SLM CORP
Form 10-Q
May 08, 2009

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

þ	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the quarterly period ended March 31, 2009 or**
o	**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: 001-13251

SLM Corporation
(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**52-2013874** *(I.R.S. Employer Identification No.)*
12061 Bluemont Way, Reston, Virginia *(Address of principal executive offices)*	**20190** *(Zip Code)*

(703) 810-3000

(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 þ No o

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. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

Class	Outstanding at April 30, 2009
Voting common stock, $.20 par value	467,490,222 shares

SLM CORPORATION

FORM 10-Q
INDEX
March 31, 2009

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SLM CORPORATION
CONSOLIDATED BALANCE SHEETS
(Dollars and shares in thousands, except per share amounts)
(Unaudited)

	March 31, 2009	December 31, 2008
Assets		
FFELP Stafford and Other Student Loans (net of allowance for losses of $101,375 and $90,906, respectively)	$ 43,444,179	$ 44,025,361
FFELP Stafford Loans Held-for-Sale	14,399,802	8,450,976
FFELP Consolidation Loans (net of allowance for losses of $50,919 and $46,637, respectively)	70,885,647	71,743,435
Private Education Loans (net of allowance for losses of $1,384,455 and $1,308,043, respectively)	21,644,579	20,582,298
Other loans (net of allowance for losses of $66,011 and $58,395, respectively)	684,913	729,380
Investments		
Available-for-sale	546,914	861,008
Other	137,477	180,397
Total investments	684,391	1,041,405
Cash and cash equivalents	3,063,801	4,070,002
Restricted cash and investments	3,855,546	3,535,286
Retained Interest in off-balance sheet securitized loans	1,950,566	2,200,298
Goodwill and acquired intangible assets, net	1,239,556	1,249,219
Other assets	9,698,331	11,140,777
Total assets	$ 171,551,311	$ 168,768,437
Liabilities		
ED Participation Program facility	$ 13,529,483	$ 7,364,969
Term bank deposits	1,066,171	1,147,825
Other short-term borrowings	31,735,807	33,420,249
Total short-term borrowings	46,331,461	41,933,043
Long-term borrowings	116,669,381	118,224,794
Other liabilities	3,586,610	3,604,260
Total liabilities	166,587,452	163,762,097
Commitments and contingencies		

Equity		
Preferred stock, par value $.20 per share, 20,000 shares authorized:		
Series A: 3,300 and 3,300 shares, respectively, issued at stated value of $50 per share	165,000	165,000
Series B: 4,000 and 4,000 shares, respectively, issued at stated value of $100 per share	400,000	400,000
Series C: 7.25% mandatory convertible preferred stock; 1,150 and 1,150 shares, respectively, issued at liquidation preference of $1,000 per share	1,149,770	1,149,770
Common stock, par value $.20 per share, 1,125,000 shares authorized: 534,698 and 534,411 shares issued, respectively	106,940	106,883
Additional paid-in capital	4,694,155	4,684,112
Accumulated other comprehensive loss (net of tax benefit of $40,973 and $43,202, respectively)	(70,450)	(76,476)
Retained earnings	378,387	426,175
Total SLM Corporation stockholders equity before treasury stock	6,823,802	6,855,464
Common stock held in treasury at cost: 67,105 and 66,958 shares, respectively	1,859,955	1,856,394
Total SLM Corporation stockholders equity	4,963,847	4,999,070
Noncontrolling interest	12	7,270
Total equity	4,963,859	5,006,340
Total liabilities and equity	$ 171,551,311	$ 168,768,437

See accompanying notes to consolidated financial statements.

Table of Contents

SLM CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
(Dollars and shares in thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Interest income:		
FFELP Stafford and Other Student Loans	$ 342,816	$ 464,476
FFELP Consolidation Loans	489,362	836,656
Private Education Loans	387,041	443,522
Other loans	16,420	23,344
Cash and investments	5,971	123,816
Total interest income	1,241,610	1,891,814
Total interest expense	1,026,547	1,615,445
Net interest income	215,063	276,369
Less: provisions for loan losses	250,279	137,311
Net interest income (loss) after provisions for loan losses	(35,216)	139,058
Other income:		
Servicing and securitization revenue (loss)	(95,305)	107,642
Losses on sales of loans and securities, net		(34,666)
Gains (losses) on derivative and hedging activities, net	104,025	(272,796)
Contingency fee revenue	74,815	85,306
Collections revenue (loss)	(21,330)	57,239
Guarantor servicing fees	34,008	34,653
Other	192,458	93,533
Total other income	288,671	70,911
Expenses:		
Salaries and benefits	136,921	179,729
Other operating expenses	164,562	175,919
Restructuring expenses	4,773	20,678
Total expenses	306,256	376,326
Loss before income tax benefit	(52,801)	(166,357)
Income tax benefit	(31,696)	(62,488)
Net loss	(21,105)	(103,869)
Less: net income (loss) attributable to noncontrolling interest	281	(65)

Net loss attributable to SLM Corporation		(21,386)		(103,804)
Preferred stock dividends		26,395		29,025
Net loss attributable to SLM Corporation common stock	$	(47,781)	$	(132,829)
Basic loss per common share attributable to SLM Corporation common shareholders	$	(.10)	$	(.28)
Average common shares outstanding		466,761		466,580
Diluted loss per common share attributable to SLM Corporation common shareholders	$	(.10)	$	(.28)
Average common and common equivalent shares outstanding		466,761		466,580
Dividends per common share attributable to SLM Corporation common shareholders	$		$	

See accompanying notes to consolidated financial statements.

Table of Contents

SLM CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
(Dollars in thousands, except share and per share amounts)
(Unaudited)

Common Stock Shares			Preferred	Common	Additional Paid-In	Accumulated Other Comprehensive Income	Retained	Treasury
sued	Treasury	Outstanding	Stock	Stock	Capital	(Loss)	Earnings	Stock
,493,081	(65,951,394)	466,541,687	$ 1,565,000	$ 106,499	$ 4,590,174	$ 236,364	$ 557,204	$ (1,831,70
							(103,804)	
						(12,529)		
						(31,574)		
							(2,875)	
							(5,386)	
							(20,602)	
							(1,846)	
,184,947		1,184,947		237	11,943			
			150,000		(4,493)		(162)	
					(6,150)			
					18,804			

						(194,655)	194,655	
	(349,807)	(349,807)						(6,93
,678,028	(66,301,201)	467,376,827	$ 1,715,000	$ 106,736	$ 4,610,278	$ (2,394)	$ 617,184	$ (1,838,63
,411,271	(66,958,400)	467,452,871	$ 1,714,770	$ 106,883	$ 4,684,112	$ (76,476)	$ 426,175	$ (1,856,39
							(21,386)	
						950		
						5,409		
						(333)		
							(2,875)	
							(2,520)	
							(20,840)	
							(7)	
286,846	98	286,944		57	2,045			
					160		(160)	
					(4,495)			
					12,333			
	(147,058)	(147,058)						(3,56
,698,117	(67,105,360)	467,592,757	$ 1,714,770	$ 106,940	$ 4,694,155	$ (70,450)	$ 378,387	$ (1,859,95

See accompanying notes to consolidated financial statements.

