UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported)
JANUARY 31, 2006

NELNET, INC.

(Exact name of registrant as specified in its charter)

NEBRASKA	001-31924	84-0748903
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

121 SOUTH 13TH STREET SUITE 201 LINCOLN, NEBRASKA	68508
(Address of principal executive offices)	(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act

(17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act

(17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On January 31, 2006, Nelnet, Inc. issued a press release with respect to its earnings for the quarter ended December 31, 2005, which is furnished as Exhibit 99.1 to this Current Report on Form 8-K. Additional information for the quarter, which is available on the Registrant's website at www.nelnet.net, is furnished as Exhibit 99.2.

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 hereunto duly authorized.

Dated: January 31, 2006

NELNET, INC.

By: /s/ TERRY J. HEIMES

Name: Terry J. Heimes
Title: Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release dated January 31, 2006 - "Nelnet reports net student loan assets up 51 percent to more than $20 billion in 2005"
99.2	Additional Information Available on the Registrant's Website

Exhibit 99.1

NELNET 121 South 13th Street, Suite 400 P 402 458 2370 www.nelnet.net
Lincoln, NE 68506 F 402 458 2344 NELNET CORPORATE SERVICES, INC.

Media Contact: Sheila Odom, 402.458.2329 Investor Contact: Cheryl Watson, 317.469.2064

For release

Nelnet reports net student loan assets up 51 percent to more than $20 billion in 2005

- o Student loan assets increase 27 percent, excluding acquisitions in 2005
- o Net consolidation loan originations of $2.1 billion for 2005

LINCOLN, Neb., Jan 31, 2006 -- Nelnet, Inc. (NYSE: NNI) today reported GAAP net income for 2005 of $181.1 million, or $3.37 per share, compared with $149.2 million, or $2.78 per share, for 2004. GAAP net income for the fourth quarter of 2005 totaled $42.7 million, or $0.79 per share, compared with $47.2 million, or $0.88 per share, for the fourth quarter of 2004.

Base net income for 2005 was $127.6 million, or $2.37 per share, compared with $161.8 million, or $3.02 per share, in 2004. Base net income for the fourth quarter of 2005 totaled $32.3 million, or $0.60 per share, compared with $31.7 million, or $0.59 per share, in the fourth quarter of 2004.

Base net income as defined by Nelnet is GAAP net income excluding derivative market value adjustments, amortization of intangible assets, and variable-rate floor income. A description of base net income and reconciliation of GAAP net income to base net income is included in this release.

Base net income excluding certain special allowance yield adjustments and related derivative settlements for 2005 was $1.46 per share, up from $1.02 per share for 2004. Base net income excluding certain special allowance yield adjustments and related derivative settlements was $0.39 per share for the fourth quarter of 2005 up from $0.33 per share for the fourth quarter of 2004.

GAAP net income includes an unrealized gain in the fair-market value of derivative instruments of $95.9 million for 2005 and $21.6 million for the fourth quarter of 2005. Nelnet's derivatives do not qualify for hedge accounting under FASB 133. As such, the mark-to-market gains or losses of derivatives in each reporting period are included in the statement of operations, but removed from GAAP net income during the calculation of base net income.

Net student loan assets at December 31, 2005 were $20.3 billion, up 51 percent, or $6.8 billion, from $13.5 billion at December 31, 2004. Excluding $3.2 billion of student loans acquired through business and portfolio acquisitions in 2005, net student loan assets increased $3.6 billion or 27 percent from December 31, 2004.

The company reported net consolidation loan originations of $2.1 billion for 2005 and $721.4 million for the fourth quarter of 2005. For 2005 and for the fourth-quarter 2005, Nelnet experienced a loss of $855.0 million and $356.5 million, respectively, of student loans through the consolidation of the company's portfolio by third parties.

"In 2005, Nelnet executed a strategy of delivering value to our customers, diversifying our revenue streams, and growing our student loan portfolio," said Steve Butterfield, Nelnet Vice Chairman and co-Chief Executive Officer. "We will use the success of this past year as the foundation for continued growth and diversification."

Margin analysis

Net interest income for 2005 was $329.1 million compared with $398.2 million for 2004. For the fourth quarter of 2005, Nelnet reported net interest income of $81.3 million compared with $90.2 million for the fourth quarter of 2004. Net interest income for 2005 includes a special allowance yield adjustment of $94.7 million, down from $203.5 million in the same period a year ago. The fourth-quarter 2005 net interest income includes a special allowance yield adjustment of $17.2 million, down from $35.6 million in the same period a year ago. Excluding the impact of the special allowance yield adjustments, net interest income for the fourth-quarter 2005 increased $9.5 million, or 17 percent, compared to the same period a year ago.

