



Nelnet Reports Strong Fee-Based Revenue Growth

- Fee-based revenue 54 percent of total revenue - Student loan assets reach \$26.6 billion, up 16 percent year over year - Board of Directors Elects Two New Members - Fourth-Quarter Dividend Declared

LINCOLN, Neb., Nov 02, 2007 /PRNewswire-FirstCall via COMTEX News Network/ -- Nelnet, Inc. (NYSE: NNI) today reported GAAP net income for the first nine months of 2007 of \$13.8 million, or \$0.28 per share, compared with \$75.5 million, or \$1.40 per share, for the first nine months of 2006. Base net income excluding discontinued operations and legislative and restructuring related charges for the first nine months of 2007 was \$68.6 million, or \$1.38 per share, and is comparable to \$64.5 million, or \$1.20 per share, for the first nine months of 2006.

GAAP net loss for the third-quarter 2007 was \$(15.7) million, or \$(0.32) per share, compared with \$(22.4) million, or \$(0.42) per share, for the third-quarter 2006. Base net income excluding discontinued operations and legislative and restructuring related charges for the third-quarter 2007 was \$22.2 million, or \$0.45 per share, and is comparable to \$26.7 million, or \$0.49 per share, for the same period a year ago.

On September 6, 2007, the company announced a strategic initiative to create efficiencies and lower costs in advance of the enactment of the College Cost Reduction and Access Act of 2007 on September 27, 2007. This legislation makes severe cuts to the Federal Family Education Loan (FFEL) Program, which has significant implications for participants in the FFEL Program, including Nelnet. In the third quarter of 2007, Nelnet recorded \$15.0 million, or \$9.3 million after tax, of restructuring charges and \$55.2 million, or \$34.2 million after tax, of charges as a result of the legislation.

"The strength of our business model helped us through the challenging events of the quarter and will provide the basis for adapting to the post-legislation environment," said Mike Dunlap, Chairman and Chief Executive Officer of Nelnet. "Diversifying and increasing of our fee-based revenue, capitalizing on our scale and efficient operations, deploying capital efficiently, and generating high quality assets remain the core elements of our business model and were responsible for our strong bottom line performance in the third quarter when considering the impact of the recently passed legislation. It also uniquely positions us to benefit from the challenges affecting the student loan industry."

Fee-based Revenue

Fee-based revenue in the first nine months of 2007 and the third quarter of 2007 represented 53 percent and 54 percent of Nelnet's total revenue, respectively. This is an increase from the first nine months of 2006 and third quarter of 2006 when fee-based revenue represented 41 percent and 48 percent of total revenue, respectively.

Income from loan and guarantee servicing fees reached \$95.1 million for the first nine months of 2007, up from \$91.4 million in the first nine months of 2006. In the third quarter of 2007, loan and guarantee servicing income grew to \$33.0 million compared with \$32.2 million in the third quarter of 2006.

Other fee-based income increased to \$116.3 million for the first nine months of 2007 compared with \$65.5 million for the first nine months of 2006. For the third quarter of 2007, other fee-based income increased to \$38.0 million, up from \$31.2 million in the same period a year ago. Other fee-based income includes Nelnet's list management, direct marketing, tuition payment plan, and enrollment services businesses.

Student Loan Assets

Year over year net student loan assets have increased 16 percent, or \$3.7 billion, from \$22.9 billion at September 30, 2006 to \$26.6 billion at September 30, 2007. Net student loan assets have increased 12 percent, or \$2.8 billion, from \$23.8 billion at December 31, 2006.

Margin Analysis

Net interest income for the first nine months of 2007 was \$200.4 million compared with \$244.6 million for the first nine months of

2006. For the third quarter of 2007, Nelnet reported net interest income of \$64.4 million compared with \$72.3 million for the third quarter of 2006. Net interest income for the first nine months of 2006 includes a special allowance yield adjustment of \$24.5 million.

The company reported core student loan spread of 1.20 percent for the first nine months of 2007 compared with 1.45 percent in the same period in 2006. For the third quarter of 2007, Nelnet reported core student loan spread of 1.05 percent compared with 1.34 percent in the same period of 2006 and 1.28 percent for the second quarter of 2007. Core student loan spread contraction was primarily attributable to the protracted disruption in the credit markets, which increased the company's cost of funds.

Operating Expenses

For the first nine months of 2007, the company reported operating expenses of \$415.3 million compared with \$308.8 million for the first nine months of 2006. Operating expenses were \$173.4 million in the third quarter of 2007 compared with \$114.3 million for the same period a year ago. Excluding the amortization of intangible assets and legislative and restructuring related charges, operating expenses were flat in the third quarter compared with the same period last year and were down \$6.1 million, or 5 percent, from the second quarter of 2007.