Table of Contents

SLM CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Operating activities		
Net loss	$ (21,105)	$ (103,869)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Losses on sales of loans and securities, net		34,666
Stock-based compensation cost	13,243	20,649
Unrealized (gains)/losses on derivative and hedging activities	(15,273)	364,283
Provisions for loan losses	250,279	137,311
Mortgage loans originated	(3,624)	(16,569)
Proceeds from sales of mortgage loans	3,856	19,800
Decrease in purchased paper mortgages, net	80,299	29,070
Student loans originated for sale	(6,411,932)	
Decrease (increase) in restricted cash other	35,270	(182,304)
Decrease in accrued interest receivable	458,024	25,476
(Decrease) in accrued interest payable	(284,223)	(143,259)
Adjustment for non-cash loss related to Retained Interest	249,833	88,111
Decrease in other assets, goodwill and acquired intangible assets, net	237,962	13,406
(Decrease) in other liabilities	(60,767)	(63,415)
Total adjustments	(5,447,053)	327,225
Net cash (used in) provided by operating activities	(5,468,158)	223,356
Investing activities		
Student loans acquired	(2,589,083)	(9,521,405)
Loans purchased from securitized trusts (primarily loan consolidations)	(2,194)	(309,867)
Reduction of student loans:		
Installment payments, claims and other	2,708,857	2,694,582
Proceeds from sales of student loans	462,311	28,478
Other loans originated	(37,017)	(676,586)
Other loans repaid	67,186	692,954
Other investing activities, net	22,718	(38,930)
Purchases of available-for-sale securities	(20,521,734)	(34,649,820)
Proceeds from sales of available-for-sale securities	100,056	8
Proceeds from maturities of available-for-sale securities	20,726,497	36,121,393
Proceeds from maturities of held-to-maturity securities and other securities	43,994	9,494
(Increase) decrease in restricted cash on-balance sheet trusts	(344,780)	621,939

Return of investment from Retained Interest		79,542
Purchase of subsidiaries, net of cash acquired		(37,868)
Net cash provided by (used in) investing activities	636,811	(4,986,086)
Financing activities		
Borrowings collateralized by loans in trust issued	1,330,930	4,720,526
Borrowings collateralized by loans in trust repaid	(1,432,135)	(1,880,478)
Asset-backed commercial paper conduits net activity	682,937	(1,715,757)
ED Participation Program	6,164,514	
Other short-term borrowings issued	100,002	507,984
Other short-term borrowings repaid	(212,720)	(113,761)
Other long-term borrowings issued	1,156,263	
Other long-term borrowings repaid	(3,024,590)	(1,822,989)
Other financing activities, net	(905,832)	1,179,988
Excess tax benefit from the exercise of stock-based awards		10,669
Common stock issued		756
Preferred stock issued		145,345
Preferred dividends paid	(26,235)	(28,863)
Noncontrolling interest, net	(7,988)	(693)
Net cash provided by financing activities	3,825,146	1,002,727
Net decrease in cash and cash equivalents	(1,006,201)	(3,760,003)
Cash and cash equivalents at beginning of period	4,070,002	7,582,031
Cash and cash equivalents at end of period	$ 3,063,801	$ 3,822,028
Cash disbursements made for:		
Interest	$ 1,403,858	$ 2,283,312
Income taxes	$ 12,965	$ 101,564

See accompanying notes to consolidated financial statements.

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2009 and for the three months ended March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, consolidated financial statements of SLM Corporation (the Company) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP 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, 2009 are not necessarily indicative of the results for the year ending December 31, 2009. The consolidated balance sheet at December 31, 2008, as presented, was derived from the audited financial statements included in the Company s Annual Report on Form 10-K for the period ended December 31, 2008. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in the Company s 2008 Annual Report on Form 10-K.

Reclassifications

Certain reclassifications have been made to the balances as of and for the three months ended March 31, 2008 to be consistent with classifications adopted for 2009.

Recently Issued Accounting Pronouncements

Fair Value Measurements

On April 9, 2009, the Financial Accounting Standards Board (FASB) issued three staff positions regarding fair value measurements and recognition of impairment. Under FASB Staff Position (FSP) Financial Accounting Standards (FAS) No. 115-2 and FAS No. 124-2, Recognition and Presentation of Other-Than-Temporary Impairments, impairment must be recorded within the consolidated statements of income for debt securities if there exists a fair value loss and the entity intends to sell the security or it is more likely than not the entity will be required to sell the security before recovery of the loss. Additionally, expected credit losses must be recorded through income regardless of the impairment determination above. Remaining fair value losses are recorded to other comprehensive income. FSP FAS No. 107-1 and APB No. 28-1, Interim Disclosures about Fair Value of Financial Instruments, requires interim disclosures of the fair value of financial instruments that were previously only required annually. Finally, FSP FAS No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly, provides guidance for determining when a significant decrease in market activity has occurred and when a transaction is not orderly. It further reiterates that prices from inactive markets or disorderly transactions should carry less weight, if any, to the determination of fair value. These standards are effective for the Company beginning April 1, 2009 with the ability to early adopt as of January 1, 2009. The Company chose not to early adopt these standards for the quarter ending March 31, 2009 as the Company believes these standards will not materially impact the financial statements.

On February 12, 2008, the FASB issued FSP FAS No. 157-2, Effective Date of Statement of Financial Accounting Standards (SFAS) No. 157, which defers the effective date of SFAS No. 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

1. Significant Accounting Policies (Continued)

on a recurring basis. FSP FAS No. 157-2 delayed the implementation of SFAS No. 157 for the Company s accounting of goodwill, acquired intangibles, and other nonfinancial assets and liabilities that are measured at the lower of cost or market until January 1, 2009. Adoption of this standard was not material to the Company.

Business Combinations

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations. SFAS No. 141(R) requires the acquiring entity in a business combination to recognize the entire acquisition-date fair value of assets acquired and liabilities assumed in both full and partial acquisitions; changes the recognition of assets acquired and liabilities assumed related to contingencies; changes the recognition and measurement of contingent consideration; requires expensing of most transaction and restructuring costs; and requires additional disclosures to enable the users of the financial statements to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141(R) applies to all transactions or other events in which the Company obtains control of one or more businesses. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the reporting period beginning on or after December 15, 2008, which for the Company was January 1, 2009. The adoption of this standard on January 1, 2009, did not have a material effect on the Company s results of operations or financial position.

In February 2009, the FASB issued FSP No. FAS No. 141(R), Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies. FSP No. FAS No. 141(R) amends the provisions related to the initial recognition and measurement, subsequent measurement and disclosure of assets and liabilities arising from contingencies in a business combination under SFAS No. 141(R), Business Combinations. FSP No. FAS No. 141(R) had the same effective date as SFAS No. 141(R). The adoption of this standard did not have a material effect on the Company s results of operations or financial position.

Noncontrolling Interests in Consolidated Financial Statements an Amendment of Accounting Research Bulletin No. 51

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an Amendment of Accounting Research Bulletin No. 51. SFAS No. 160 requires reporting entities to present noncontrolling (minority) interests as equity (as opposed to a presentation as a liability or mezzanine equity) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. On January 1, 2009, the Company adopted SFAS No. 160, the provisions of which, among other things, require that minority interests be renamed noncontrolling interests and that a company presents a consolidated net income (loss) measure that includes the amount attributable to such noncontrolling interests for all periods presented. SFAS No. 160 applies prospectively for reporting periods beginning on or after December 15, 2008, except for the presentation and disclosure requirements which are applied retrospectively for all periods presented. The Company has reclassified financial statement line items within its consolidated balance sheets, statements of income, statements of changes in stockholders equity and statements of cash flows for the prior period to conform to this standard. Other than the change in presentation of noncontrolling interests, the adoption of SFAS No. 160 had no impact on the consolidated financial statements.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

1. Significant Accounting Policies (Continued)

Disclosures about Derivative Investments and Hedging Activities an Amendment of FASB Statement No. 133

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Investments and Hedging Activities an Amendment of FASB Statement No. 133. SFAS No. 161 requires enhanced disclosures about an entity s derivative and hedging activities, including (1) how and why an entity uses derivative instruments, (2) how derivative instruments and related hedged items are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and its related interpretations, and (3) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. To meet those objectives, SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company adopted this standard on January 1, 2009.

