to the same period in 2011 as a result of an increase in fees paid to third-parties for the servicing of the Company's student loan portfolio primarily due to the acquisition of the residual interest of $1.9 billion of loans in July 2011.

Intersegment expenses, net . Intersegment expenses include fees paid to the Student Loan and Guaranty Servicing operating segment for the servicing of the Company’s student loan portfolio.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s fee generating businesses are non-capital intensive and all produce positive operating cash flows. As such, a minimal amount of debt and equity capital is allocated to the fee-based 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 and unsecured 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, asset-backed securitizations, and liquidity programs offered by the Department), operating lines of credit, and other borrowing arrangements to fund its Asset Generation and Management operations and student loan acquisitions. In addition, the Company has used operating cash flow, borrowings on its unsecured line of credit, and unsecured debt offerings to fund corporate activities, business acquisitions, and repurchases of common stock. The Company has also used its common stock to partially fund certain business acquisitions.

As of March 31, 2012, the Company had $495.1 million of liquidity available for use (as summarized below). In addition, the Company generates a significant amount of cash from operations. The Company will continue to use its strong liquidity position to capitalize on market opportunities, including FFELP student loan acquisitions; strategic acquisitions and investments in its core business areas of loan financing, loan servicing, payment processing, and enrollment services (education planning); and capital management initiatives, including stock repurchases, debt repurchases, and dividend distributions.

Sources of liquidity currently available

The following table details the Company's sources of liquidity currently available:

	As of March 31, 2012	
Sources of primary liquidity:		
Cash and cash equivalents	$	60,700
Investments		70,552
Unencumbered private student loan assets		15,925
Asset-backed security investments - Class B subordinated notes (a)		76,513
Asset-backed security investments (b)		71,453
Available balance on unsecured line of credit		200,000
Total sources of primary liquidity	$	495,143

(a) As part of the Company's issuance of asset-backed securitizations in 2008, due to credit market conditions when these notes were issued, the Company purchased the Class B subordinated notes of $76.5 million (par value). These notes are not included on the Company's consolidated balance sheet. If the credit market conditions continue to improve, the Company anticipates selling these notes to third parties. Upon a sale to third parties, the Company would obtain cash proceeds equal to the market value of the notes on the date of such sale. The amount included in the table above is the par value of these subordinated notes and may not represent market value upon sale of the notes.

(b) The Company has repurchased its own asset-backed securities (bonds and notes payable). For accounting purposes, these notes are effectively retired and are not included on the Company's consolidated balance sheet. However, as of March 31, 2012 , $71.5 million of these securities are 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 to third parties, the Company would obtain cash proceeds equal to the market value of the notes on the date of such sale. The amount included in the table above is the par value of these notes and may not represent market value upon sale of the notes.

Cash generated from operations

The Company has historically generated positive cash flow from operations. For the three months ended March 31, 2012 and year ended December 31, 2011 , the Company had net cash flow from operating activities of $100.6 million and $310.9 million, respectively.

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

The Company had the following debt obligations outstanding that are secured by student loan assets and related collateral.

	As of March 31, 2012		
		Carrying amount	Final maturity
Asset Generation and Management:			
Bonds and notes issued in asset-backed securitizations	$	20,802,737	11/25/15 - 7/27/48
FFELP warehouse facilities		959,978	7/1/14 - 4/2/15
Department of Education Conduit		2,261,104	5/8/14
Other borrowings		40,154	11/14/12 - 3/1/22
	$	24,063,973	

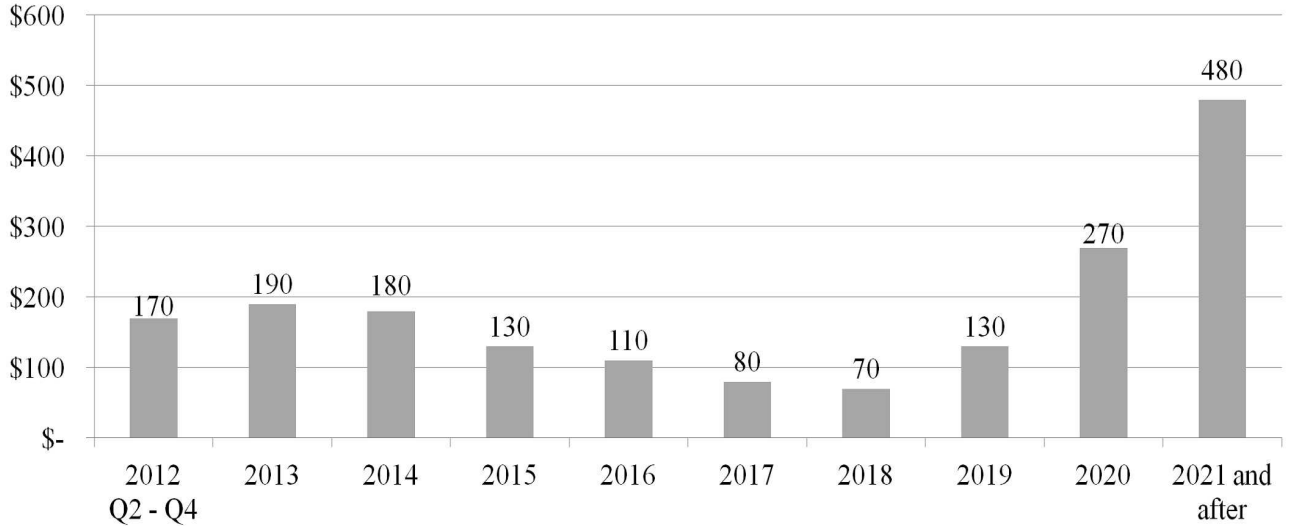
Bonds and notes issued in asset-backed securitizations

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. 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 excess 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 March 31, 2012 , 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 $1.81 billion as detailed below. The $1.81 billion includes approximately $358.0 million (as of March 31, 2012) of overcollateralization included in the asset-backed securitizations. These excess net asset positions are reflected variously in the following balances on the consolidated balance sheet: "student loans receivable," "restricted cash and investments," and "accrued interest receivable."

The forecasted cash flow presented below includes all loans currently funded in asset-backed securitizations. As of March 31, 2012 , the Company had $20.6 billion of loans included in asset-backed securitizations, which represented 86 percent of its total FFELP student loan portfolio. The forecasted cash flow does not include cash flows that the Company expects to receive related to loans funded through the Department of Education's Conduit Program and other warehouse facilities or loans acquired subsequent to March 31, 2012 .

FFELP Asset-backed Securitization Cash Flow Forecast (a)
$1.81 billion
(dollars in millions)



(a) 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 and default rates. 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 securities 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 $290 million to $350 million .

Interest rates : The Company funds the majority of its student loans with three-month LIBOR ("LIBOR") indexed floating rate securities. Meanwhile, the interest earned on the Company's student loan assets are indexed primarily to a commercial paper rate ("CP"). 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 LIBOR will exceed CP 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 CP and LIBOR for the life of the portfolio, the cash flow forecast would be reduced by approximately $60 million to $100 million .

On December 23, 2011, the President signed the Consolidated Appropriations Act of 2012 into law. This Act includes changes that permit student loan lenders to change the index on which the Special Allowance Payments are calculated for FFELP loans from the commercial rate to the one-month LIBOR rate effective April 1, 2012. As of March 31, 2012 , the Company had $23.0 billion of loans in which it elected to change the SAP calculation to the one-month LIBOR rate.

This change mitigates the Company's exposure to basis risk and will allow the Company to better match borrowing and lending rates. The Company does not believe the index change will have a significant impact on the forecasted 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. As of March 31, 2012 , the net fair value of the Company's interest rate derivatives used to hedge loans earning fixed rate floor income was a liability of $23.4 million . See Item 3, "Quantitative and Qualitative Disclosures about Market Risk — Interest Rate Risk."

FFELP Warehouse Facilities

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

As of March 31, 2012 , the Company has three FFELP warehouse facilities as summarized below.

	NFSLW-I (a)	NHELP-II (b)	NHELP-I (c)	Total
Maximum financing amount	$ 500,000	250,000	500,000	1,250,000
Amount outstanding	(484,856)	(229,667)	(245,455)	(959,978)
Amount available	$ 15,144	20,333	254,545	290,022
Expiration of liquidity provisions	July 1, 2012	January 31, 2013	October 2, 2013	
Final maturity date	July 1, 2014	January 31, 2015	April 2, 2015	
Maximum advance rates	85 - 95%	93.5%	93 - 95%	
Minimum advance rates	84.5 - 90%	90.5%	80 - 95%	
Advanced as equity support	$ 37,138	21,125	14,922	73,185

(a) The terms of this facility were amended on February 22, 2012. The table above reflects all amended terms.

(b) The Company entered into this facility on February 1, 2012.

(c) The terms of this facility were amended on April 2, 2012. The table above reflects all amended terms.

Each FFELP warehouse facility is supported by 364-day liquidity provisions, which are subject to the respective expiration date shown in the table above. 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 warehouse facilities provide for formula-based advance rates, depending on FFELP loan type, up to a maximum of the principal and interest of loans financed as shown in the table above. The advance rates for collateral may increase or decrease based on market conditions, but they are subject to minimums as disclosed above.

The FFELP warehouse facilities contain financial covenants relating to levels of the Company's consolidated net worth, ratio of adjusted EBITDA to corporate debt interest, and unencumbered cash. Any noncompliance with these covenants could result in a requirement for the immediate repayment of any outstanding borrowings under the facilities.