Non-GAAP Performance Measures

A description of base net income (loss) and a reconciliation of GAAP net income (loss) to base net income (loss) can be found in supplemental financial information to this earnings release online at <http://www.nelnetinvestors.com/releases.cfm?reltype=Financial>.

Board of Directors Elects Two New Members

The company announced that its Board of Directors elected Kathleen A. Farrell, Associate Professor of Finance at the University of Nebraska-Lincoln, and Kimberly Rath, Managing Director and President of Talent Plus, to the board. Farrell will serve on the Nominating and Corporate Governance Committee and Rath will serve on the Compensation Committee.

"We are very fortunate to be adding new members to our board with such impressive credentials and a wealth of experience in their professional fields," said Dunlap. "With Kathy's expertise in finance and Kimberly's rich background in leadership development and human resources, they both will be terrific additions to our board and will contribute to the long-term success of Nelnet."

Farrell joined the finance faculty at the University of Nebraska-Lincoln in the fall of 1993, where she has received recognition as a teacher and achieved success as a researcher. For her teaching excellence in corporate finance, managerial finance, and bank management, she has received the University Distinguished Teaching Award and twice received the Distinguished Teaching Award from the College of Business Administration. The University of Nebraska-Lincoln Parents Association has also recognized her with their "Recognition Award for Contributions to Students."

Her primary research interests are in executive compensation, executive turnover, and other corporate governance issues. Farrell's research has been published in such journals as the Journal of Business, Journal of Accounting and Economics, Journal of Corporate Finance, Journal of Banking and Finance, Journal of Financial Research, and Advances in Financial Economics.

At the University of Nebraska-Lincoln, Farrell draws on her experience from KPMG Peat Marwick where she was involved with audit engagements for banks and savings and loans, manufacturers, and colleges and universities.

She received her doctoral degree in finance from the University of Georgia and her bachelor's degree in finance and accounting from Kent State University.

Rath has nearly 25 years of experience in executive development and human resources. She is a recognized leader in these fields providing executive management consulting and training to organizations worldwide, including The Ritz-Carlton Hotel Company, The Estee Lauder Companies, Mercedes-Benz USA, The Cheesecake Factory, Duty Free Shops, and Cadbury Schweppes.

As an executive at Talent Plus, a company she helped form in 1989, her initiatives have driven the company's growth rate in excess of 20 percent per year. Prior to founding Talent Plus, Rath worked with The Gallup Organization for seven years, developing relationships with clients through training and development programs.

As an active leader in the community, Rath is a member of the Young Presidents' Organization, serving as the membership chair for the Nebraska chapter, and Cather Circle, a mentoring and networking program for women. She has recently served

on the senior pastor selection committee for First-Plymouth Congregational Church in Lincoln, Nebraska, and has previously served as a member of the Lincoln City/County Child Care Advisory Board and the Executive Advisory Board of the Nebraska Center for Entrepreneurship.

Rath holds a bachelor's degree in education and human development from the University of Nebraska-Lincoln.

Talent Plus is a premier global human resources consulting firm with over 200 world class, quality growth-oriented clients. The company recently received the first Entrepreneurial Spirit Award from the Lincoln Chamber of Commerce recognizing creativity in the development of enterprise in Lincoln.

Fourth-Quarter Dividend Declared

Nelnet also announced a fourth-quarter cash dividend on its outstanding shares of Class A common stock and Class B common stock of \$0.07 per share. The dividend will be paid on December 15, 2007 to shareholders of record at the close of business on December 1, 2007. Nelnet currently has approximately 38.0 million shares of Class A common stock and approximately 11.5 million shares of Class B common stock outstanding.

Nelnet will host a conference call to discuss this earnings release at 11:00 a.m. (Eastern) today. To access the call live, participants in the United States and Canada should dial 888.215.6918 and international callers should dial 913.312.1385 at least 15 minutes prior to the call. A live audio Web cast of the call will also be available at <http://www.nelnetinvestors.com> under the conference calls and Web casts menu. A replay of the conference call will be available between 2:00 p.m. (Eastern) today and 2:00 p.m. (Eastern) November 10, 2007. 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 5987409. A replay of the audio Web cast will also be available at <http://www.nelnetinvestors.com>.

About Nelnet

For 29 years, Nelnet has been helping the education-seeking family plan for their education, pay for their education, and prepare for their careers. The company has invested hundreds of millions of dollars in products, services, and technology improvements for students and the educational institutions they attend. These services include live counseling to help families through all aspects of the financial aid process, benefits for borrowers, including tens of millions of dollars in borrower loan discounts and other benefits, and Nelnet sponsored scholarships. Nelnet serves students in 50 states, employs more than 3,000 associates, and has \$26.6 billion in net student loan assets.