Accounting for Hedging Activities An Amendment of FASB Statement No. 133

In June 2008, the FASB issued an exposure draft to amend the accounting for hedging activities in SFAS No. 133. This proposed statement is intended to simplify accounting for hedging activities, improve the financial reporting of hedging activities, resolve major practice issues related to hedge accounting that have arisen under SFAS No. 133, and address differences resulting from recognition and measurement anomalies between the accounting for derivative instruments and the accounting for hedged items or transactions. While the amendment as currently drafted may simplify the Company s accounting model for hedging activities under SFAS No. 133, the Company does not expect it to significantly impact its results of operations. The full impact of this amendment, effective January 1, 2010, as currently proposed, cannot be evaluated until the final statement is issued, which is expected to occur sometime in 2009.

Qualifying Special Purpose Entities (QSPEs) and Changes in the FIN No. 46(R) Consolidation Model

In September 2008, the FASB issued two separate but related exposure drafts for comment in connection with amendments to (1) SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities a replacement of FASB Statement No. 125, which would impact the accounting for QSPEs and (2) FASB s FIN No. 46(R), Consolidation of Variable Interest Entities an interpretation of ARB No. 51.

Based on the Company s preliminary review of these exposure drafts, it is likely that these changes will lead to the consolidation of certain QSPEs that are currently not consolidated by the Company. Assuming no changes to the Company s current business model, the Company would most likely consolidate its securitization trusts that are currently off-balance sheet on January 1, 2010, based on these exposure drafts as currently proposed. These proposed new accounting rules would also be applied to new transactions entered into from January 1, 2010 forward. However, the impact to the Company s accounting for its QSPEs and VIEs cannot be determined until the FASB issues the final amendments to SFAS No. 140 and FIN No. 46(R) which is expected sometime in 2009.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

2. Allowance for Loan Losses

The Company s provisions for loan losses represent the periodic expense of maintaining an allowance sufficient to absorb incurred losses, net of recoveries, in the held-for-investment loan portfolios. The evaluation of the provisions for loan losses is inherently subjective as it requires material estimates that may be susceptible to significant changes. The Company believes that the allowance for loan losses is appropriate to cover probable losses incurred in the loan portfolios.

The following table summarizes the total loan provisions for the three months ended March 31, 2009 and 2008.

	Three Months Ended March 31,	
	2009	**2008**
Private Education Loans	$ 203,545	$ 118,611
FFELP Stafford and Other Student Loans	34,398	16,103
Mortgage and consumer loans	12,336	2,597
Total provisions for loan losses	$ 250,279	$ 137,311

Allowance for Private Education Loan Losses

As discussed in the Company s 2008 Annual Report on Form 10-K, filed with the Securities and Exchange Commission (SEC) on March 2, 2009, the Company has changed its methodology used to present charge-offs related to Private Education Loans to more clearly reflect the expected loss. Net income, provision for loan loss expense, the net loan balance, default rate and expected recovery rate assumptions were not impacted by this change. Based on the Company s historic experience, it expects to recover a portion of loans that default. This expected recovery is taken into account in arriving at the Company s periodic provision for loan loss expense. Previously, once a loan was delinquent for 212 days, the Company charged off 100 percent of the loan balance, even though it had provisioned for the estimated loss of the defaulted loan balance, comprised of the full loan balance less the expected recovery.

The Company changed its methodology to charge off the estimated loss of the defaulted loan balance to be consistent with the amount included in the provision. Actual recoveries are applied against the remaining loan balance that was not charged off. If actual periodic recoveries are less than originally expected, the difference results in immediate additional provision expense and charge off of such amount.

This revised methodology results in a charge-off equal to the amount provided for through the allowance for loan loss. As a result, the Company believes that this methodology better reflects the actual events occurring. Although there is diversity in practice on how charge-offs are presented, this method is more comparable to other financial institutions in how charge-offs and the related charge-off and allowance ratios are presented. The Company emphasizes that although the presentation improves the various charge-off and allowance ratios, the change does not reflect an improvement in the collectability of the Company s loan portfolio.

As a result of this change, a $222 million receivable as of December 31, 2008, was reclassified from the allowance for loan loss to the Private Education Loan balance. This receivable for partially charged-off loans represents the expected future recoveries related to previously defaulted loans (i.e., the amount not charged off when a loan defaults that has not yet been collected). As of March 31, 2009, the Company assumes it will

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

2. Allowance for Loan Losses (Continued)

collect, on average, 27 percent of a defaulted loan s balance over an extended period of time. This recovery assumption is based on historic recovery rates achieved and is updated, as appropriate, on a quarterly basis.

The following table summarizes changes in the allowance for loan losses for Private Education Loans for the three months ended March 31, 2009 and 2008.

	Three Months Ended March 31,	
	2009	**2008**
Allowance at beginning of period	$ 1,308,043	$ 1,003,964
Provision for Private Education Loan losses	203,545	118,611
Charge-offs	(138,815)	(57,352)
Reclassification of interest reserve(1)	11,681	8,094
Allowance at end of period	$ 1,384,454	$ 1,073,317
Charge-offs as a percentage of average loans in repayment (annualized)	5.1%	3.3%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	4.7%	2.8%
Allowance as a percentage of the ending total loan balance	5.9%	5.8%
Allowance as a percentage of ending loans in repayment	12.3%	14.5%
Allowance coverage of charge-offs (annualized)	2.5	4.7
Ending total loans(2)	$ 23,564,123	$ 18,546,773
Average loans in repayment	$ 11,107,102	$ 7,095,585
Ending loans in repayment	$ 11,233,368	$ 7,387,981

(1) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan s principal balance.

(2) Ending total loans represents gross Private Education Loans, plus the receivable for partially charged-off loans.

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

2. Allowance for Loan Losses (Continued)

Private Education Loan Delinquencies

The table below presents the Company s Private Education Loan delinquency trends as of March 31, 2009, December 31, 2008, and March 31, 2008.

	Private Education Loan Delinquencies					
	March 31, 2009		December 31, 2008		March 31, 2008	
(Dollars in millions)	**Balance**	**%**	**Balance**	**%**	**Balance**	**%**
Loans in-school/grace/deferment(1)	$ 11,205		$ 10,159		$ 9,743	
Loans in forbearance(2)	861		862		1,281	
Loans in repayment and percentage of each status:						
Loans current	9,410	83.8%	9,748	87.2%	6,649	90.0%
Loans delinquent 31-60 days(3)	515	4.6	551	4.9	261	3.5
Loans delinquent 61-90 days(3)	403	3.6	296	2.6	148	2.0
Loans delinquent greater than 90 days(3)	905	8.0	587	5.3	330	4.5
Total Private Education Loans in repayment	11,233	100%	11,182	100%	7,388	100%
Total Private Education Loans, gross	23,299		22,203		18,412	
Private Education Loan unamortized discount	(535)		(535)		(496)	
Total Private Education Loans	22,764		21,668		17,916	
Private Education Loan receivable for partially charged-off loans	265		222		135	
Private Education Loan allowance for losses	(1,384)		(1,308)		(1,074)	
Private Education Loans, net	$ 21,645		$ 20,582		$ 16,977	
Percentage of Private Education Loans in repayment		48.2%		50.4%		40.1%
		16.2%		12.8%		10.0%

Delinquencies as a percentage of Private Education Loans in repayment			
Loans in forbearance as a percentage of loans in repayment and forbearance	7.1%	7.2%	14.8%

(1) Loans for borrowers who may be attending school or engaging in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

(2) Loans for borrowers who have used their allowable deferment time or do not qualify for deferment and need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors consistent with the established loan program servicing procedures and policies.

(3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

2. Allowance for Loan Losses (Continued)

Allowance for FFELP Loan Losses

The following table summarizes changes in the allowance for loan losses for the FFELP loan portfolio for the three months ended March 31, 2009 and 2008.