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

Department of Education Conduit

In May 2009, the Department implemented a program under which it finances eligible FFELP Stafford and PLUS loans in a conduit vehicle established to provide funding for student lenders (the "Conduit Program"). Loans eligible for the Conduit Program had to be first disbursed on or after October 1, 2003, but not later than June 30, 2009, and fully disbursed before September 30, 2009, and meet certain other requirements. Funding for the Conduit Program is provided by the capital markets at a cost based on market rates, with the Company being advanced 97 percent of the student loan face amount. Excess amounts needed to fund the remaining 3 percent of the student loan balances were contributed by the Company. The Conduit Program expires on May 8, 2014. The

Student Loan Short-Term Notes ("Student Loan Notes") issued by the Conduit Program are supported by a combination of (i) notes backed by FFELP loans, (ii) a liquidity agreement with the Federal Financing Bank, and (iii) a put agreement provided by the Department. If the conduit does not have sufficient funds to pay all Student Loan Notes, then those Student Loan Notes will be repaid with funds from the Federal Financing Bank. The Federal Financing Bank will hold the notes for a short period of time and, if at the end of that time, the Student Loan Notes still cannot be paid off, the underlying FFELP loans that serve as collateral for the Conduit Program will be sold to the Department through a put agreement at a price of 97 percent of the face amount of the loans. As of March 31, 2012 , the Company had $2.3 billion borrowed under the facility and $80.7 million advanced as equity support in the facility. Effective July 1, 2010, no additional loans could be funded using the Conduit Program.

The Company expects to access the securitization market prior to the Conduit Program's maturity to refinance the student loan collateral included in the Conduit with debt that is structured to match the maturity of the assets.

Other Uses of Liquidity

On March 30, 2010, President Obama signed into law the Reconciliation Act of 2010. Effective July 1, 2010, this law prohibits new loan originations under the FFEL Program and requires that all new federal loan originations be made through the Federal Direct Loan Program. As a result of the Reconciliation Act of 2010, the Company no longer originates new FFELP loans.

Due to the legislative changes in the student loan industry, the Company believes there will be opportunities to purchase FFELP loan portfolios on behalf of current FFELP participants looking to adjust their FFELP businesses.

The Company plans to fund FFELP student loan acquisitions from third-parties using its 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 (as described below); using its FFELP warehouse facilities (as described above); and continuing to access the asset-backed securities market.

Union Bank Participation Agreement

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"). As of March 31, 2012 , $498.8 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 $750 million or an amount in excess of $750 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

Depending on market conditions, the Company anticipates continuing to access the asset-backed securities market. Asset-backed securities transactions would be used to refinance student loans included in the FFELP warehouse facilities, the Department of Education Conduit facility, and/or existing asset-backed security transactions. The FFELP warehouse facilities and Department Conduit facility have advance rates that are less than par. As of March 31, 2012 , the Company had $73.2 million advanced in the FFELP warehouse facilities and $80.7 million advanced in the Department Conduit facility. Depending on the terms of asset-backed security transactions, refinancing loans included in these facilities could produce positive cash flow to the Company by reducing required advance rates and are contemplated by management when making student loan financing decisions.

Although the Company has demonstrated its ability to access the asset-backed securities market and expects asset-backed securities transactions to remain a primary source of funding over the long term, the Company also expects its transaction volumes to be more limited and pricing less favorable than prior to the credit market dislocation that began in August 2007, with significantly reduced opportunities to place subordinated tranches of asset-backed securities with investors. At present, the Company is unable to predict when market conditions will allow for more regular, reliable, and cost-effective access to the term asset-backed securities market.

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. When the fair value of a derivative instrument is negative (a liability on

the Company's balance sheet), it would owe the counterparty if the derivative was settled. If the negative fair value of derivatives with a counterparty exceeds a specified threshold, the Company may have to make a collateral deposit with the counterparty. The threshold at which the Company may be required to post collateral is dependent upon its unsecured credit rating. Based on the Company's current unsecured credit ratings (Standard and Poor: BBB- (stable outlook) and Moody's: Ba1 (stable outlook)), the Company has substantially collateralized its corporate derivative liability position with counterparties. As such, further downgrades would not result in additional collateral requirements of a material nature. In addition, no counterparty has the right to terminate its contracts in the event of further downgrades. However, some long-dated derivative contracts have mutual optional termination provisions that can be exercised in 2016 and 2021. As of March 31, 2012 , the fair value of derivatives with early termination provisions was a positive $0.5 million (an asset on the Company's balance sheet).

Based on the derivative portfolio outstanding as of March 31, 2012 , 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 meet potential collateral deposits with its counterparties. However, if interest rates moves materially and negatively impact the fair value of the Company's derivative portfolio or if the Company enters into additional derivatives in which the fair value of such derivatives become negative, the Company could be required to deposit additional collateral with its derivative instrument counterparties. The collateral deposits, if significant, could negatively impact the Company's liquidity and capital resources. As of March 31, 2012 , the fair value of the Company's derivatives, which had a negative fair value (a liability on the Company's balance sheet), was $42.3 million and the Company had $35.4 million posted as collateral to derivative counterparties.

Description of Other Debt Facilities

Unsecured Line of Credit

The Company had a $750.0 million unsecured line of credit with a maturity date of May 8, 2012. On February 17, 2012, the Company entered into a new $250.0 million unsecured line of credit. In conjunction with entering into this new agreement, the outstanding balance on the $750.0 million unsecured line of credit of $64.4 million was paid off in full and the agreement was terminated. As of March 31, 2012 , the $250.0 million unsecured line of credit had an outstanding balance of $50.0 million and $200.0 million was available for future use. The $250.0 million line of credit has a maturity date of February 17, 2016. Upon the maturity date in 2016, there can be no assurance that the Company will be able to renew this line of credit, increase the amount outstanding under the line, if necessary, or find alternative funding.

The new line of credit agreement contains certain financial covenants that, if not met, lead to an event of default under the agreement. The covenants include maintaining:

- A minimum consolidated net worth
- A minimum adjusted EBITDA to corporate debt interest (over the last four rolling quarters)
- A limitation on subsidiary indebtedness
- A limitation on the percentage of non-federally insured loans in the Company’s portfolio

As of March 31, 2012 , 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 FFELP warehouse facilities.

The Company’s new operating line of credit does not have any covenants related to unsecured debt ratings. However, changes in the Company’s ratings (as well as the amounts the Company borrows) have modest implications on the pricing level at which the Company obtains funding.

A default on the Company’s FFELP warehouse facilities would result in an event of default on the Company’s new unsecured line of credit that would result in the outstanding balance on the line of credit becoming immediately due and payable.

Repurchase Agreement

On April 12, 2012, the Company entered into a $50.0 million line of credit, which is collateralized by asset-backed security investments. The line of credit has a maturity date of April 12, 2014 and has covenants similar to the Company's $250.0 million unsecured line of credit.

Junior Subordinated Hybrid Securities

In September 2006, the Company issued $200.0 million aggregate principal amount of Junior Subordinated Hybrid Securities ("Hybrid Securities"). The Hybrid Securities are unsecured obligations of the Company. As of March 31, 2012 , $100.7 million of Hybrid Securities were outstanding. The interest rate on the Hybrid Securities from the date they were issued through the optional redemption date, September 28, 2011, was 7.40%, payable semi-annually. Beginning September 29, 2011 through September 29, 2036, the "scheduled maturity date," the interest rate on the Hybrid Securities is equal to three-month LIBOR plus 3.375%, payable quarterly, which was 3.86% at March 31, 2012 . The principal amount of the Hybrid Securities will become due on the scheduled maturity date only to the extent that the Company has received proceeds from the sale of certain qualifying capital securities prior to such date (as defined in the Hybrid Securities' prospectus). If any amount is not paid on the scheduled maturity date, it will remain outstanding and bear interest at a floating rate as defined in the prospectus, payable monthly. On September 15, 2061, the Company must pay any remaining principal and interest on the Hybrid Securities in full whether or not the Company has sold qualifying capital securities. At the Company's option, the Hybrid Securities are redeemable in whole or in part, any time on or after September 29, 2011, at their principal amount plus accrued and unpaid interest, provided in the case of a redemption in part that the principal amount outstanding after such redemption is at least $50.0 million.

Dividends

A dividend of $0.10 per share on the Company's Class A and Class B common stock was paid on March 15, 2012, to all holders of record as of March 1, 2012. In addition, a $0.10 per share dividend on the Company's Class A and Class B stock, declared on April 23, 2012, will be paid on June 15, 2012 to all holders of record as of June 1, 2012.

The Company currently plans to continue making quarterly dividend payments, subject to future earnings, capital requirements, financial condition, and other factors. In addition, the payment of dividends is subject to the terms of the Company's outstanding Hybrid Securities, which generally provide that if the Company defers interest payments on those securities it cannot pay dividends on its capital stock.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income, "Presentation of Comprehensive Income."* The objective of this ASU is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. The new guidance requires all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new guidance will be applied retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2011. This guidance was effective for the Company in the first quarter 2012. The Company has presented other comprehensive income in two separate but consecutive statements in the attached consolidated financial statements included in the report.

In December 2011, the FASB issued ASU 2011-12, *Comprehensive Income, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items out of Accumulated Other Comprehensive Income ."* The objective of this ASU is to defer the requirement to present reclassification adjustments out of accumulated other comprehensive income to net income on the face of the financial statements, and instead, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect prior to the issuance of ASU 2011-05. All other aspects of ASU 2011-05 are still effective, and the amendment in ASU 2011-12 became effective at the same time as the amendments in ASU 2011-05.