The company reported core student loan spread of 1.51 percent for 2005 compared with 1.66 percent in 2004 and 1.44 percent for the fourth quarter of 2005 compared with 1.69 percent in 2004. The tightening was primarily attributable to an increase in short-term interest rates and an increase in the amount of lower-yield consolidation loans in the company's student loan portfolio that comprised approximately 64 percent of Nelnet's student loan portfolio at December 31, 2005.

Other revenue

Income from loan and guarantee servicing fees reached $152.5 million for 2005, up from $100.1 million in 2004. In the fourth quarter of 2005, income from loan and guarantee servicing grew to $43.2 million from $26.7 million in the fourth quarter of 2004. The increase is attributable to the acquisition of EDULINX in December 2004 and the expanded outsourcing agreement with the College Access Network in October 2005, but is also partially offset by reductions in other third-party servicing-related revenue.

Other fee-based income increased to $35.6 million for 2005 compared with $7.0 million for 2004. For the fourth quarter of 2005, other fee-based income increased to $12.8 million, up from $1.7 million in the same period a year ago. The integration of Student Marketing Group and National Honor Roll, which were acquired in March 2005, and FACTS Management Co., eighty percent of which was acquired in June 2005, drove the increase.

Operating expenses

For 2005, the company reported operating expenses of $322.3 million compared with $242.8 million for 2004. Operating expenses increased to $98.1 million in the fourth quarter of 2005 from $61.8 million for the same period a year ago. The increase in operating expenses is primarily attributable to the integration of recent acquisitions. Excluding the impact of these acquisitions, operating expenses for the fourth quarter of 2005 increased approximately 3 percent compared with the prior quarter.

Reconciliation of GAAP net income to base net income

Nelnet prepares financial statements in accordance with generally accepted accounting principles (GAAP). In addition to evaluating the company's GAAP-based financial information, management also evaluates the company on certain non-GAAP performance measures that we refer to as base net income. While base net income is not a substitute for reported results under GAAP, Nelnet provides base net income as additional information regarding financial results.

Base net income, excluding certain special allowance yield adjustments and related hedging activity related to the company's portfolio of student loans earning a minimum special allowance payment of 9.5%, is used by management to develop the company's financial plans, track results, and establish corporate performance targets.

The following table provides a reconciliation of GAAP net income to base net income and also reflects the earnings per share impact of the special allowance yield adjustments and related hedging activity related to the 9.5% portfolio.

	Three Months Ended December 31,		Year Ended December 31,	
	2005	2004	2005	2004
	(dollars in thousands, except share data)			
GAAP net income	$ 42,676	$ 47,168	$ 181,122	$ 149,179
Base adjustments:				
Derivative market value adjustments	(21,554)	(27,291)	(95,854)	11,918
Amortization of intangible assets	4,828	2,336	9,479	8,768
Variable-rate floor income	-	-	-	(348)
Total base adjustments before income taxes	(16,726)	(24,955)	(86,375)	20,338
Net tax effect (a)	6,356	9,483	32,823	(7,728)
Total base adjustments	(10,370)	(15,472)	(53,552)	12,610
Base net income	32,306	31,696	127,570	161,789
Special allowance yield adjustments (b)	(11,352)	(13,402)	(48,841)	(106,842)
Base net income, excluding the special allowance yield adjustments (b)	$ 20,954	$ 18,294	$ 78,729	$ 54,947
Earnings per share, basic and diluted:				
GAAP net income	$ 0.79	$ 0.88	$ 3.37	$ 2.78
Total base adjustments	(0.19)	(0.29)	(1.00)	0.24
Base net income	0.60	0.59	2.37	3.02
Special allowance yield adjustments (b)	(0.21)	(0.26)	(0.91)	(2.00)
Base net income, excluding the special allowance yield adjustments (b)	$ 0.39	$ 0.33	$ 1.46	$ 1.02

(a) Tax effect computed at 38%.

(b) The special allowance yield adjustments are net of derivative settlements of $(1.1) million and $14.0 million for the three months ended December 31, 2005 and 2004 respectively, and $15.9 million and $31.2 million for the years ended December 31, 2005 and 2004 respectively, and the tax effect computed at 38%.