	Three Months Ended March 31,	
	2009	**2008**
Allowance at beginning of period	$ 137,543	$ 88,729
Provisions for student loan losses	34,398	16,103
Charge-offs	(18,880)	(10,835)
Decrease for student loan sales	(767)	
Allowance at end of period	$ 152,294	$ 93,997
Charge-offs as a percentage of average loans in repayment (annualized)	.11%	.07%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.09%	.06%
Allowance as a percentage of the ending total loans, gross	.12%	.08%
Allowance as a percentage of the ending loans in repayment	.22%	.14%
Allowance coverage of charge-offs (annualized)	1.99	2.16
Ending total loans, gross	$ 126,453,600	$ 111,812,620
Average loans in repayment	$ 69,595,581	$ 65,086,516
Ending loans in repayment	$ 68,614,707	$ 64,883,167

The Company maintains an allowance for Risk Sharing loan losses on its FFELP loan portfolio. The level of Risk Sharing has varied over the past few years with legislative changes. As of March 31, 2009, 51 percent of the on-balance sheet FFELP loan portfolio was subject to three-percent Risk Sharing, 48 percent was subject to two-percent Risk Sharing and the remaining 1 percent was not subject to any Risk Sharing.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

2. Allowance for Loan Losses (Continued)

FFELP Loan Delinquencies

The table below shows the Company s FFELP loan delinquency trends as of March 31, 2009, December 31, 2008 and March 31, 2008.

	FFELP Loan Delinquencies					
	March 31, 2009		December 31, 2008		March 31, 2008	
(Dollars in millions)	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 44,679		$ 39,270		$ 34,997	
Loans in forbearance[2]	13,160		12,483		11,932	
Loans in repayment and percentage of each status:						
Loans current	57,925	84.4%	58,811	83.8%	55,698	85.8%
Loans delinquent 31-60 days[3]	3,710	5.4	4,044	5.8	3,176	4.9
Loans delinquent 61-90 days[3]	2,017	3.0	2,064	2.9	1,643	2.5
Loans delinquent greater than 90 days[3]	4,963	7.2	5,255	7.5	4,366	6.8
Total FFELP loans in repayment	68,615	100%	70,174	100%	64,883	100%
Total FFELP loans, gross	126,454		121,927		111,812	
FFELP loan unamortized premium	2,428		2,431		2,317	
Total FFELP loans	128,882		124,358		114,129	
FFELP loan allowance for losses	(152)		(138)		(93)	
FFELP loans, net	$ 128,730		$ 124,220		$ 114,036	
Percentage of FFELP loans in repayment		54.3%		57.6%		58.0%
Delinquencies as a percentage of FFELP loans in repayment		15.6%		16.2%		14.2%
FFELP loans in forbearance as a percentage of loans in repayment and forbearance		16.1%		15.1%		15.5%

(1) Loans for borrowers who 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, as well as, loans for borrowers who have requested extension of grace period during employment transition or who have temporarily ceased making full payments due to hardship or other factors.

(2) Loans for borrowers who have used their allowable deferment time or do not qualify for deferment, and need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors, consistent with the established loan program servicing policies and procedures.

(3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

3. Goodwill and Acquired Intangible Assets

Goodwill

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, all acquisitions must be assigned to a reporting unit or units. A reporting unit is the same as or one level below an operating segment, as defined in SFAS No. 131. The following table summarizes the Company s allocation of goodwill to its reporting units.

(Dollars in millions)	As of March 31, 2009	2008
Lending	$ 388	$ 388
Asset Performance Group	401	396
Guarantor services	62	62
Upromise	140	140
Total	$ 991	$ 986

Impairment Testing

In accordance with SFAS No. 142, the Company performs goodwill impairment testing annually in the fourth quarter as of a September 30 valuation date or more frequently if an event occurs or circumstances change such that there is a potential that the fair value of a reporting unit or reporting units may be below their respective carrying values.

On February 26, 2009, the Obama Administration (the Administration) issued their 2010 budget request to Congress, which included provisions that could significantly impact the FFELP.

In light of continued general downturn in the economy, the tight credit markets, the Company s decline in market capitalization and the uncertainty that the Administration s budget proposal creates in relation to the Company s current business model, the Company assessed goodwill for impairment as of March 31, 2009. The impairment assessment methodology was consistent with the methodology used in the fourth quarter of 2008, which considered market comparables, market capitalization, and discounted cash flow analyses for each reporting unit. This assessment resulted in estimated fair values of the Company s reporting units in excess of their carrying values. Accordingly, no goodwill impairment was recorded as of March 31, 2009.

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

3. Goodwill and Acquired Intangible Assets (Continued)

Acquired Intangible Assets

Acquired intangible assets include the following:

(Dollars in millions)	Average Amortization Period	As of March 31, 2009 Gross	Accumulated Amortization	Net
Intangible assets subject to amortization:				
Customer, services, and lending relationships	12 years	$ 332	$ (182)	$ 150
Software and technology	7 years	93	(86)	7
Non-compete agreements	2 years	11	(10)	1
Total		436	(278)	158
Intangible assets not subject to amortization:				
Trade name and trademark	Indefinite	91		91
Total acquired intangible assets		$ 527	$ (278)	$ 249

(Dollars in millions)	Average Amortization Period	As of December 31, 2008 Gross	Accumulated Amortization	Net
Intangible assets subject to amortization:				
Customer, services, and lending relationships	13 years	$ 332	$ (173)	$ 159
Software and technology	7 years	93	(85)	8
Non-compete agreements	2 years	11	(10)	1
Total		436	(268)	168
Intangible assets not subject to amortization:				
Trade name and trademark	Indefinite	91		91
Total acquired intangible assets		$ 527	$ (268)	$ 259

The Company recorded amortization of acquired intangible assets totaling $10 million and $15 million for the three months ended March 31, 2009 and 2008, respectively. The Company will continue to amortize its intangible assets with definite useful lives over their remaining estimated useful lives.

SLM CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)**

4. Borrowings

The following table summarizes the Company s borrowings as of March 31, 2009 and December 31, 2008.

(Dollars in millions)	March 31, 2009 Short Term	March 31, 2009 Long Term	March 31, 2009 Total	December 31, 2008 Short Term	December 31, 2008 Long Term	December 31, 2008 Total
Unsecured borrowings	$ 5,052	$ 29,840	$ 34,892	$ 6,794	$ 31,182	$ 37,976
Term bank deposits	1,066	2,215	3,281	1,148	1,108	2,256
Indentured trusts		1,924	1,924	31	1,972	2,003
2008 Asset-Backed Financing Facilities	25,519		25,519	24,768		24,768
ED Participation Program facility	13,530		13,530	7,365		7,365
On-balance sheet securitizations		80,585	80,585		80,601	80,601
Other	1,154		1,154	1,827		1,827
Total before fair value adjustments	46,321	114,564	160,885	41,933	114,863	156,796
SFAS No. 133 fair value adjustments	11	2,105	2,116		3,362	3,362
Total	$ 46,332	$ 116,669	$ 163,001	$ 41,933	$ 118,225	$ 160,158

As of March 31, 2009, the Company had $5.2 billion in unsecured revolving credit facilities which provide liquidity support for general corporate purposes. The Company has never drawn on these facilities. The facilities include a $1.4 billion revolving credit facility maturing in October 2009; $1.9 billion maturing in October 2010; and $1.9 billion maturing in October 2011. They do not include a $0.3 billion commitment from a subsidiary of Lehman Brothers Holding, Inc. as discussed below. On April 24, 2009, the $1.4 billion revolving credit facility maturing in October 2009 was terminated and the $1.9 billion maturing in October 2011 was reduced to $1.6 billion in conjunction with the extension of the 2008 ABCP facilities (see *Asset-Backed Financing Facilities,* below). Interest on these facilities is based on LIBOR plus a spread. The principal financial covenants in the unsecured revolving credit facilities require the Company to maintain tangible net worth of at least $1.38 billion at all times. Consolidated tangible net worth as calculated for purposes of this covenant was $3.2 billion as of March 31, 2009. The covenants also require the Company to meet either a minimum interest coverage ratio or a minimum net adjusted revenue test based on the four preceding quarters adjusted Core Earnings financial performance. The Company was compliant with the minimum net adjusted revenue test as of the quarter ended March 31, 2009. Failure to meet these covenants would result in the facilities being withdrawn.