In June 2011, the FASB issued ASU 2011-04, *Fair Value Measurement, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs."* The objective of this ASU is to clarify the FASB's intent about the application of existing fair value measurement and disclosure requirements and to update certain principles and requirements for measuring fair value or for disclosing information about fair value measurements. The guidance clarifies: (i) the application of the highest and best use and valuation premise concepts; (ii) measuring the fair value of an instrument classified in a reporting entity's shareholders' equity; and (iii) disclosure of quantitative information about the unobservable inputs used in a fair value measurement that is categorized within Level 3 of the fair value hierarchy. The guidance updates or changes certain measurement and disclosure requirements including: (i) the measurement of the fair value of financial instruments that are managed within a portfolio; (ii) the application of premiums and discounts in a fair value measurement; and (iii) additional disclosures about fair value measurements, which includes the requirement for more information for fair value measurements categorized within Level 3 of the fair value hierarchy, as well as categorization by level in the hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed. This guidance is to be applied prospectively and is effective during interim and annual periods beginning after December 15, 2011. This guidance was effective for the Company in the first quarter 2012 and the adoption of ASU 2011-04 resulted in additional disclosures in note 12, "Fair Value," included in the notes to the consolidated financial statements included in this report.

ITEM 3. 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. Because the Company generates a significant portion of its earnings from its student loan spread, the interest sensitivity of the balance sheet is a key profitability driver.

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

	As of March 31, 2012		As of December 31, 2011	
	Dollars	Percent	Dollars	Percent
Fixed-rate loan assets	$ 9,018,523	37.7%	$ 10,899,733	44.7%
Variable-rate loan assets	14,887,785	62.3	13,459,892	55.3
Total	$ 23,906,308	100.0%	$ 24,359,625	100.0%
Fixed-rate debt instruments	$ 26,576	0.1%	$ 29,517	0.1%
Variable-rate debt instruments	24,188,094	99.9	24,565,652	99.9
Total	$ 24,214,670	100.0%	$ 24,595,169	100.0%

Loans originated prior to April 1, 2006 generally earn interest at the higher of a floating rate based on the Special Allowance Payment or SAP formula set by the Department and the borrower rate, which is fixed over a period of time. The SAP formula is based on an applicable indice plus a fixed spread that is dependent upon when the loan was originated, the loan's repayment status, and funding sources for the loan. 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 rate produced by the SAP formula, the Company's student loans earn at a fixed rate while the interest on the variable rate debt typically continues to decline. 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. In accordance with legislation enacted in 2006, lenders are required to rebate fixed rate floor income and variable rate floor income to the Department for all new FFELP loans first originated on or after April 1, 2006. A summary of fixed rate floor income follows.

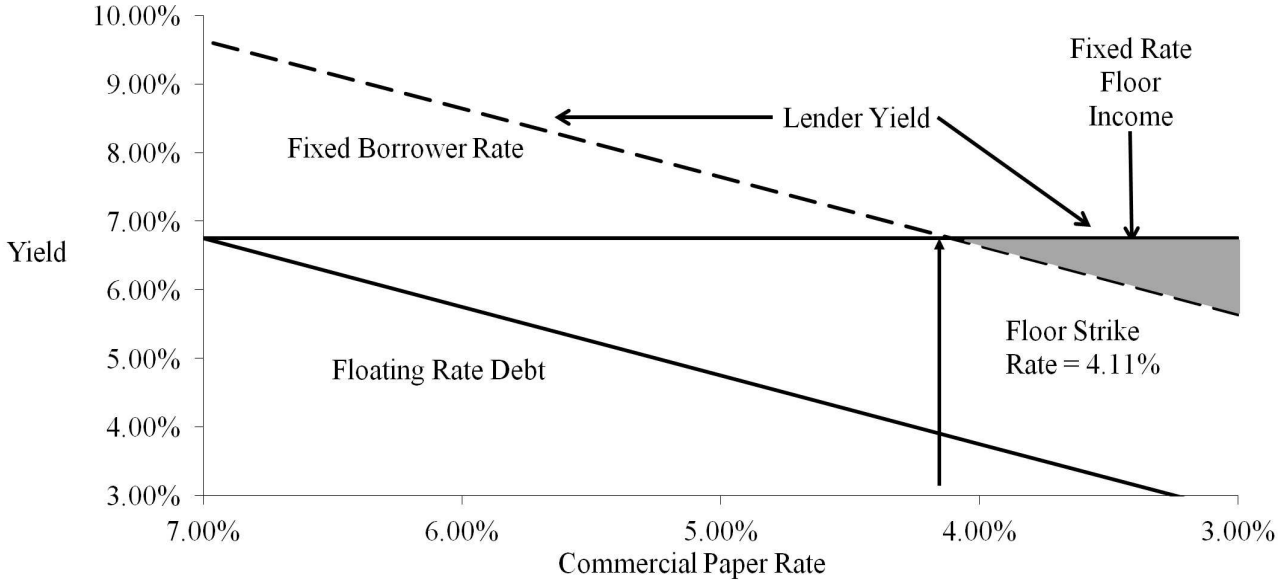
	Three months ended March 31,	
	2012	2011
Fixed rate floor income, gross	$ 41,229	37,900
Derivative settlements (a)	(3,137)	(6,218)
Fixed rate floor income, net	$ 38,092	31,682

(a) Includes settlement payments on derivatives used to hedge student loans earning fixed rate floor income.

The high levels of fixed rate floor income earned during 2012 and 2011 are due to historically low interest rates. If interest rates remain low, the Company anticipates continuing to earn significant fixed rate floor income in future periods.

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 special allowance payment 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 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 student loan assets that are earning fixed rate floor income as of March 31, 2012 :

Fixed interest rate range	Borrower/ lender weighted average yield	Estimated variable conversion rate (a)	Loan balance
3.0 - 3.49%	3.20%	0.56%	$ 1,971,878
3.5 - 3.99%	3.65%	1.01%	1,930,698
4.0 - 4.49%	4.20%	1.56%	1,471,582
4.5 - 4.99%	4.72%	2.08%	838,166
5.0 - 5.49%	5.24%	2.60%	561,631
5.5 - 5.99%	5.67%	3.03%	341,241
6.0 - 6.49%	6.18%	3.54%	398,963
6.5 - 6.99%	6.70%	4.06%	355,614
7.0 - 7.49%	7.17%	4.53%	140,474
7.5 - 7.99%	7.70%	5.06%	235,674
8.0 - 8.99%	8.17%	5.53%	526,017
> 9.0%	9.04%	6.40%	246,585
			$ 9,018,523

(a) The estimated variable conversion rate is the estimated short-term interest rate at which loans would convert to a variable rate. As of March 31, 2012 , the short-term interest rate was 28 basis points.

The following table summarizes the outstanding derivative instruments as of March 31, 2012 used by the Company to hedge loans earning fixed rate floor income.

Maturity	Notional amount	Weighted average fixed rate paid by the Company (a)
2013	$ 2,150,000	0.85%
2014	750,000	0.85
2015	100,000	2.26
2020	50,000	3.23
	$ 3,050,000	0.93%

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

As of March 31, 2012 , the Company had $2.7 billion of student loan assets that were eligible to earn variable-rate floor income.

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. The Company attempts to match the interest rate characteristics of certain pools of loan assets with debt instruments of substantially similar characteristics. Due to the variability in duration of the Company's assets and varying market conditions, the Company does not attempt to perfectly match the interest rate characteristics of the entire loan portfolio with the underlying debt instruments. The Company has adopted a policy of periodically reviewing 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 currently include interest rate swaps, basis swaps, and cross-currency swaps.

The following table presents the Company's FFELP student loan assets and related funding arranged by underlying indices as of March 31, 2012 :

Index	Frequency of variable resets	Assets	Debt outstanding that funded student loan assets (a)
3 month H15 financial commercial paper (b)	Daily	$ 22,965,881	—
3 month Treasury bill	Varies	915,602	—
3 month LIBOR (c)	Quarterly	—	19,203,746
1 month LIBOR	Monthly	—	873,871
Auction-rate or remarketing (d)	Varies	—	970,575
Asset-backed commercial paper (e)	Varies	—	2,975,627
Other (f)		182,490	40,154
		$ 24,063,973	24,063,973

(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 these derivatives as of March 31, 2012 :

Maturity	Notional amount
2021	$ 250,000
2023	1,250,000
2024	250,000
2026	800,000
2028	100,000
2036	700,000
2039	150,000
2040	200,000
	$ 3,700,000

(b) The Company's FFELP student loans earn interest based on the daily average 90-day H15 financial commercial paper index calculated on a fiscal quarter.

On December 23, 2011, the President signed the Consolidated Appropriations Act of 2012 into law. This Act includes changes that permit student loan lenders to change the index on which the Special Allowance Payments are calculated for FFELP loans from the commercial paper rate to the one-month LIBOR rate effective April 1, 2012. As of March 31, 2012 , the Company had $23.0 billion of loans in which it elected to change the SAP calculation to the one-month LIBOR rate. This change mitigates the Company's exposure to basis risk and will allow the Company to better match borrowing and lending rates.

(c) The Company has Euro-denominated notes that reprice on the EURIBOR index. The Company has entered into derivative instruments (cross-currency interest rate swaps) that convert the EURIBOR index to three-month LIBOR. As a result, these notes are reflected in the three-month LIBOR category in the above table. See "Foreign Currency Exchange Risk."

(d) The interest rates on certain of the Company's asset-backed securities are set and periodically reset via a "dutch auction" ("Auction Rate Securities") or through a remarketing utilizing remarketing agents ("Variable Rate Demand Notes"). As of March 31, 2012 , the Company is sponsor on $751.4 million of Auction Rate Securities and $219.2 million of Variable Rate Demand Notes.

For Auction Rate Securities, investors and potential investors submit orders through a broker-dealer as to the principal amount of notes they wish to buy, hold, or sell at various interest rates. The broker-dealers submit their clients' orders to the auction agent, who then determines the clearing interest rate for the upcoming period. Interest rates on these Auction Rate Securities are reset periodically, generally every 7 to 35 days, by the auction agent or agents. During the first quarter of 2008, as part of the credit market crisis, auction rate securities from various issuers failed to receive sufficient order interest from potential investors to clear successfully, resulting in failed auction status. Currently, all of the Company's Auction Rate Securities are in a failed auction status and the Company believes they will remain in a failed status for an extended period of time and possibly permanently. As a result of a failed auction, the Auction Rate Securities will 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.