Nelnet will host a conference call to discuss this earnings release at 2:00 p.m. (Eastern) today. To access the call live, participants in the United States and Canada should dial 800.289.0572 and international callers should dial 913.981.5543 at least 15 minutes prior to the call. A live audio Web cast of the call will also be available at www.nelnetinvestors.net under the conference calls and Web casts menu. A replay of the conference call will be available between 5:00 p.m. (Eastern) today and 11:59 p.m. (Eastern) February 3. To access the replay via telephone within the United States and Canada, callers should dial 888.203.1112. International callers should dial 719.457.0820. All callers accessing the replay will need to use the confirmation code 9344836. A replay of the audio Web cast will also be available at www.nelnetinvestors.net.

Supplemental financial information to this earnings release is available online at http://www.nelnetinvestors.net/releases.cfm?reltype=Financial.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three months ended December 31, 2005	Three months ended December 31, 2004	Year ended December 31, 2005	Year ended December 31, 2004
	(unaudited)	(unaudited)	(unaudited)	
	(dollars in thousands, except share data)			
Interest income:				
Loan interest, excluding variable-rate floor income	$ 309,890	$ 185,977	$ 981,479	$ 705,036
Variable-rate floor income	-	-	-	348
Amortization of loan premiums and deferred origination costs	(24,160)	(17,121)	(76,530)	(70,370)
Investment interest	17,616	6,012	44,259	17,762
Total interest income	303,346	174,868	949,208	652,776
Interest expense:				
Interest on bonds and notes payable	222,066	84,670	620,111	254,610
Net interest income	81,280	90,198	329,097	398,166
Less provision (recovery) for loan losses	1,473	477	7,030	(529)
Net interest income after provision (recovery) for loan losses	79,807	89,721	322,067	398,695
Other income:				
Loan and guarantee servicing income	43,180	26,708	152,493	100,130
Other fee-based income	12,755	1,668	35,641	7,027
Software services income	2,410	2,530	9,169	8,051
Other income	2,650	2,237	8,032	9,321
Derivative market value adjustments	21,554	27,291	95,854	(11,918)
Derivative settlements, net	2,041	(14,751)	(17,008)	(34,140)
Total other income	84,590	45,683	284,181	78,471
Operating expenses:				
Salaries and benefits	49,117	31,802	172,732	133,667
Other expenses	44,156	27,703	140,092	100,316
Amortization of intangible assets	4,828	2,336	9,479	8,768
Total operating expenses	98,101	61,841	322,303	242,751
Income before income taxes	66,296	73,563	283,945	234,415
Income tax expense	23,246	26,395	102,220	85,236
Net income before minority interest	43,050	47,168	181,725	149,179
Minority interest in net earnings of subsidiaries	(374)	-	(603)	-
Net income	$ 42,676	$ 47,168	$ 181,122	$ 149,179
Earnings per share, basic and diluted	$ 0.79	$ 0.88	$ 3.37	$ 2.78
Weighted average shares outstanding	53,915,812	53,662,152	53,761,727	53,648,605

CONDENSED CONSOLIDATED BALANCE SHEETS AND FINANCIAL DATA

	As of December 31, 2005	As of December 31, 2004
	(unaudited)	
	(dollars in thousands)	
Assets:		
Student loans receivable, net	$ 20,260,807	$ 13,461,814
Cash, cash equivalents, and investments	1,645,797	1,302,954
Goodwill	99,535	8,522
Intangible assets, net	153,117	11,987
Other assets	639,366	374,728
Total assets	$ 22,798,622	$ 15,160,005
Liabilities:		
Bonds and notes payable	$ 21,673,620	$ 14,300,606
Other liabilities	474,884	403,224
Total liabilities	22,148,504	14,703,830
Minority interest in subsidiaries	626	-
Shareholders' equity	649,492	456,175
Total liabilities and shareholders' equity	$ 22,798,622	$ 15,160,005
Return on average total assets	1.00%	1.11%
Return on average equity	32.4%	39.7%

Nelnet is one of the leading education finance companies in the United States and is focused on providing quality products and services to students and schools nationwide. Nelnet ranks among the nation's leaders in terms of total net student loan assets with $20.3 billion as of December 31, 2005. Headquartered in Lincoln, Nebraska, Nelnet originates, consolidates, securitizes, holds, and services student loans, principally loans originated under the Federal Family Education Loan Program of the U.S. Department of Education.

Additional information is available at www.nelnet.net.

Information contained in this press release, other than historical information, may be considered forward-looking in nature and is subject to various risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or expected. Among the key factors that may have a direct bearing on Nelnet's operating results, performance, or financial condition are changes in terms of student loans and the educational credit marketplace, changes in the demand for educational financing or in financing preferences of educational institutions, students and their families, or changes in the general interest rate environment and in the securitization markets for education loans.