Lehman Brothers Bank, FSB, a subsidiary of Lehman Brothers Holdings Inc., is a party to the Company s unsecured revolving credit facilities under which they provide the Company with a $308 million commitment. Lehman Brothers Holdings Inc. declared bankruptcy on September 15, 2008. The Company is operating under the assumption that the lending commitment of Lehman Brothers Bank, FSB, will not be honored if drawn upon. While the Company continues to explore various options, it does not anticipate replacing its commitment from Lehman Brothers Bank, FSB. On April 24, 2009 the Lehman exposure was reduced to $215 million as a result of the overall reduction in the unsecured revolving credit facilities.

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

4. Borrowings (Continued)

Secured Borrowings

FIN No. 46(R), Consolidation of Variable Interest Entities, requires VIEs to be consolidated by their primary beneficiaries. A VIE exists when either the total equity investment at risk is not sufficient to permit the entity to finance its activities by itself, or the equity investors lack one of three characteristics associated with owning a controlling financial interest. Those characteristics are the direct or indirect ability to make decisions about an entity s activities that have a significant impact on the success of the entity, the obligation to absorb the expected losses of an entity, and the rights to receive the expected residual returns of the entity.

The Company currently consolidates a number of financing entities that are VIEs as a result of being the entities primary beneficiary. As a result, these financing VIEs are accounted for as secured borrowings. The process of identifying the primary beneficiary involves identifying all other parties that hold variable interests in the entity and determining which of the parties, including the Company, has the responsibility to absorb the majority of the entity s expected losses or the rights to its expected residual returns. The Company is the primary beneficiary of and currently consolidates the following financing VIEs as of March 31, 2009 and December 31, 2008:

	March 31, 2009						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
(Dollars in millions)	**Short Term**	**Long Term**	**Total**	**Loans**	**Cash**	**Other Assets**	**Total**
Secured Borrowings:							
ED Participation Program facility	$ 13,530	$	$ 13,530	$ 13,744	$ 151	$ 149	$ 14,044
2008 Asset-Backed Financing Facilities(1)	25,519		25,519	32,152	541	764	33,457
On-balance sheet securitizations		80,585	80,585	82,971	2,798	2,389	88,158
Indentured trusts		1,924	1,924	2,311	280	32	2,623
	39,049	82,509	121,558	131,178	3,770	3,334	138,282
SFAS No. 133 fair value adjustment		396	396				
Total	$ 39,049	$ 82,905	$ 121,954	$ 131,178	$ 3,770	$ 3,334	$ 138,282

(1) Includes $1.5 billion of assets within the facility that can be released to the Company.

	December 31, 2008						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
(Dollars in millions)	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings:							
ED Participation Program facility	$ 7,365	$	$ 7,365	$ 7,733	$ 88	$ 85	$ 7,906
2008 Asset-Backed Financing Facilities	24,768		24,768	31,953	462	816	33,231
On-balance sheet securitizations		80,601	80,601	81,547	2,632	999	85,178
Indentured trusts	31	1,972	2,003	2,199	236	40	2,475
	32,164	82,573	114,737	123,432	3,418	1,940	128,790
SFAS No. 133 fair value adjustment		872	872				
Total	$ 32,164	$ 83,445	$ 115,609	$ 123,432	$ 3,418	$ 1,940	$ 128,790

17

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

4. Borrowings (Continued)

Asset-Backed Financing Facilities

During the first quarter of 2008, the Company entered into three new asset-backed financing facilities (the 2008 Asset-Backed Financing Facilities): (i) a $26.0 billion FFELP student loan ABCP conduit facility (the 2008 FFELP ABCP Facility); (ii) a $5.9 billion Private Education Loan ABCP conduit facility (the 2008 Private Education Loan ABCP Facility) (collectively, the 2008 ABCP Facilities); and (iii) a $2.0 billion secured FFELP loan facility (the 2008 Asset-Backed Loan Facility). The initial term of the 2008 Asset-Backed Financing Facilities was 364 days. The underlying cost of borrowing under the 2008 ABCP Facilities is approximately LIBOR plus 0.68 percent for the FFELP loan facilities and LIBOR plus 1.55 percent for the Private Education Loan facility, excluding up-front and unused commitment fees. All-in pricing on the 2008 ABCP Facilities varies based on usage. For the full year 2008, the combined, all-in cost of borrowings related to the 2008 Asset-Backed Financing Facilities, including amortized up-front fees and unused commitment fees, was three-month LIBOR plus 2.47 percent. The primary use of the 2008 Asset-Backed Financing Facilities was to refinance comparable asset-backed commercial paper facilities incurred in connection with the Proposed Merger, with the expectation that outstanding balances under the 2008 Asset-Backed Financing Facilities would be reduced through securitization of the underlying student loan collateral in the term ABS market. Funding under the 2008 Asset-backed Financing Facilities is subject to usual and customary conditions.

In the third quarter of 2008, the Company reduced the commitments under its Private Education Loan ABCP conduit facility by approximately $2.2 billion to $3.7 billion and the commitments under its FFELP ABCP Facilities by $4.1 billion to $21.9 billion. There were no changes to interest rates, maturity or other terms of the facilities made in connection with the reductions. The Company reduced these commitments after an analysis of its ongoing liquidity needs and following its acceptance and funding under ED s Participation and Purchase Programs.

The maximum amount the Company may borrow under the 2008 ABCP Facilities is limited based on certain factors, including market conditions and the fair value of student loans in the facility. As of March 31, 2009, the maximum borrowing amount was approximately $21.1 billion under the FFELP ABCP Facilities and $2.7 billion under the Private Education Loan ABCP Facility. The 2008 Asset-Backed Financing Facilities are subject to termination under certain circumstances, including the Company s failure to comply with the principal financial covenants in its unsecured revolving credit facilities.

Borrowings under the 2008 Asset-Backed Financing Facilities are nonrecourse to the Company. As of March 31, 2009, the Company had $25.5 billion outstanding in connection with the 2008 Asset Backed Financing Facilities. The book basis of the assets securing these facilities as of March 31, 2009 was $31.9 billion. $3.9 billion of this overcollateralization related to the 2008 FFELP ABCP Facility and 2008 Asset-Backed Loan Facility, and $2.5 billion related to the 2008 Private Education Loan ABCP Facility.

On February 2, 2009, the Company extended the maturity date of the 2008 ABCP Facilities from February 28, 2009 to April 28, 2009 for a $61 million upfront fee. The other terms of the facilities remain materially unchanged.

On February 27, 2009, the Company extended the maturity date of the 2008 Asset-Backed Loan Facility from February 28, 2009 to April 28, 2009 for a $4 million upfront fee. The other terms of this facility remain materially unchanged.