For Variable Rate Demand Notes, the remarketing agents set the price, which is then offered to investors. If there are insufficient potential bid orders to purchase all of the notes offered for sale, the Variable Rate Demand Notes will generally pay interest to the holder at a rate as defined in the indenture.

(e) Asset-backed commercial paper consists of $714.5 million funded in the Company's NFSLW-I and NHELP-II FFELP warehouse facilities and $2.3 billion funded through the Department's Conduit Program. Funding for the Conduit Program is provided by the capital markets at a cost based on market rates.

(f) Assets include restricted cash and investments and other assets. Debt outstanding includes other debt obligations secured by student loan assets and related collateral.

Financial Statement Impact of Derivative Instruments

The Company recognizes changes in the fair value of derivative instruments currently in earnings unless specific hedge accounting criteria are met. Management has structured the majority 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; consequently, the change in fair value of these derivative instruments is included in the Company's operating results. Changes or shifts in the forward yield curve and fluctuations in currency rates can significantly impact the valuation of the Company's derivatives. Accordingly, changes or shifts to the forward yield curve and fluctuations in currency rates will impact the financial position and results of operations of the Company.

The following table summarizes the effect of derivative instruments included in the consolidated statements of income. All gains and losses recognized in income related to the Company's derivative activity are included in "derivative market value and foreign currency and derivative settlements, net" on the consolidated statements of income.

	Three months ended March 31,	
	2012	2011
Settlements:		
1:3 basis swaps	$ 1,381	208
Interest rate swaps - floor income hedges	(3,137)	(6,218)
Interest rate swaps - hybrid debt hedges	—	(246)
Cross-currency interest rate swaps	2,109	2,109
Other	(126)	(5)
Total settlements - income (expense)	227	(4,152)
Change in fair value - income (expense)	16,835	66,450
Derivative impact included in the consolidated statements of income - income (expense)	$ 17,062	62,298

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, as it relates to the effect on earnings, a sensitivity analysis was performed assuming the funding indice increases 10 basis points and 30 basis points while holding the asset indice constant, if the funding indice is different than the asset indice. The effect on earnings 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 interest rate and basis swaps in existence during these periods.

	Three months ended March 31, 2012							
	Interest rates				Asset and funding indice 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	
	Dollar	Percent	Dollar	Percent	Dollar	Percent	Dollar	Percent
Effect on earnings:								
Decrease in pre-tax net income before impact of derivative settlements	$ (16,554)	(24.9)%	$ (29,080)	(43.8)%	$ (6,026)	(9.1)%	$ (18,078)	(27.2)%
Impact of derivative settlements	7,604	11.5	22,812	34.4	—	—	—	—
Increase (decrease) in net income before taxes	$ (8,950)	(13.4)%	$ (6,268)	(9.4)%	$ (6,026)	(9.1)%	$ (18,078)	(27.2)%
Increase (decrease) in basic and diluted earnings per share	$ (0.12)		$ (0.08)		$ (0.08)		$ (0.24)	

	Three months ended March 31, 2011							
	Interest rates				Asset and funding indice 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	
	Dollar	Percent	Dollar	Percent	Dollar	Percent	Dollar	Percent
Effect on earnings:								
Decrease in pre-tax net income before impact of derivative settlements	$ (15,384)	(17.5)%	$ (26,752)	(30.5)%	$ (5,882)	(6.7)%	$ (17,645)	(20.1)%
Impact of derivative settlements	18,897	21.5	56,692	64.6	—	—	—	—
Increase (decrease) in net income before taxes	$ 3,513	4.0 %	$ 29,940	34.1 %	$ (5,882)	(6.7)%	$ (17,645)	(20.1)%
Increase (decrease) in basic and diluted earnings per share	$ 0.05		$ 0.39		$ (0.08)		$ (0.23)	

Foreign Currency Exchange Risk

During 2006, the Company completed separate debt offerings of student loan asset-backed securities that included 420.5 million and 352.7 million Euro-denominated notes with interest rates based on a spread to the EURIBOR index. As a result of this transaction, the Company is exposed to market risk related to fluctuations in foreign currency exchange rates between the U.S. dollar and Euro. The principal and accrued interest on these notes is re-measured at each reporting period and recorded on the Company's balance sheet in U.S. dollars based on the foreign currency exchange rate on that date. Changes in the principal and accrued interest amounts as a result of foreign currency exchange rate fluctuations are included in the "derivative market value and foreign currency adjustments and derivative settlements, net" in the Company's consolidated statements of income.

The Company entered into cross-currency interest rate swaps in connection with the issuance of the Euro Notes. Under the terms of these derivative instrument agreements, the Company receives from a counterparty a spread to the EURIBOR indice based on notional amounts of €420.5 million and €352.7 million and pays a spread to the LIBOR indice based on notional amounts of $500.0 million and $450.0 million, respectively. In addition, under the terms of these agreements, all principal payments on the Euro Notes will effectively be paid at the exchange rate in effect between the U.S. dollar and Euro as of the issuance of the notes. The Company did not qualify these derivative instruments as hedges under accounting authoritative guidance; consequently, the change in fair value is included in the Company's operating results.

The following table summarizes the financial statement impact as a result of the remeasurement of the Euro Notes and change in the fair value of the related derivative instruments. These amounts are included in "derivative market value and foreign currency adjustments and derivative settlements, net" on the Company's consolidated statements of income.

	Three months ended March 31,	
	2012	2011
Re-measurement of Euro Notes	$ (32,242)	(65,334)
Change in fair value of cross currency interest rate swaps	13,026	62,532
Total impact to statements of income - income (expense)	$ (19,216)	(2,802)

The re-measurement of the Euro-denominated bonds generally correlates with the change in fair value of the cross-currency interest rate swaps. However, the Company will experience unrealized gains or losses related to the cross-currency interest rate swaps if the two underlying indices (and related forward curve) do not move in parallel. Management intends to hold the cross-currency interest rate swaps through the maturity of the Euro-denominated bonds.

Financial Statement Impact – Derivatives and Foreign Currency Transaction Adjustments

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

	Three months ended March 31,	
	2012	2011
Change in fair value of derivatives	$ 16,835	66,450
Foreign currency transaction adjustment (Euro Notes)	(32,242)	(65,334)
Derivative settlements, net	227	(4,152)
Derivative market value and foreign currency adjustments and derivative settlements, net - income (expense)	$ (15,180)	(3,036)

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under supervision and with the participation of certain members of the Company's management, including the chief executive and chief financial officers, the Company completed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in SEC Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, the Company's principal executive and principal financial officers concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report to provide reasonable assurance that information required to be disclosed in reports the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed,

summarized, and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to the Company's management, including the chief executive and chief financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

General

The Company is subject to various claims, lawsuits, and proceedings that arise in the normal course of business. These matters principally consist of claims by student loan borrowers disputing the manner in which their student loans have been processed 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 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 of Education thereunder, and the Department's guidance regarding those rules and regulations. Other than as specifically discussed below, 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.

Bais Yaakov of Spring Valley v. Peterson's Nelnet, LLC

On January 4, 2011, a complaint against Peterson's Nelnet, LLC ("Peterson's"), a subsidiary of the Company, was filed in the U.S. federal District Court for the District of New Jersey (the "District Court"). The complaint alleges that Peterson's sent six advertising faxes to the named plaintiff in 2008-2009 that were not the result of express invitation or permission granted by the plaintiff and did not include certain opt out language. The complaint also alleges that such faxes violated the federal Telephone Consumer Protection Act (the "TCPA"), purportedly entitling the plaintiff to $500 per violation, trebled for willful violations for each of the six faxes. The complaint further alleges that Peterson's had sent putative class members more than 10,000 faxes that violated the TCPA, amounting to more than $5 million in statutory penalty damages and more than $15 million if trebled for willful violations. The complaint seeks to establish a class action for two different classes of plaintiffs: Class A, to whom Peterson's sent unsolicited fax advertisements containing opt out notices similar to those contained in the faxes received by the named plaintiff; and Class B, to whom Peterson's sent fax advertisements containing opt out notices similar to those contained in the faxes received by the named plaintiff. As of the filing date of this report, the District Court has not established or recognized any class.

On February 16, 2011, Peterson's filed a motion to dismiss the complaint based on a lack of federal question or diversity jurisdiction with respect to the complaint, which was denied by the District Court on April 15, 2011, shortly after a similar motion to dismiss that had been granted in an unrelated case involving alleged TCPA violations related to faxes, titled Landsman & Funk PC v. Skinder-Strauss Associates (the "Landsman Case"), was reversed by the U.S. Court of Appeals for the Third Circuit (the "Appeals Court"), which has jurisdiction over the District Court. On April 29, 2011, Peterson's filed an answer to the complaint, but also filed a motion for reconsideration of the motion to dismiss. On May 17, 2011, the Appeals Court granted a petition for rehearing of the motion to dismiss in the Landsman Case, and on May 31, 2011, Peterson's filed a motion for stay pending the outcome of that rehearing. On September 12, 2011, the motion for stay was granted, and the motion for reconsideration was denied by the District Court. On September 20, 2011, the named plaintiff filed a motion for reconsideration of the District Court's order, and at a hearing on November 22, 2011 the District Court ordered counsel to submit a proposed order to modify the stay for a limited third party subpoena, which the District Court approved on December 5, 2011. On January 18, 2012, the U.S. Supreme Court issued a decision in an unrelated TCPA case which held that federal courts have federal question jurisdiction over private causes of action under the TCPA. On January 20, 2012, the named plaintiff requested that the stay be lifted on the basis of the Supreme Court's decision, and on January 25, 2012 the District Court denied that request since the stay was based on the outcome of the Appeals Court rehearing in the Landsman Case. On April 14, 2012, the Appeals Court issued an order in the Landsman Case vacating its prior order for rehearing, and remanding that case to the District Court to determine whether the statutory provisions of the TCPA limit whether or to what extent a TCPA claim can be heard as a class action in federal court where applicable state law would impose limitations on a class action if the claim were brought in state court. The resolution of this issue may affect whether the claim against Peterson's can be pursued as a class action.