Exhibit 99.2

FOR RELEASE: 01/31/06
MEDIA CONTACT: Sheila Odom, 402.458.2329 INVESTOR CONTACT: Cheryl Watson, 317.469.2064

NELNET, INC. SUPPLEMENTAL FINANCIAL INFORMATION FOR THE FOURTH QUARTER 2005

The following supplemental information should be read in connection with the fourth-quarter 2005 earnings press release of Nelnet, Inc. (the "Company"), dated January 31, 2006.

Statements in this supplemental financial information release, which refer to expectations as to future developments, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements contemplate risks, uncertainties, and other factors that may cause the actual results to differ materially from such forward-looking statements. Such factors include among others, changes in, or arising from, the implementation of applicable laws and regulations or changes in laws and regulations affecting the education finance marketplace. Changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in such laws and regulations, changes in the demand for educational financing, or in financing preferences of educational institutions, students and their families, and changes in the general interest rate environments, could also have a substantial impact on future results. Certain prior year amounts have been reclassified to conform to the current period presentation. For more information see our filings with the Securities and Exchange Commission.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three months ended December 31,		Year ended December 31,	
	2005	2004	2005	2004
	(unaudited)	(unaudited)	(unaudited)	
	(dollars in thousands, except share data)			
Interest income:				
Loan interest, excluding variable-rate floor income	$ 309,890	$ 185,977	$ 981,479	$ 705,036
Variable-rate floor income	-	-	-	348
Amortization of loan premiums and deferred origination costs	(24,160)	(17,121)	(76,530)	(70,370)
Investment interest	17,616	6,012	44,259	17,762
Total interest income	303,346	174,868	949,208	652,776
Interest expense:				
Interest on bonds and notes payable	222,066	84,670	620,111	254,610
Net interest income	81,280	90,198	329,097	398,166
Less provision (recovery) for loan losses	1,473	477	7,030	(529)
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Other income:				
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Other fee-based income	12,755	1,668	35,641	7,027
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Other income	2,650	2,237	8,032	9,321
Derivative market value adjustments	21,554	27,291	95,854	(11,918)
Derivative settlements, net	2,041	(14,751)	(17,008)	(34,140)
Total other income	84,590	45,683	284,181	78,471
Operating expenses:				
Salaries and benefits	49,117	31,802	172,732	133,667
Other expenses	44,156	27,703	140,092	100,316
Amortization of intangible assets	4,828	2,336	9,479	8,768
Total operating expenses	98,101	61,841	322,303	242,751
Income before income taxes	66,296	73,563	283,945	234,415
Income tax expense	23,246	26,395	102,220	85,236
Net income before minority interest	43,050	47,168	181,725	149,179
Minority interest in net earnings of subsidiaries	(374)	-	(603)	-
Net income	$ 42,676	$ 47,168	$ 181,122	$ 149,179
Earnings per share, basic and diluted	$ 0.79	$ 0.88	$ 3.37	$ 2.78

Weighted average shares outstanding	53,915,812	53,662,152	53,761,727	53,648,605

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	As of December 31, 2005	As of December 31, 2004
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Intangible assets, net	153,117	11,987
Other assets	639,366	374,728
Total assets	$ 22,798,622	$ 15,160,005
Liabilities:		
Bonds and notes payable	$ 21,673,620	$ 14,300,606
Other liabilities	474,884	403,224
Total liabilities	22,148,504	14,703,830
Minority interest in subsidiaries	626	-
Shareholders' equity	649,492	456,175
Total liabilities and shareholders' equity	$ 22,798,622	$ 15,160,005
Return on average total assets	1.00%	1.11%
Return on average equity	32.4%	39.7%

NON-GAAP BASE NET INCOME

We prepare financial statements in accordance with generally accepted accounting principles ("GAAP"). In addition to evaluating the Company's GAAP-based financial information, management also evaluates the Company on certain non-GAAP performance measures that we refer to as base net income. While base net income is not a substitute for reported results under GAAP, we provide base net income as additional information regarding our financial results.

Base net income, excluding certain special allowance yield adjustments and related hedging activity on the Company's portfolio of student loans earning a minimum special allowance payment of 9.5%, is used by management to develop the Company's financial plans, track results, and establish corporate performance targets.