On April 24, 2009, the Company extended the maturity of $21.8 billion of the 2008 FFELP ABCP Facility for one year. The 2008 FFELP ABCP Facility is now scheduled to mature on April, 23, 2010. The Company also extended its 2008 Asset-Backed Loan Facility in the amount of $1.5 billion. The 2008 Asset-

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

4. Borrowings (Continued)

Backed Loan Facility is now scheduled to mature on June 26, 2009. A total of $86 million in fees were paid related to these extensions. The 2008 Private Education Loan ABCP Facility was paid off and terminated on April 24, 2009. The stated borrowing rate of the 2008 FFELP ABCP Facility is the applicable funding rate plus 130 basis points (not including the upfront fees). The applicable funding rate will generally be the commercial paper rate. The $21.8 billion extended facility contains two contractual reductions which will require the facility limit to be reduced to $15.2 billion on June 30, 2009 and subsequently to $10.9 billion on September 30, 2009. Failure to meet these specified reductions will result in an increase in the spread to the applicable funding rate to 300 basis points. The Company expects to materially reduce the size of the 2008 FFELP ABCP Facility prior to maturity through a combination of asset securitizations and through the utilization of the ED Conduit Program. If the Company does not negotiate an extension or pay off all outstanding amounts of the 2008 FFELP ABCP Facility at maturity, the facility will extend by 90 days with the interest rate generally increasing to LIBOR plus 250 basis points to 550 basis points over the 90 day period. The other terms of the facilities remained materially unchanged.

5. Student Loan Securitization

The Company securitizes its FFELP Stafford loans, FFELP Consolidation Loans and Private Education Loan assets and, for transactions qualifying as sales, retains a Residual Interest and servicing rights (as the Company retains the servicing responsibilities), all of which are referred to as the Company s Retained Interest in off-balance sheet securitized loans. The Residual Interest is the right to receive cash flows from the student loans and reserve accounts in excess of the amounts needed to pay servicing, derivative costs (if any), other fees, and the principal and interest on the bonds backed by the student loans.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

5. Student Loan Securitization (Continued)

Securitization Activity

The following table summarizes the Company s securitization activity for the three months ended March 31, 2009 and 2008. Those securitizations listed as sales are off-balance sheet transactions and those listed as financings remain on-balance sheet.

	Three Months Ended March 31,							
	2009				2008			
(Dollars in millions)	No. of Transactions	Loan Amount Securitized	Pre-Tax Gain	Gain %	No. of Transactions	Loan Amount Securitized	Pre-Tax Gain	Gain %
Securitizations sales:								
FFELP Stafford/PLUS loans		$	$	%		$	$	%
FFELP Consolidation Loans								
Private Education Loans								
Total securitizations sales			$	%			$	%
Securitizations financings:								
FFELP Stafford/PLUS Loans[(1)]					3	4,700		
FFELP Consolidation Loans[(1)]								
Private Education Loans[(1)]	1	2,891						
Total securitizations financings	1	2,891			3	4,700		
Total securitizations	1	$ 2,891			3	$ 4,700		

(1) In certain securitizations there are terms within the deal structure that result in such securitizations not qualifying for sale treatment and accordingly, they are accounted for on-balance sheet as VIEs. Terms that prevent sale treatment include: (1) allowing the Company to hold certain rights that can affect the remarketing of certain bonds, (2) allowing the trust to enter into interest rate cap agreements after the initial settlement of the securitization, which do not relate to the reissuance of third party beneficial interests or (3) allowing the Company to hold an unconditional call option related to a certain percentage of the securitized assets.

The following table summarizes cash flows received from or paid to the off-balance sheet securitization trusts during the three months ended March 31, 2009 and 2008.

(Dollars in millions)	Three Months Ended March 31, 2009	2008
Net proceeds from new securitizations completed during the period	$	$
Cash distributions from trusts related to Residual Interests	114	230
Servicing fees received[1]	58	63
Purchases of previously transferred financial assets for representation and warranty violations	(3)	(3)
Reimbursements of borrower benefits[2]	(8)	(7)
Purchases of delinquent Private Education Loans from securitization trusts using delinquent loan call option		(48)
Purchases of loans using clean-up call option		

(1) The Company receives annual servicing fees of 90 basis points, 50 basis points and 70 basis points of the outstanding securitized loan balance related to its FFELP Stafford, FFELP Consolidation Loan and Private Education Loan securitizations, respectively.

(2) Under the terms of the securitizations, the transaction documents require that the Company reimburse the trusts for any borrower benefits afforded the borrowers of the underlying securitized loans.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

5. Student Loan Securitization (Continued)

Retained Interest in Securitized Receivables

The following tables summarize the fair value of the Company s Residual Interests, included in the Company s Retained Interest (and the assumptions used to value such Residual Interests), along with the underlying off-balance sheet student loans that relate to those securitizations in transactions that were treated as sales as of March 31, 2009 and December 31, 2008.

	As of March 31, 2009			
	FFELP Stafford and PLUS	Consolidation Loan Trusts[1]	Private Education Loan Trusts	Total
Fair value of Residual Interests[2]	$ 269	$ 832	$ 850	$ 1,951
Underlying securitized loan balance	6,765	14,899	13,669	35,333
Weighted average life	2.9 yrs.	8.1 yrs.	6.4 yrs.	
Prepayment speed (annual rate)[3]				
Interim status	0%	N/A	0%	
Repayment status	2-19%	1-6%	2-15%	
Life of loan repayment status	12%	4%	6%	
Expected remaining credit losses (% of outstanding student loan principal)[4]	.10%	.23%	5.83%	
Residual cash flows discount rate	11.1%	12.1%	31.5%	

	As of December 31, 2008			
(Dollars in millions)	FFELP Stafford and PLUS	Consolidation Loan Trusts[1]	Private Education Loan Trusts	Total
Fair value of Residual Interests[2]	$ 250	$ 918	$ 1,032	$ 2,200
Underlying securitized loan balance	7,057	15,077	13,690	35,824
Weighted average life	3.0 yrs.	8.1 yrs.	6.4 yrs.	
Prepayment speed (annual rate)[3]				
Interim status	0%	N/A	0%	

Repayment status	2-19%	1-6%	2-15%
Life of loan repayment status	12%	4%	6%
Expected remaining credit losses (% of outstanding student loan principal)[4]	.11%	.23%	5.22%
Residual cash flows discount rate	13.1%	11.9%	26.3%

(1) Includes $670 million and $762 million related to the fair value of the Embedded Floor Income as of March 31, 2009 and December 31, 2008, respectively. Changes in the fair value of the Embedded Floor Income are primarily due to changes in the interest rates and the paydown of the underlying loans.

(2) The Company had no unrealized gains (pre-tax) in accumulated other comprehensive income that related to the Retained Interests for any of the periods presented.

(3) The Company uses CPR curves for Residual Interest valuations that are based on seasoning (the number of months since entering repayment). Under this methodology, a different CPR is applied to each year of a loan s seasoning. Repayment status CPR used is based on the number of months since first entering repayment (seasoning). Life of loan CPR is related to repayment status only and does not include the impact of the loan while in interim status. The CPR assumption used for all periods includes the impact of projected defaults.

(4) Remaining expected credit losses as of the respective balance sheet date.

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

5. Student Loan Securitization (Continued)

The Company recorded net unrealized mark-to-market losses in servicing and securitization revenue (loss) of $261 million and $88 million in the first quarter of 2009 and first quarter of 2008, respectively, related to the Residual Interest.

As of March 31, 2009, the Company had changed the following significant assumptions compared to those used as of December 31, 2008, to determine the fair value of the Residual Interests:

Life of loan default rate assumptions for Private Education loans were increased as a result of the continued weakening of the U.S. economy. This resulted in a $49 million unrealized mark-to-market loss.

The discount rate assumption related to the Private Education Loan was increased. The Company assessed the appropriateness of the current risk premium, which is added to the risk free rate for the purpose of arriving at a discount rate, in light of the current economic and credit uncertainty that exists in the market as of March 31, 2009. This discount rate is applied to the projected cash flows to arrive at a fair value representative of the current economic conditions. The Company increased the risk premium by 500 basis points to take into account the current level of cash flow uncertainty and lack of liquidity that exists with the Residual Interests. This resulted in a $126 million unrealized mark-to-market loss.