Peterson's intends to continue to contest the suit vigorously. Due to the preliminary stage of this matter and the uncertainty and risks inherent in class determination and the overall litigation process, the Company believes that a meaningful estimate of a reasonably possible loss, if any, or range of reasonably possible losses, if any, cannot currently be made.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors described in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 in response to Item 1A of Part I of such Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Stock Repurchases

The following table summarizes the repurchases of Class A common stock during the first quarter of 2012 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)
January 1 - January 31, 2012	2,413	$ 24.38	2,413	1,564,151
February 1 - February 29, 2012	7,994	25.76	7,055	1,557,096
March 1 - March 31, 2012	32,222	26.43	25,177	1,531,919
Total	42,629	$ 26.18	34,645	

(a) The total number of shares includes: (i) shares purchased pursuant to the stock repurchase program discussed in footnote (2) below; and (ii) shares owned and tendered by employees to satisfy tax withholding obligations upon the vesting of restricted shares. Shares of Class A common stock purchased pursuant to the stock repurchase program included 2,413 shares, 1,205 shares, and 799 shares in January , February , and March 2012 , respectively, that had been issued to the Company's 401(k) plan and allocated to employee participant accounts pursuant to the plan's provisions for Company matching contributions in shares of Company stock, and were purchased by the Company from the plan pursuant to employee participant instructions to dispose of such shares. Shares of Class A common stock tendered by employees to satisfy tax withholding obligations included 0 shares, 939 shares, and 7,045 shares in January , February , and March 2012 , respectively. 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 25, 2006, the Company announced that its Board of Directors authorized a stock repurchase program to repurchase up to a total of five million shares of the Company's Class A common stock. On February 9, 2007, the Company announced that its Board of Directors increased to ten million the total number of shares of Class A common stock authorized for repurchase under that program. That program is set to expire on May 24, 2012. On May 9, 2012, the Company announced that its Board of Directors had 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 24, 2015. The five million shares authorized under the new program include the remaining un-repurchased shares from the previous program, which the new program will replace. Certain share repurchases included in the table above were made pursuant to a trading plan adopted by the Company in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934.

Working capital and dividend restrictions/limitations

The Company's credit facilities, including its revolving line of credit which is available through February of 2016, impose restrictions on the Company's minimum consolidated net worth, the ratio of the Company's adjusted EBITDA to corporate debt interest, the indebtedness of the Company's subsidiaries, and the ratio of non-FFELP loans to all loans in the Company's portfolio. In addition, trust indentures and other financing agreements governing debt issued by the Company's education lending subsidiaries may have general limitations on the amounts of funds that can be transferred to the Company by its subsidiaries through cash dividends.

The supplemental indenture for the Company's Hybrid Securities issued in September 2006 provides that so long as any Hybrid Securities remain outstanding, if the Company gives notice of its election to defer interest payments but the related deferral period

has not yet commenced or a deferral period is continuing, then the Company will not, and will not permit any of its subsidiaries to:

- declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment regarding, any of the Company's capital stock.

- except as required in connection with the repayment of principal, and except for any partial payments of deferred interest that may be made through the alternative payment mechanism described in the Hybrid Securities indenture, make any payment of principal of, or interest or premium, if any, on, or repay, repurchase, or redeem any of the Company's debt securities that rank *pari passu* with or junior to the Hybrid Securities.

- make any guarantee payments regarding any guarantee by the Company of the subordinated debt securities of any of the Company's subsidiaries if the guarantee ranks *pari passu* with or junior in interest to the Hybrid Securities.

In addition, if any deferral period lasts longer than one year, the limitation on the Company's ability to redeem or repurchase any of its securities that rank *pari passu* with or junior in interest to the Hybrid Securities will continue until the first anniversary of the date on which all deferred interest has been paid or canceled.

If the Company is involved in a business combination where immediately after its consummation more than 50% of the surviving entity's voting stock is owned by the shareholders of the other party to the business combination, then the immediately preceding sentence will not apply to any deferral period that is terminated on the next interest payment date following the date of consummation of the business combination.

However, at any time, including during a deferral period, the Company will be permitted to:

- pay dividends or distributions in additional shares of the Company's capital stock.

- declare or pay a dividend in connection with the implementation of a shareholders' rights plan, or issue stock under such a plan, or redeem or repurchase any rights distributed pursuant to such a plan.

- purchase common stock for issuance pursuant to any employee benefit plans.

ITEM 6. EXHIBITS

10.1**	Agreement for Purchase and Sale of Interest in Aircraft dated effective as of March 1, 2012, by and between National Education Loan Network, Inc. and Union Financial Services, Inc.
10.2**	Second Amended and Restated Aircraft Joint Ownership Agreement made and entered into as of March 1, 2012, by and between National Education Loan Network, Inc. and Union Financial Services, Inc.
10.3*	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.
10.4**	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.
10.5	Credit Agreement, dated as of February 17, 2012, among Nelnet, Inc., U.S. Bank National Association, as Administrative Agent, Lead Arranger and Book Runner, Wells Fargo Bank, National Association, as Syndication Agent, and Citibank, N.A., and Royal Bank of Canada, as Co-Documentation Agents, and various lender parties thereto, filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on February 24, 2012 and incorporated herein by reference.
10.6	Guaranty, dated as of February 17, 2012, by and among 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 February 24, 2012 and incorporated herein by reference.
31.1**	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer Michael S. Dunlap.
31.2**	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer Terry J. Heimes.
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***	XBRL Instance Document
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith for purposes of providing a complete set of all amendment documents to the Amended and Restated Participation Agreement by and between Union Bank and Trust Company and Nelnet, Inc. (f/k/a NELnet, Inc.) (subsequently renamed National Education Loan Network, Inc.). The Amended and Restated Participation Agreement and all prior amendment documents thereto have been previously filed.

**** Filed herewith

*** Furnished herewith

SIGNATURES

Pursuant to the requirements 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.

NELNET, INC.

Date: May 9, 2012

By: /s/ MICHAEL S. DUNLAP
Name: Michael S. Dunlap
Title: Chairman and Chief Executive Officer
Principal Executive Officer

By: /s/ TERRY J. HEIMES
Name: Terry J. Heimes
Title: Chief Financial Officer
Principal Financial Officer and Principal Accounting Officer

AGREEMENT FOR PURCHASE AND SALE OF INTEREST IN AIRCRAFT

This Agreement for Purchase and Sale of Interest in Aircraft, dated as of March 1, 2012 (the "Agreement") is by and between National Education Loan Network, Inc. ("Seller") and Union Financial Services, Inc. ("Purchaser").

RECITALS

WHEREAS, the Purchaser and the Seller are the registered joint owners, as tenants in common, of that certain Cessna Citation VI model aircraft, Serial No. 650-0232, U.S. Registration No. N711LV (the "Aircraft"); and

WHEREAS, the Seller wishes to sell 9.753 percent (9.753%) of its ownership in the Aircraft (the "Interest") to the Purchaser, and the Purchaser wishes to purchase the Interest from the Seller, subject to the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1 Definitions

As used herein, the following terms shall have the following meanings:

"Lien" shall mean any mortgage, lien, pledge, charge, security interest or encumbrance of any kind.

"Person" shall mean any individual, corporation, company, voluntary association, partnership, trust, unincorporated organization or government (or any agency, instrumentality or political subdivision thereof).

1.2 Interpretation

Unless the context of this Agreement requires otherwise, the following rules of interpretation shall apply to this Agreement:

(a) the singular shall include the plural, and the plural shall include the singular;

(b) the words "hereof", "herein", "hereby", "hereto" and similar words refer to this entire Agreement and not to any particular Article or Section of this Agreement; and

(c) a reference to any Person shall include such Person's successors and permitted assigns under any agreement, instrument, contract or other document.

ARTICLE II

PURCHASE OF INTEREST

2.1 Purchase of Interest

Subject to the terms and conditions set forth herein, at the Closing (as defined in Section 2.2 below), the Seller agrees to sell to the Purchaser, and the Purchaser agrees to purchase from the Seller, the Interest at a price (the "Purchase Price") equal to the sum of $156,048.

2.2 Closing

The consummation of the transactions contemplated by this Agreement (the "Closing") shall be held on such date as the Purchaser and the Seller may mutually agree.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

3.1 Mutual Representations. Each party represents and warrants to the other party that:

(a) This Agreement has been duly executed and delivered by each party and is the legal, valid and binding obligation of the party, enforceable against the party in accordance with its terms, subject to the effect of applicable bankruptcy, insolvency or similar laws affecting creditors' rights and remedies generally.

(b) No consent, approval or authorization of any third party is required for the consummation by each party of the transactions contemplated by this Agreement which has not been received.

(c) Neither party has retained or involved any finder or broker in connection with the purchase of the Interest, and has incurred no obligation, contingent or otherwise, for brokerage or finder's fees or agent's commissions or other similar payment in connection with the transactions contemplated by this Agreement.

3.2 **Seller's Additional Representations.** The Seller further represents to the Purchaser that:

(a) it has, and on the Closing Date will have, good and marketable title to the Interest, free and clear of all Liens, equities and claims of any nature, and the Seller has full right, power and authority to sell, assign, transfer and deliver the Interest to the Purchaser; and,

(b) it has disclosed to the Purchaser all material facts relating to the Seller's ownership of the Interest. No representation or warranty contained in this Agreement and no written information provided to the Purchaser by the Seller contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements herein or therein, in the light of the circumstances under which they were made, not misleading.