The following table provides a reconciliation of GAAP net income to base net income and also reflects the earnings per share impact of certain special allowance yield adjustments and related hedging activity related to this 9.5% portfolio.

	Three months ended December 31,		Year ended December 31,	
	2005	2004	2005	2004
	(dollars in thousands, except share data)			
GAAP net income	$ 42,676	$ 47,168	$ 181,122	$ 149,179
Base adjustments:				
Derivative market value adjustments	(21,554)	(27,291)	(95,854)	11,918
Amortization of intangible assets	4,828	2,336	9,479	8,768
Variable-rate floor income	-	-	-	(348)
Total base adjustments before income taxes	(16,726)	(24,955)	(86,375)	20,338
Net tax effect (a)	6,356	9,483	32,823	(7,728)
Total base adjustments	(10,370)	(15,472)	(53,552)	12,610
Base net income	32,306	31,696	127,570	161,789
Special allowance yield adjustments (b)	(11,352)	(13,402)	(48,841)	(106,842)
Base net income, excluding the special allowance yield adjustments (b)	$ 20,954	$ 18,294	$ 78,729	$ 54,947
Earnings per share, basic and diluted:				
GAAP net income	$ 0.79	$ 0.88	$ 3.37	$ 2.78
Total base adjustments	(0.19)	(0.29)	(1.00)	0.24
Base net income	0.60	0.59	2.37	3.02

Special allowance yield adjustments (b)	(0.21)	(0.26)	(0.91)	(2.00)
Base net income, excluding the special allowance yield adjustments (b)	$ 0.39	$ 0.33	$ 1.46	$ 1.02

(a) Tax effect computed at 38%.
(b) The special allowance yield adjustments are net of derivative settlements of $(1.1) million and $14.0 million for the three months ended December 31, 2005 and 2004 respectively, and $15.9 million and $31.2 million for the years ended December 31, 2005 and 2004 respectively, and the tax effect computed at 38%.

Our base net income is a non-GAAP financial measure and may not be comparable to similarly titled measures reported by other companies. The Company's base net income presentation does not represent another comprehensive basis of accounting. A more detailed discussion of the differences between GAAP and base net income follows.

DERIVATIVE MARKET VALUE ADJUSTMENTS: Base net income excludes the periodic unrealized gains and losses caused by the change in market value on those derivatives in which the Company does not qualify for hedge accounting. 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 that are primarily used as part of the Company's interest rate risk management strategy include interest rate swaps and basis swaps. Management has structured all of the Company's derivative transactions with the intent that each is economically effective. However, the Company's derivative instruments do not qualify for hedge accounting under Statement of Financial Accounting Standards No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, and thus may adversely impact earnings.

AMORTIZATION OF INTANGIBLE ASSETS: We exclude amortization of acquired intangibles in our base net income.

VARIABLE-RATE FLOOR INCOME: Loans that reset annually on July 1 can generate excess spread income as compared to the rate based on the special allowance payment formula in declining interest rate environments. We refer to this additional income as variable-rate floor income. Base net income excludes variable-rate floor income.

STUDENT LOANS RECEIVABLE

Student loans receivable includes all student loans owned by or on behalf of the Company and includes the unamortized cost of acquisition or origination less an allowance for loan losses. The following table describes the components of our loan portfolio:

	As of December 31,			
	2005		2004	
	Dollars	Percent of Total	Dollars	Percent of Total
	(dollars in thousands)			
Federally insured:				
Stafford	$ 6,434,655	31.8 %	$ 5,047,487	37.5 %
PLUS/SLS	376,042	1.8	252,910	1.9
Consolidation	13,005,378	64.2	7,908,292	58.7
Non-federally insured	96,880	0.5	90,405	0.7
Total	19,912,955	98.3	13,299,094	98.8
Unamortized premiums and deferred origination costs	361,242	1.8	169,992	1.3
Allowance for loan losses:				
Allowance - federally insured	(98)	0.0	(117)	0.0
Allowance - non-federally insured	(13,292)	(0.1)	(7,155)	(0.1)
Net	$20,260,807	100.0 %	$13,461,814	100.0 %

The following table sets forth the loans originated or acquired through each of our channels:

	Three months ended December 31, 2005	Three months ended December 31, 2004	Year ended December 31, 2005	Year ended December 31, 2004
	(dollars in thousands)			
Beginning balance	$ 16,185,721	$ 12,630,456	$ 13,299,094	$ 10,314,874
Direct channel:				
Consolidation loan originations	1,413,260	891,053	4,037,366	3,060,427
Less consolidation of existing portfolio	(691,900)	(429,400)	(1,966,000)	(1,427,200)
Net consolidation loan originations	721,360	461,653	2,071,366	1,633,227
Stafford/PLUS loan originations	152,996	57,370	720,545	279,885
Branding partner channel	161,808	183,214	1,288,596	989,867
Forward flow channel	251,940	157,789	1,153,125	780,803
Other channels	126,810	46,547	166,010	250,609
Total channel acquisitions	1,414,914	906,573	5,399,642	3,934,391
Loans acquired in portfolio and business acquisitions	3,071,479	-	3,071,479	136,138
Repayments, claims, capitalized interest, and other	(759,159)	(237,935)	(1,857,260)	(1,086,309)
Ending balance	$ 19,912,955	$ 13,299,094	$ 19,912,955	$ 13,299,094

INTEREST RATE SENSITIVITY

The following table shows the Company's student loan assets currently earning at a fixed rate as of December 31, 2005:

Fixed interest rate range	Borrower/ lender weighted average yield	Estimated variable conversion rate (a)	Balance of fixed rate assets
			(in thousands)
7.0 - 8.0%	7.51 %	4.87 %	$ 384,111
> 8.0	8.54	5.90	1,039,890
9.5 floor yield	9.50	6.86	3,484,864
			$ 4,908,865

(a) The estimated variable conversion rate is the estimated short-term interest rate at which loans would convert to variable rate.

As a portion of the Company's student loan assets earn a fixed rate, management uses fixed-rate debt and interest rate swaps to reduce the economic effect of interest rate volatility. As of December 31, 2005, the Company had fixed-rate debt of $519 million (excluding the Company's unsecured debt of $275 million). The following table summarizes the notional values and weighted average interest rates of the Company's outstanding derivative instruments used to hedge the fixed-rate student loan portfolio as of December 31, 2005 (dollars in thousands):

Maturity	Fixed/ floating swaps	Weighted Average fixed rate (a)
2006	$ 612,500	2.99 %
2007	512,500	3.42
2008	462,500	3.76
2009	312,500	4.01
2010	1,137,500	4.25
2012	275,000	4.31
2013	525,000	4.36
Total	$ 3,837,500	3.88 %

(a) This amount represents the weighted average fixed interest rate paid by the Company on these interest rate swaps

STUDENT LOAN SERVICING

The Company performs servicing activities for its own portfolio and third parties. The following table summarizes the Company's loan servicing volumes:

	As of December 31,									
	2005					2004				
	Company	%	Third Party	%	Total	Company	%	Third Party	%	Total
					(dollars in millions)					
FFELP and private loans	$ 16,969	63%	$ 10,020	37%	$ 26,989	$ 11,888	56%	$ 9,188	44%	$ 21,076
Canadian loans (in U.S. $)	-	-	8,139	100%	8,139	-	-	7,213	100%	7,213
Total	$ 16,969	48%	$ 18,159	52%	$ 35,128	$ 11,888	42%	$ 16,401	58%	$ 28,289

STUDENT LOAN SPREAD

The following table analyzes the student loan spread on our portfolio of student loans. This table represents the spread on assets earned in conjunction with the liabilities used to fund the assets, including the effects of net derivative settlements.

	Three Months Ended December 31,		Year Ended December 31,	
	2005	2004	2005	2004
Student loan yield	7.30 %	6.37 %	6.90 %	6.55 %
Consolidation rebate fees	(0.68)	(0.61)	(0.65)	(0.58)
Premium and deferred origination costs amortization	(0.52)	(0.53)	(0.49)	(0.60)
Student loan net yield	6.10	5.23	5.76	5.37
Student loan cost of funds (a)	(4.27)	(2.87)	(3.75)	(2.25)
Student loan spread	1.83	2.36	2.01	3.12
Special allowance yield adjustments, net of settlements on derivatives (b)	(0.39)	(0.67)	(0.50)	(1.46)
Core student loan spread	1.44 %	1.69 %	1.51 %	1.66 %
Average balance of student loans (in thousands)	$18,567,481	$12,918,661	$15,716,388	$11,809,663
Average balance of debt outstanding (in thousands)	19,993,539	13,856,084	16,759,511	12,822,524

(a) The student loan cost of funds includes the effects of the net settlement costs on the Company's derivative instruments.

(b) The special allowance yield adjustments represent the impact on net spread had loans earned at statutorily defined rates under a taxable financing. The special allowance yield adjustments have been reduced by net settlements on derivative instruments that were used to hedge this loan portfolio earning the excess yield.