The following table reflects the sensitivity of the current fair value of the Residual Interests to adverse changes in the key economic assumptions used in the valuation of the Residual Interest at March 31, 2009, discussed in detail in the preceding table. The effect of a variation in a particular assumption on the fair value of the Residual Interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

5. Student Loan Securitization (Continued)

increased credit losses), which might magnify or counteract the sensitivities. These sensitivities are hypothetical, as the actual results could be materially different than these estimates.

(Dollars in millions)	Three Months Ended March 31, 2009 FFELP Stafford/PLUS Loan Trusts[5]	FFELP Consolidation Loan Trusts[5]	Private Education Loan Trusts[5]
Fair value of Residual Interest	$ 269	$ 832[1]	$ 850
Weighted-average life	2.9 yrs.	8.1 yrs.	6.4 yrs.
Prepayment speed assumptions[2]			
Interim status	**0%**	**N/A**	**0%**
Repayment status	**2-19%**	**1-6%**	**2-15%**
Life of loan repayment status	**12%**	**4%**	**6%**
Impact on fair value of 5% absolute increase	$ (21)	$ (110)	$ (125)
Impact on fair value of 10% absolute increase	$ (40)	$ (193)	$ (224)
Expected credit losses (as a % of student loan principal)	**.10%**	**.23%**	**5.83%[3]**
Impact on fair value of 5% absolute increase in default rate	$ (3)	$ (8)	$ (175)
Impact on fair value of 10% absolute increase in default rate	$ (6)	$ (15)	$ (349)
Residual cash flows discount rate	**11.1%**	**12.1%**	**31.5%**
Impact on fair value of 5% absolute increase	$ (21)	$ (133)	$ (97)
Impact on fair value of 10% absolute increase	$ (42)	$ (231)	$ (174)
Difference between Asset and Funding underlying indices[4]	**3 month LIBOR forward curve at March 31, 2009 plus contracted spreads**		
Impact on fair value of 0.25% absolute increase in funding index compared to asset index	$ (41)	$ (169)	$ (2)
Impact on fair value of 0.50% absolute increase in funding index compared to asset index	$ (86)	$ (338)	$ (5)

(1)

Certain consolidation trusts have $3.3 billion of non-U.S. dollar (Euro denominated) bonds outstanding. To convert these non-U.S. dollar denominated bonds into U.S. dollar liabilities, the trusts have entered into foreign-currency swaps with certain counterparties. Additionally, certain Private Education Loan trusts contain interest rate swaps that hedge the basis and reset risk between the Prime indexed assets and LIBOR index notes. As of March 31, 2009, these swaps are in a $759 million gain position (in the aggregate) and the trusts had $581 million of exposure to counterparties (gain position less collateral posted) primarily as a result of the decline in the exchange rates between the U.S. dollar and the Euro. This unrealized market value gain is not part of the fair value of the Residual Interest in the table above. Not all derivatives within the trusts require the swap counterparties to post collateral to the respective trust for changes in market value, unless the trust s swap counterparty s credit rating has been withdrawn or has been downgraded below a certain level. If the swap counterparty does not post the required collateral or is downgraded further, the counterparty must find a suitable replacement counterparty or provide the trust with a letter of credit or a guaranty from an entity that has the required credit ratings. Ultimately, the Company s exposure related to a swap counterparty failing to make its payments is limited to the fair value of the related trust s Residual Interest which was $1.4 billion as of March 31, 2009.

(2) See previous table for details on CPR. Impact on fair value due to increase in prepayment speeds only increases the repayment status speeds. Interim status CPR remains 0%.

(3) Expected credit losses are used to project future cash flows related to the Private Education Loan securitization s Residual Interest. However, until the fourth quarter of 2008 when it ceased this activity for all trusts settling prior to September 30, 2005, the Company purchased loans at par when the loans reach 180 days delinquent prior to default under a contingent call option, resulting in no credit losses at the trust nor related to the Company s Residual Interest. When the Company exercises its contingent call option and purchases the loan from the trust at par, the Company records a loss related to these loans that are now on the Company s balance sheet. The Company recorded losses of $37 million for the three months ended March 31, 2008, and did not record any losses for the three months ended March 31, 2009, related to this activity. For all trusts settling after October 1, 2005, the Company does not hold this contingent call option.

(4) Student loan assets are primarily indexed to a Treasury bill, commercial paper or a prime index. Funding within the trust is primarily indexed to a LIBOR index. Sensitivity analysis increases funding indexes as indicated while keeping asset underlying indexes fixed.

(5) In addition to the assumptions in the table above, the Company also projects the reduction in distributions that will result from the various benefit programs that exist related to consecutive on-time payments by borrowers. Related to the entire $2.0 billion Residual Interest, there is $215 million (present value) of benefits projected which reduce the fair value.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

5. Student Loan Securitization (Continued)

The table below shows the Company s off-balance sheet Private Education Loan delinquency trends as of March 31, 2009 and 2008.

	Off-Balance Sheet Private Education Loan Delinquencies			
	March 31, 2009		March 31, 2008	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 3,419		$ 4,780	
Loans in forbearance[2]	619		1,639	
Loans in repayment and percentage of each status:				
Loans current	8,570	90.0%	7,128	95.3%
Loans delinquent 31-60 days[3]	297	3.1	151	2.0
Loans delinquent 61-90 days[3]	222	2.3	75	1.0
Loans delinquent greater than 90 days[3]	434	4.6	128	1.7
Total off-balance sheet Private Education Loans in repayment	9,523	100%	7,482	100%
Total off-balance sheet Private Education Loans, gross	$ 13,561		$ 13,901	

(1) Loans for borrowers who may be attending school or engaging in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

(2) Loans for borrowers who have used their allowable deferment time or do not qualify for deferment, and need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors consistent with the established loan program servicing procedures and programs.

(3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

The following table summarizes charge-off activity for Private Education Loans in the off-balance sheet trusts for the three months ended March 31, 2009 and 2008.

(Dollars in millions)	Three Months Ended March 31, 2009	2008
Charge-offs	63	31
Charge-offs as a percentage of average loans in repayment (annualized)	2.7%	1.7%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	2.5%	1.4%
Ending off-balance sheet total Private Education Loans[1]	$ 13,669	$ 13,942
Average off-balance sheet Private Education Loans in repayment	$ 9,413	$ 7,466
Ending off-balance sheet Private Education Loans in repayment	$ 9,523	$ 7,482

(1) Ending total loans represents gross Private Education Loans, plus the receivable for partially charged-off loans (see Note 2, Allowance for Loan Losses).

24

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

6. Derivative Financial Instruments

Derivative instruments that are used as part of the Company s interest rate and foreign currency risk management strategy include interest rate swaps, basis swaps, cross-currency interest rate swaps, interest rate futures contracts, and interest rate floor and cap contracts with indices that relate to the pricing of specific balance sheet assets and liabilities including the Residual Interests from off-balance sheet securitizations. (For a full discussion of the Company s risk management strategy and use of derivatives, please see the Company s 2008 Form 10-K, Note 9, Derivative Financial Instruments, to the consolidated financial statements.) The Company accounts for its derivatives under SFAS No. 133 which requires that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. The Company s derivative instruments are classified and accounted for by the Company as either fair value hedges, cash flow hedges or trading activities.

Fair Value Hedges

Fair value hedges are generally used by the Company to hedge the exposure to changes in fair value of a recognized fixed rate asset or liability. The Company enters into interest rate swaps to convert fixed rate assets into variable rate assets and fixed rate debt into variable rate debt. The Company also enters into cross-currency interest rate swaps to convert foreign currency denominated fixed and floating debt to U.S. dollar denominated variable debt. Changes in value for both the hedge and the hedged item are recorded to earnings. These amounts offset each other with the net amount representing the ineffectiveness of the relationship.