ARTICLE IV

CONDITIONS PRECEDENT

All obligations of each party under this Agreement are subject to the fulfillment by the other party, on or prior to the Closing Date, of each of the following conditions, any of which may be waived by the first party in writing:

(a) Each party's representations and warranties contained in this Agreement shall be true and correct on and as of the Closing Date as if such representations and warranties were made on and as of such date; and

(b) Each party shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by such party on or prior to the Closing Date.

ARTICLE V

MISCELLANEOUS

5.1 Indemnity

(a) Each party agrees to indemnify, defend and hold harmless the other party from and against any and all losses, liabilities, damages, deficiencies, costs or expenses, including attorney fees, disbursements or other charges, based upon, arising out of, or otherwise in respect of any inaccuracy in or any breach of any representation, warranty, covenant or undertaking of the first party contained in this Agreement, provided that the liability of a party for indemnification under this Agreement shall not exceed the other party's actual damages

5.2 Entire Agreement

This Agreement supersedes all prior discussions and agreements between the parties with respect to the subject matter hereof, and contains the sole and entire agreement between the parties hereto with respect to the subject matter hereof.

5.3 No Waiver

Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth

in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative. No failure on the part of the Seller or the Purchaser to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

5.4 Binding Agreement

This Agreement shall be binding upon, and inure to the benefit of, the successors and permitted assigns of the Seller and the Purchaser. It is not the intention of the parties to confer third party beneficiary rights upon any other Person.

5.5 Assignment

No party to this Agreement may assign any of such party's rights under this Agreement without the prior written consent of the other party hereto.

5.6 Expenses

Each party to this Agreement shall pay such party's own expenses and costs incidental to the purchase and sale of the Interest.

5.7 Notice

All notices and other communications provided for herein (including, without limitation, any modifications of, or waivers or consents under, this Agreement) shall be given or made by email delivered to the other party at the email address provided below in the section titled "Address for Notices".

5.8 Counterparts

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterpart. Executed signature pages hereto may be delivered by fax or email transmission.

5.9 Amendment

No provision of this Agreement shall be waived, amended or modified except by an instrument in writing duly executed by the Seller and the Purchaser.

5.10 Applicable Law

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Nebraska, without giving effect to any conflicts of laws principles thereof which would result in the application of the laws of another jurisdiction.

5.11 Severability

If any one or more of the provisions contained in this Agreement, or any application thereof, shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and all other applications thereof shall not in any way be affected or impaired thereby.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Stock Purchase Agreement as of the date first above written.

PURCHASER:
UNION FINANCIAL SERVICES, INC.

BY: _____

Michael S. Dunlap

Address for Notices:

Union Financial Services, Inc.
Attn: Michael S. Dunlap
121 South 13th Street, Suite 201
Lincoln, Nebraska 68508
Phone: (402) 458-2303

SELLER:
NATIONAL EDUCATION LOAN NETWORK, INC.

BY: _____
Terry J. Heimes, Treasurer

Address for Notices:

National Education Loan Network, Inc.
Attn: Terry J. Heimes
121 South 13th Street, Suite 201
Lincoln, Nebraska 68508
Phone: (402) 458-2303

SECOND AMENDED AND RESTATED
AIRCRAFT JOINT OWNERSHIP AGREEMENT

THIS SECOND AMENDED AND RESTATED AIRCRAFT JOINT OWNERSHIP AGREEMENT (the "Agreement") is made and entered into as of the 1st day of March, 2012, by and between National Education Loan Network, Inc. ("Nelnet"), and Union Financial Services, Inc. ("UFS") (Nelnet and UFS being referred to herein individually as a "Joint Owner" and collectively as the "Joint Owners") and is made with reference to the following:

A. Joint Owners are the registered joint owners, as tenants in common in the proportions provided for herein, of that certain Cessna Citation VI model aircraft, Serial No. 650-0232, U.S. Registration No. N711LV (the "Aircraft").

B. Joint Owners have previously entered into an Amended and Restated Aircraft Joint Ownership Agreement, dated as of November 1, 2008, as amended (the "2008 Agreement").

C. Joint Owners now wish to enter into a restated agreement pursuant to the provisions of Section 91.501 of the Federal Aviation Regulations for the use, operation and maintenance of the Aircraft and for the allocation of the costs associated therewith, which agreement shall supercede the 2008 Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein, and intending to be legally bound hereby, the parties agree as follows:

1. Joint Ownership.

(a) Allocation. Notwithstanding the designation of any Joint Owner as a registered joint owner of the Aircraft on the records of the Federal Aviation Administration, the parties agree that all of their respective rights and obligations with respect to the Aircraft shall be determined solely and entirely by the terms of this Agreement. Each of the Joint Owners is the owner, as a tenant in common, of the following undivided interest in the Aircraft (such interest being referred to herein as the "Ownership Percentage"):

Nelnet	65%
UFS	35%

(b) Rights to Aircraft. Joint Owners hereby acknowledge that, the Joint Owners, to the extent of their respective undivided interests in the Aircraft ("Ownership Percentages") own the Aircraft, free and clear of any lien, security interest or encumbrance of any nature.

2. Relationship of Parties. The relationship among the parties is as tenants in common of a chattel (the Aircraft). Notwithstanding the foregoing, each Joint Owner waives any right it may have to demand the partition, or sale for partition, of the Aircraft under any law of

the State of Nebraska, or any other jurisdiction, and hereby agrees that the sole means by which a Joint Owner may divest itself of its interest in the Aircraft is as provided for in Section 10 hereof. No partnership, joint venture or other relationship between the parties whereby any party may be held liable for the acts or omissions of any other party is intended or created by this Agreement or by virtue of the designation of any party as a registered joint owner of the Aircraft. Each Joint Owner shall be entitled to its pro rata share (based on its Ownership Percentage) of the depreciation, gain, loss or deduction with respect to the Aircraft and shall be severally liable for all costs and expenses chargeable to such Joint Owner under the Management Agreement (as defined herein) and incurred with respect to the Aircraft.

3. Management Agreement. Each Joint Owner agrees that it will enter into an agreement with Duncan Aviation, Inc. ("Duncan") to operate and manage the Aircraft on the Joint Owners' behalf (the "Management Agreement"). Each Joint Owner shall perform their respective obligations pursuant to the Management Agreement during the term of this Agreement. Each Joint Owner hereby acknowledges that, in order to provide each Joint Owner with sufficient use of the Aircraft, no Joint Owner shall be entitled to utilize the Aircraft in excess of such Joint Owner's Allocated Flight Hours (as defined in Section 5(b) hereof) during any given year, except to the extent provided for herein or in the Management Agreement. Each Joint Owner further acknowledges that in the event any Joint Owner fails to utilize its Allocated Flight Hours during any year hereunder, such Joint Owner will be deemed to have waived its rights to such hours thereafter.

4. Representations, Warranties and Covenants. Each Joint Owner represents, warrants and covenants to the other Joint Owners that the:

(a) Joint Owner is, and for so long as this Agreement remains in effect will be, a citizen of the United States as described in 49 U.S.C. § 40101, et seq., as amended;

(b) Joint Owner will not utilize the Aircraft for any illegal purposes or for purposes of providing transportation of passengers or cargo in air commerce for compensation or hire except as permitted under Section 91.501 of the Federal Aviation Regulations;

(c) Joint Owner shall not operate the Aircraft unless appropriate insurance coverage, as detailed in the Management Agreement, is in effect.

5. Scheduling. Duncan shall have the exclusive right to schedule use of the Aircraft in accordance with the following criteria:

(a) Use will be scheduled among the Joint Owners, on a "first-come, first served" basis.

(b) Each Joint Owner will be entitled to use the Aircraft in an amount consistent with their Ownership Percentages in each twelve (12) month period ("Use Amount"), unless otherwise agreed.

(c) Each party shall in any case be responsible for all actual expenses incurred as a result of its use of the Aircraft. Use of the Aircraft shall be deemed to commence at the time the Aircraft takes off and shall terminate when the Aircraft lands at the destination Airport. Flight Hours for one way trips shall include, as applicable, the time required to return the Aircraft from the point of destination to Lincoln, Nebraska or the time required to position the Aircraft from Lincoln, Nebraska to the point of origin.

(d) Subject to the Aircraft's availability for use by another Joint Owner for its Use Amount, a Joint Owner may make reasonable use of the Aircraft for more than the Joint Owner's Use Amount. In such situations the Joint Owners will reconcile actual use as compared to Use Amount of the Aircraft on an annual basis as contemplated by Section 6(b) below.

6. Operating Cost Allocation. The Joint Owners will share the costs of operating the Aircraft as follows:

(a) Monthly Fixed Cost Payment. The Joint Owners will each make a monthly fixed cost payment to Duncan as provided for in the Management Agreement. It is agreed and understood that the proportion of the total monthly fixed costs initially paid by each Joint Owner is based on the Joint Owner's respective Ownership Percentages. If any Joint Owner uses the Aircraft in excess of its annual Use Amount, as soon as practicable after November 1 of each year, from and after November 1, 2008, the Joint Owners will determine the percentage of each Joint Owner's actual use of the Aircraft during the 12-month period ending on October 31 of such year (the "Actual Use Percentage"). If the Actual Use Percentages are different than the Ownership Percentages, the amount of the total monthly fixed cost payments made during such 12-month period will be adjusted among the Joint Owners on the basis of the Actual Use Percentages.

(b) Maintenance, Repair and Refurbishment Costs. Each Joint Owner will be responsible and liable for its pro-rata portion (based on the Joint Owner's Ownership Percentage) of the cost of maintaining, repairing and refurbishing the Aircraft and its components. To the extent a Joint Owner's Actual Use Percentage at the end of a twelve-month period exceeds the Joint Owner's Ownership Percentage, the Joint Owners will complete a reconciliation.