Additional information is available at <http://www.nelnet.com>.

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 expressed or implied by the forward-looking statements are the uncertain nature of the estimated expenses that may be incurred and cost savings that may result from the Company's strategic initiatives, changes in terms of student loans and the educational credit marketplace, changes in legislation impacting the student loan market, 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. For more information see our filings with the Securities and Exchange Commission.

Condensed Consolidated Statements of Operations

	Three months ended			Nine months ended	
	September	June	September	September	September
	30,	30,	30,	30,	30,
	2007	2007	2006	2007	2006
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(dollars in thousands, except share data)				
Interest income:					
Loan interest	460,103	439,720	401,704	1,317,936	1,133,093
Variable-rate floor income	597	-	-	597	-
Amortization of loan					

premiums and deferred					
origination costs	(23,449)	(22,634)	(21,568)	(67,142)	(64,555)
Investment interest	21,023	18,783	25,938	61,231	69,664
Total interest					
income	458,274	435,869	406,074	1,312,622	1,138,202
Interest expense:					
Interest on bonds					
and					
notes payable	393,875	367,893	333,766	1,112,263	893,559
Net interest					
income	64,399	67,976	72,308	200,359	244,643
Less provision for					
loan losses	18,340	2,535	1,700	23,628	13,508
Net interest					
income after					
provision for					
loan losses	46,059	65,441	70,608	176,731	231,135
Other income (expense):					
Loan and guarantee					
servicing income	33,040	31,610	32,212	95,116	91,428
Other fee-based					
income	38,025	38,262	31,221	116,316	65,450
Software services					
income	5,426	5,848	4,399	17,022	11,826
Other income	7,520	2,937	13,578	17,336	18,471
Derivative market					
value, foreign					
currency, and put					
option adjustments	18,449	5,547	(79,908)	11,866	(11,565)
Derivative					
settlements, net	(2,336)	5,196	4,973	7,100	16,419
Total other					
income(expense)	100,124	89,400	6,475	264,756	192,029
Operating expenses:					
Salaries and					
benefits	60,545	59,761	57,134	182,010	161,386
Other expenses	52,511	54,394	50,965	159,792	130,108
Amortization of					
intangible assets	10,885	6,491	6,189	24,014	17,304
Impairment of assets	49,504	-	-	49,504	-
Total operating					
expenses	173,445	120,646	114,288	415,320	308,798
Income (loss)					
before taxes	(27,262)	34,195	(37,205)	26,167	114,366
Income tax expense					
(benefit)	(10,664)	13,306	(13,744)	9,906	42,336
Income (loss)					
before minority					
interest	(16,598)	20,889	(23,461)	16,261	72,030
Minority interest in net					
earnings of subsidiaries	-	-	-	-	(242)

Income (loss) from continuing operations	(16,598)	20,889	(23,461)	16,261	71,788
Income (loss) from discontinued operations, net of tax	909	(6,135)	1,107	(2,416)	3,677
Net income (loss)	(15,689)	14,754	(22,354)	13,845	75,465
Earnings (loss) per share, basic and diluted:					
Income (loss) from continuing operations	(0.34)	0.42	(0.44)	0.32	1.33
Income (loss) from discontinued operations, net of tax	0.02	(0.12)	0.02	(0.04)	0.07
Net income (loss)	(0.32)	0.30	(0.42)	0.28	1.40
Weighted average shares outstanding	49,018,091	49,452,960	53,348,466	49,810,552	53,959,075

Condensed Consolidated Balance Sheets and Financial Data

	As of September 30, 2007 (unaudited)	As of December 31, 2006	As of September 30, 2006 (unaudited)
	(dollars in thousands)		
Assets:			
Student loans receivable, net	\$26,596,123	23,789,552	22,933,718
Cash, cash equivalents, and investments	1,451,772	1,773,751	1,803,476
Goodwill	164,695	191,420	185,405
Intangible assets, net	119,242	161,588	164,630
Assets of discontinued operations	-	27,309	37,445
Other assets	1,010,632	853,253	785,914
Total assets	\$29,342,464	26,796,873	25,910,588
Liabilities:			
Bonds and notes payable	\$28,234,147	25,562,119	24,690,245
Liabilities of discontinued operations	-	7,732	15,284
Other liabilities	516,424	555,172	523,798
Total liabilities	28,750,571	26,125,023	25,229,327
Shareholders' equity	591,893	671,850	681,261
Total liabilities and shareholders' equity	\$29,342,464	26,796,873	25,910,588
Return on average total assets	0.07%	0.27%	0.41%
Return on average equity	2.99%	9.64%	14.08%

Shareholders' equity to total assets	2.02%	2.51%	2.63%
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