(c) Fuel and Out of Pocket Costs. Each Joint Owner will be responsible and liable to Duncan for the cost of fuel and other consumables in connection with all flight hours charged to such Joint Owner and for all out-of-pocket expenses incurred by Duncan in connection with the Joint Owner's use of the Aircraft such as, but not limited to, catering, landing fees and crew expenses.

(d) Personal Property Tax. Each Joint Owner will be responsible and liable for, and will indemnify, defend and hold the other Joint Owners harmless from liability for, personal property taxes assessed on such Joint Owner's interest in the Aircraft.

7. Insurance. Each Joint Owner shall, pursuant to the Management Agreement, cause Duncan to provide and keep in force a policy or policies of liability insurance covering

Aircraft operations with coverage limits of not less than $100,000,000 per occurrence, single limit bodily injury and property damage, including passengers. Each Joint Owner will be endorsed as an additional insured under such policies. Each Joint Owner shall, pursuant to the Management Agreement, cause Duncan to obtain hull insurance coverage on the Aircraft in an amount equal to the value of the Aircraft.

8. Maintenance and Repair. Each Joint Owner shall, pursuant to the Management Agreement, cause Duncan to be responsible for maintaining the Aircraft in a serviceable and airworthy condition in accordance with applicable regulations, requirements and directives. Joint Owners shall not be entitled to any abatement of their fixed cost payment obligation by reason of the unavailability of the Aircraft due to the performance of any repair or maintenance activities.

9 Taxes. Each Joint Owner will be responsible for, and will indemnify and hold the other Joint Owner's harmless from liability for, any excise, sales or similar taxes (including interest and penalties) assessed as the result of the ownership or use of the Aircraft by such Joint Owner.

10. Alienation of Ownership Interest.

(a) Each Joint Owner hereby covenants and agrees that, except as specifically authorized herein or by agreement of the Joint Owners holding a majority of the Ownership Percentages, it will not voluntarily encumber, sell, transfer, assign or otherwise convey, directly or indirectly, any portion of its interest in the Aircraft to anyone other than a current Joint Owner and that any attempt to do so will be void and of no force or effect.

(b) In the event a Joint Owner wishes to voluntarily sell or otherwise transfer all (but not less than all) of its interest in the Aircraft to someone other than a current Joint Owner, such Joint Owner (the "Selling Joint Owner") shall notify the other Joint Owner (the "Buying Joint Owner") in writing of its intent. In such event, the Buying Joint Owner shall have the right, but not the obligation, for a period of thirty (30) days following receipt of such notice to purchase (for cash or its equivalent) the interest of the Selling Joint Owner in the Aircraft for an amount equal to the Selling Joint Owner's pro rata portion (determined on the basis of its Ownership Percentage) of the Aircraft's then current fair market value as determined by mutual agreement. If the Buying Joint Owner and the Selling Joint Owner are unable to agree on the Aircraft's fair market value within thirty (30) days, fair market value will be determined by three (3) qualified appraisers of used aircraft, one of whom shall be designated by the Selling Joint Owner, one by the Buying Joint Owner and one by the two appraisers selected by the Joint Owners. In the event the Buying Joint Owner do not exercise such right in connection with a proposed voluntary sale or transfer, the interest of the Selling Joint Owner may be transferred to a third party provided, however, that such purchaser or transferee, as a condition of the sale or transfer, shall execute this Agreement and the Management Agreement and become fully subject to the terms thereof.

(c) In the event of any change in the ownership of the controlling interest in a Joint Owner or in the event of an attempted involuntary sale or transfer of the interest of any Joint Owner (in either case, the "Selling Joint Owner") in the Aircraft, whether directly or

indirectly, the other Joint Owner (the "Buying Joint Owner") shall have the right, but not the obligation, for a period of thirty (30) days following receipt of notice of such change in ownership or attempted involuntary sale or transfer to purchase (for cash or its equivalent) the interest of the Selling Joint Owner in the Aircraft for an amount equal to the Selling Joint Owner's pro rata portion (determined on the basis of its Ownership Percentages) of the Aircraft's then current fair market value as determined by mutual agreement. If the Buying Joint Owner and the Selling Joint Owner are unable to agree on the Aircraft's fair market value within thirty (30) days, fair market value will be determined by three (3) qualified appraisers of used aircraft, one of whom shall be designated by the Selling Joint Owner, one by the Buying Joint Owner and one by the two appraisers selected by the Joint Owners. In the event the Buying Joint Owner do not exercise such right in connection with a proposed involuntary sale, the interest of the Selling Joint Owner may be sold to a third party provided, however, that such purchaser or transferee, as a condition of the sale or transfer, shall execute this Agreement and the Management Agreement and become fully subject to the terms thereof.

11. Term and Termination. This Agreement is effective as of the date first written above and will continue in effect on a month to month basis until terminated by mutual agreement. At anytime hereunder, UFS shall have the right to require Nelnet to purchase UFS's interest in the Aircraft for an amount equal to UFS's pro rata portion (determined on the basis of its Ownership Percentage) of the Aircraft's then current fair market value as determined by mutual agreement. If the parties are unable to agree on the Aircraft's fair market value within thirty (30) days, fair market value will be determined by three (3) qualified appraisers of used aircraft, one of whom shall be designated by Nelnet, one by UFS and one by the two appraisers selected by the Joint Owners. If so agreed by the Joint Owners, the Joint Owners shall cause Duncan, as agent for the Joint Owners, to sell the Aircraft in a commercially reasonable manner. The net proceeds from such sale will be distributed to each Joint Owner in proportion to their Ownership Percentages. The good faith decision of Duncan regarding the terms and conditions of such sale shall be conclusive and binding on each of the Joint Owners.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

National Education Loan Network, Inc.	Union Financial Services, Inc.
By: _____	By: _____
Terry J. Heimes, Treasurer	Michael S. Dunlap, President

SIXTEENTH AMENDMENT OF
AMENDED AND RESTATED PARTICIPATION AGREEMENT

This Sixteenth Amendment of the Amended and Restated Participation Agreement (the "Amendment") is made and entered into as of this 23rd day of March, 2012, by and between and Union Bank and Trust Company, a Nebraska banking corporation and trust company, solely in its capacity as trustee of various grantor trusts known as Short Term Federal Investment Trusts or other grantor trusts ("Union Bank") and National Education Loan Network, Inc., a Nevada corporation ("Nelnet").

WHEREAS, the parties hereto entered into that certain Amended and Restated Participation Agreement dated as of June 1, 2001, as amended (the "Agreement"), and the parties hereto wish to amend the Agreement under the terms set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, the parties hereto agree as follows:

1. Definitions. Unless otherwise expressly stated herein, capitalized terms in this Amendment shall have the same meanings given to them in the Agreement.

2. Change in Definition of Nelnet's Fee. For purposes of Section 1.03 of the Agreement, Nelnet's Fee shall be defined to equal the difference between (i) the total of interest and other income received with respect to such Eligible Loans contained in a participation certificate, less (ii) 30 basis points (0.30%) above 1 month London Inter Bank Offered Rate (LIBOR) for United States dollars in effect for each of the days in such quarter for each of the days in the relevant calendar quarter as compiled and released by the British Bankers Association, multiplied by the average aggregate principal balance of all Eligible Loans participated under the Agreement. Payments shall be distributed on a monthly basis, on the first business day of each month. Such fee shall apply to Eligible Loans and shall also apply in the same manner to participations of asset backed securities backed by Eligible Loans.

3. Effect of Amendment. This Amendment shall be effective as of April 1, 2012. Unless expressly modified or amended by this Amendment, all terms and provision contained in the Agreement shall remain in full force and effect without modification.

Union Bank and Trust Company

By: _____
Title: SEVP

National Education Loan Network, Inc.

By: _____
Title: AVP

INVESTMENT MANAGEMENT AGREEMENT

This INVESTMENT MANAGEMENT AGREEMENT (the "Agreement"), effective as of February 10, 2012, by and among Whitetail Rock SLAB Fund I, LLC, a Nebraska limited liability company (the "Fund"), Whitetail Rock Fund Management, LLC, a Nebraska limited liability company (the "Manager"), and Whitetail Rock Capital Management, LLC, a Nebraska limited liability company and registered investment adviser (the "WRCM" or "Advisor").

WHEREAS, on February 9, 2012, WRCM formed the Fund by filing a Certificate of Organization with the Nebraska Secretary of State. On February 10, 2012, the Manager, WRCM and the Fund's members entered into an Amended and Restated Limited Liability Company Agreement (the "Fund Agreement") setting forth the terms and provisions applicable to the Fund and the Fund's investment strategy of acquiring, holding, managing and selling student loan asset-backed securities ("Student Loan ABS");

WHEREAS, under Section 6.1(c) of the Fund Agreement, the Manager is authorized to engage an investment adviser in accordance with the terms of the Fund Agreement; and

WHEREAS, the Manager wishes to engage the Advisor to perform on behalf of the Manager and the Fund the services set forth in this Agreement, and the Advisor wishes to perform such services, all in accordance with this Agreement and the Fund Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties, intending to be legally bound, hereby agree as follows:

1. Services. The Advisor will perform such management, advisory, administrative and related services to and for the Manager and the Fund as specified on Schedule A to this Agreement. Manager shall provide the services of those of its officers or employees as may be required to furnish the services under this Agreement.

2. Term and Termination. The initial term of this Agreement shall be for the period commencing on the date first set forth above, and ending on the first anniversary thereof (such period, as it may be extended, being referred to as the "Management Period"), unless sooner terminated in accordance with the provisions of this Section 2. The Management Period shall automatically renew for successive one-year periods after the initial Management Period without necessity of documentation unless both parties mutually agree to terminate.

Either the Manager or the Advisor may terminate this Agreement at any time, without penalty, by giving the other party at least thirty (30) days' prior written notice. Termination of this Agreement will not affect the liabilities or obligations of the parties from transactions initiated before termination of this Agreement or the obligation to pay advisory fees as set forth in this Agreement. Upon the termination of this Agreement, Advisor will have no obligation to recommend or take any action with regard to the securities, cash or other investments held by the Fund.

3. Compensation.

(a) Fees. The Manager, on behalf of the Fund, shall pay to the Advisor annual fees in an amount equal to fifty basis points (0.50%) per annum of the daily average value of the sum of the price originally paid for the Fund's Student Loan ABS and the Accreted Value (as defined in the Fund Agreement) of such Student Loan ABS. The fees shall be payable in equal installments (0.041667%) in arrears on the last day of each calendar month or as the parties may otherwise mutually agree. In addition, the Manager, on behalf of the Fund, will pay to the Advisor an amount equal to any profits allocated to the Manager pursuant to Section 4.1(b) of the Fund Agreement. The Advisor shall submit a bill to the Manager, at such times as the Advisor deems appropriate, for any such profits payable to the Advisor under this Section 3(a) and the Manager shall pay such amounts to the Advisor within 30 days after receipt thereof.

(b) Reimbursement of Expenses. The Manager, on behalf of the Fund, shall reimburse the Advisor for all reasonable and necessary expenses incurred or paid by the Advisor in connection with, or related to, the performance of its services under this Agreement. The Advisor shall submit to the Manager itemized monthly statements, in a form satisfactory to the Manager, of such expenses incurred in the previous month. The Manager shall pay to the Advisor amounts shown on each such statement within 30 days after receipt thereof.

(c) Custodian Fees. The parties hereto expressly acknowledge that the Advisor shall pay out of its compensation any custodial fees and expenses due and owing to Union Bank & Trust Company, in its capacity as custodian for the Fund.

4. Cooperation. The Manager and the Fund shall provide such access to its information and property as may be reasonably required in order to permit the Advisor to perform its obligations hereunder.

5. Standard of Care and Liability. In providing services hereunder, the Advisor shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Except when otherwise specifically required by law, the Advisor shall only be liable to the Manager or the Fund for any direct and foreseeable losses, including reasonable attorney's fees, resulting from negligence or willful misconduct of the Advisor or breach of this Agreement by the Advisor. Except as may otherwise be provided by law, the Advisor will not be liable to the Manager or the Fund for any act or failure to act by the Manager, any broker-dealer to which Student Loan ABS transactions are directed, or by any other third party. The federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith, and therefore nothing in this Agreement will waive or limit any rights that the Manager or the Fund may have under those laws.

6. Proprietary Information.

(a) Proprietary Information.

(i) The Advisor acknowledges that its relationship with the Manager and the Fund is one of trust and confidence and that in the course of providing services to the Fund, the Advisor will have access to and contact with Proprietary Information, as defined below. The Advisor will not, during the Management Period or at any time thereafter, disclose to others, or use for its benefit or the benefit of others, any Proprietary Information.

(ii) For purposes of this Agreement, Proprietary Information shall mean, by way of illustration and not limitation, all information (whether or not patentable and whether or not copyrightable) owned, possessed or used by the Fund, including, without limitation, any invention, formula, vendor information, customer information, apparatus, equipment, trade secret, process, research, report, technical data, know-how, computer program, software, software documentation, hardware design, technology, marketing or business plan, forecast, unpublished financial statement, budget, license, price, cost and employee list that is communicated to, learned of, developed or otherwise acquired by the Advisor in the course of its service as investment adviser to the Fund.

(iii) The Advisor's obligations under this Section 5(a) shall not apply to any information that (a) is or becomes known to the general public under circumstances involving no breach by the Advisor or others of the terms of this Section 5(a), (b) is generally disclosed to third parties by the Manager or the Fund without restriction on such third parties, or (c) is approved for release by written authorization of the Manager.

(iv) Upon termination of this Agreement or at any other time upon request by the Manager, on behalf of the Fund, the Advisor shall promptly deliver to the Manager all records, files, memoranda, notes, designs, data, reports, price lists, customer lists, drawings, plans, computer programs, software, software documentation, sketches, research notebooks and other documents (and all copies or reproductions of such materials) relating to the business of the Fund.

(v) The Advisor represents that its performance under this Agreement does not, and will not, breach any agreement that obligates it to keep in confidence any trade secrets or confidential or proprietary information of it or of any other party or to refrain from competing, directly or indirectly, with the business of any other party. The Advisor will not disclose to the Manager or the Fund any trade secrets or confidential or proprietary information of any other party.

(b) Remedies. The Advisor acknowledges that any breach of the provisions of this Section 6 shall result in serious and irreparable injury to the Fund for which the Fund cannot be adequately compensated by monetary damages alone. The Advisor agrees, therefore, that, in addition to any other remedy it may have, the Fund shall be entitled to enforce the specific performance of this Agreement by the Advisor and to seek both temporary and permanent injunctive relief (to the extent permitted by law) without the necessity of proving actual damages.

7. Independent Contractor Status. The Advisor shall perform all services under this Agreement as an "independent contractor."

8. Services to Other Clients. The Manager and the Fund understand that the Advisor may perform investment management services for other clients with various investment objectives and policies. The Manager and the Fund acknowledge that the Advisor may give advice and take action with respect to such clients which may differ from advice given, or the timing or nature of action taken, with respect to Student Loan ABS under this Agreement. The Manager and the Fund acknowledge that the Advisor may recommend the purchase or sale of securities or other investments held by the Fund that affiliates of the Advisor ("Affiliated Persons") may also purchase or sell for their own account. The Manager and the Fund further acknowledge that the Advisor shall have no obligation to recommend for purchase or sale by the Fund, any security or other investment that Affiliated Persons may purchase or sell for its or their own account or any other client accounts. This Agreement does not limit or restrict in any way the Advisor or any of its Affiliated Persons from buying, selling or trading in any securities or other investments for their own accounts.

The Advisor will not, acting as principal for its own account, sell any Student Loan ABS to or purchase any Student Loan ABS from the Fund. The Advisor shall provide a Transaction Certificate to the Fund describing any recommended purchase or sale of Student Loan ABS involving a counterparty affiliated with the Advisor.

The Advisor or its Affiliated Persons may provide services for, or solicit business from various companies, including issuers of securities that Advisor may recommend for purchase or sale by the Fund. In providing these services, the Advisor or its Affiliated Persons may obtain material, nonpublic or other confidential information that, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Advisor and its Affiliated Persons cannot improperly disclose or use this information for their personal benefit or for the benefit of any person, including clients of the Advisor. If the Advisor or any Affiliated Person obtains material, nonpublic or other confidential information about any issuer, the Advisor is prohibited from disclosing the information to the Fund or using it for the Fund's benefit.

9. Notices. All notices required or permitted under this Agreement shall be in writing and shall be deemed effective upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail, postage prepaid, addressed to the other party as set forth below:

(a) If to the Advisor:

Whitetail Rock Capital Management, LLC
c/o Greer McCurley
121 South 13th Street, Suite 201
Lincoln, NE 68508

If to the Fund:

Whitetail Rock SLAB Fund I, LLC
c/o Whitetail Rock Fund Management, LLC
121 South 13th Street, Suite 201
Lincoln, NE 68508

10. Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement.

11. Amendment. This Agreement may be amended or modified only by a written instrument executed by each of the Fund, the Manager and the Advisor.

12. Governing Law. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of Nebraska.

13. Assignment. Except as otherwise provided herein, none of the rights, duties or obligations of either party to this Agreement may be assigned without the consent of the other. "Assignment" shall have the definition given under the Investment Advisers Act of 1940 (the "Advisors Act").

14. Miscellaneous.

(a) No delay or omission by the Manager or the Fund in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Manager or the Fund on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

(b) The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

(c) In the event that any provision of this Agreement shall be invalid, illegal or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Management Agreement as of the day and year set forth above.

Whitetail Rock Capital Management, LLC

By: _____
Title: CCO

Whitetail Rock SLAB Fund I, LLC
By: Whitetail Rock Fund Management, LLC, Manager

By: _____
Title: President

Whitetail Rock Fund Management, LLC

By: _____
Title: President

SCHEDULE A
TO
MANAGEMENT AGREEMENT

Services Provided

1. The Advisor shall act as the investment adviser to the Fund and will have discretion to purchase and sell Student Loan ABS on behalf of the Fund.

2. The Advisor shall monitor performance and characteristics of the Student Loan ABS held by the Fund.

3. The Advisor shall perform such internal clerical, accounting and administrative services as may be required to carry out the services described herein.

4. The Advisor shall assist in preparing and maintaining financial records and accounts of the Fund with respect to the Student Loan ABS.

5. Custody of the Student Loan ABS shall be maintained by Union Bank & Trust Company. The Advisor will not take custody of the Student Loan ABS the Fund holds.

The services described herein shall be performed in accordance with the requirements of the Investment Advisers Act of 1940, as amended, and any rules and regulations adopted thereunder.

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael S. Dunlap, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nelnet, Inc. and subsidiaries (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2012

/s/ MICHAEL S. DUNLAP
Michael S. Dunlap
Chairman and Chief Executive Officer
Principal Executive Officer

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Terry J. Heimes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nelnet, Inc. and subsidiaries (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2012

/s/ TERRY J. HEIMES
Terry J. Heimes
Chief Financial Officer
Principal Financial Officer and Principal Accounting Officer

Exhibit 32

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Nelnet, Inc. and subsidiaries (the "Company") on Form 10-Q for the quarter ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2012

By: /s/ MICHAEL S. DUNLAP
Name: Michael S. Dunlap
Title: Chairman and Chief Executive Officer
Principal Executive Officer

By: /s/ TERRY J. HEIMES
Name: Terry J. Heimes
Title: Chief Financial Officer
Principal Financial Officer and Principal Accounting Officer