Cash Flow Hedges

Cash flow hedges are used by the Company to hedge the exposure to variability in cash flows for a forecasted debt issuance and for exposure to variability in cash flows of floating rate debt. This strategy is used primarily to minimize the exposure to volatility from future changes in interest rates. Gains and losses on the effective portion of a qualifying hedge are accumulated in other comprehensive income and ineffectiveness is recorded immediately to earnings.

Trading Activities

When instruments do not qualify as hedges under SFAS No. 133, they are accounted for as trading where all changes in fair value of the derivatives are recorded through earnings. In general, derivative instruments included in trading activities include Floor Income Contracts, basis swaps and various other derivatives that do not qualify for hedge accounting under SFAS No. 133.

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

6. Derivative Financial Instruments (Continued)

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments at March 31, 2009 and December 31, 2008, and their impact on other comprehensive income and earnings for the three months ended March 31, 2009 and 2008.

Impact of Derivatives on Consolidated Balance Sheet

(Dollars in millions)	Hedged Risk Exposure	Cash Flow Mar. 31, 2009	Cash Flow Dec. 31, 2008	Fair Value Mar. 31, 2009	Fair Value Dec. 31, 2008	Trading Mar. 31, 2009	Trading Dec. 31, 2008	Total Mar. 31, 2009	Total Dec. 31, 2008
Fair Values(1)									
Derivative Assets									
Interest rate swaps	Interest rate	$	$	$ 1,296	$ 1,529	$ 261	$ 323	$ 1,557	$ 1,852
Cross currency interest rate swaps	Foreign currency and interest rate			1,863	2,743	25	13	1,888	2,756
Other(2)	Interest rate					64		64	
Total derivative assets(3)				3,159	4,272	350	336	3,509	4,608
Derivative Liabilities									
Interest rate swaps	Interest rate	(134)	(146)			(508)	(332)	(642)	(478)
Floor/Cap contracts	Interest rate					(1,328)	(1,466)	(1,328)	(1,466)
Futures	Interest rate					(3)	(3)	(3)	(3)
Cross currency interest rate swaps	Foreign currency and interest rate			(737)	(640)			(737)	(640)
Total derivative liabilities(3)		(134)	(146)	(737)	(640)	(1,839)	(1,801)	(2,710)	(2,587)
Net total derivatives		$ (134)	$ (146)	$ 2,422	$ 3,632	$ (1,489)	$ (1,465)	$ 799	$ 2,021

(1) Fair values reported are exclusive of collateral held and pledged and accrued interest. Assets and liabilities are presented without consideration of master netting agreements. Derivatives are carried on the balance sheet based on net position by counterparty under master netting agreements, and classified in other assets or other liabilities depending on whether in a net positive or negative position.

(2) Other includes the fair value of the unused portion of the total return swap related to the $1.5 billion asset-backed securities based facility which closed in January 2009. This is considered a derivative under SFAS No. 133.

(3) The following table reconciles gross positions without the impact of master netting agreements to the balance sheet classification:

	Other Assets		Other Liabilities	
	March 31, 2009	**December 31, 2008**	**March 31, 2009**	**December 31, 2008**
Gross position	$ 3,509	$ 4,608	$ (2,710)	$ (2,587)
Impact of master netting agreements	(1,373)	(1,594)	1,373	1,594
Derivative values with impact of master netting agreements	$ 2,136	$ 3,014	$ (1,337)	$ (993)

26

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

6. Derivative Financial Instruments (Continued)

(Dollars in billions)	Cash Flow Mar. 31, 2009	Cash Flow Dec. 31, 2008	Fair Value Mar. 31, 2009	Fair Value Dec. 31, 2008	Trading Mar. 31, 2009	Trading Dec. 31, 2008	Total Mar. 31, 2009	Total Dec. 31, 2008
Notional Values								
Interest rate swaps	$ 4.5	$ 4.8	$ 11.0	$ 13.4	$ 157.1	$ 159.3	$ 172.6	$ 177.5
Floor/Cap contracts					38.1	32.4	38.1	32.4
Futures					.2	.2	.2	.2
Cross currency interest rate swaps			22.6	23.1	.3	.1	22.9	23.2
Other[1]					1.1	.7	1.1	.7
Total derivatives	$ 4.5	$ 4.8	$ 33.6	$ 36.5	$ 196.8	$ 192.7	$ 234.9	$ 234.0

(1) Other includes embedded derivatives bifurcated from newly issued on-balance sheet securitization debt, as a result of adopting SFAS No. 155 as well as the unused portion of the total return swap discussed in footnote 2 to the table above.

Impact of Derivatives on Consolidated Statements of Income

	Three Months Ended March 31,							
(Dollars in millions)	Unrealized Gain (Loss) on Derivatives[1][2] 2009	Unrealized Gain (Loss) on Derivatives[1][2] 2008	Realized Gain (Loss) on Derivatives[3] 2009	Realized Gain (Loss) on Derivatives[3] 2008	Unrealized Gain (Loss) on Hedged Item[1] 2009	Unrealized Gain (Loss) on Hedged Item[1] 2008	Total Gain (Loss) 2009	Total Gain (Loss) 2008
Fair Value Hedges								
Interest rate swaps	$ (183)	$ 404	$ 79	$ 4	$ 194	$ (402)	$ 90	$ 6
Cross currency interest rate swaps	(922)	1,893	76	79	1,023	(1,833)	177	139
Total fair value derivatives	(1,105)	2,297	155	83	1,217	(2,235)	267	145
Cash Flow Hedges								

Interest rate swaps	4		(18)	(9)			(14)	(9)
Total cash flow derivatives	4		(18)	(9)			(14)	(9)
Trading								
Interest rate swaps	(300)	(132)	229	232			(71)	100
Floor/Cap contracts	167	(295)	(140)	(140)			27	(435)
Futures		1						1
Cross currency interest rate swaps	(32)						(32)	
Other	64			(1)			64	(1)
Total trading derivatives	(101)	(426)	89	91			(12)	(335)
Total	(1,202)	1,871	226	165	1,217	(2,235)	241	(199)
Less: realized gains (losses) recorded in interest expense			137	74			137	74
Gains (losses) on derivative and hedging activities, net	$ (1,202)	$ 1,871	$ 89	$ 91	$ 1,217	(2,235)	$ 104	$ (273)

(1) Recorded in Gains (losses) on derivative and hedging activities, net in the consolidated statements of income.

(2) Represents ineffectiveness related to cash flow hedges.

(3) For fair value and cash flow hedges, recorded in interest expense. For trading derivatives, recorded in Gains (losses) on derivative and hedging activities, net.

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

6. Derivative Financial Instruments (Continued)

Impact of Derivatives on Consolidated Statements of Changes in Stockholders Equity (net of tax)

(Dollars in millions)	**Interest Rate Swaps Three Months Ended March 31, 2009**	**2008**
Total gains (losses) on cash flow hedges	$ (4)	$ (37)
Realized (gains) losses reclassified to interest expense[1][2][3]	11	5
Hedge ineffectiveness reclassified to earnings[1][4]	(2)	
Total change in stockholders equity for unrealized gains (losses) on derivatives	$ 5	$ (32)

(1) Amounts included in Impact of Derivatives on Consolidated Statements of Income table above.
(2) Includes net settlement income/expense.
(3) The Company expects to reclass $0.1 million of after-tax net losses from accumulated other comprehensive income to earnings during the next 12 months related to net settlement accruals on interest rate swaps.
(4) Recorded in Gains (losses) derivatives and hedging activities, net in the consolidated statements of income.

Collateral

Collateral held and pledged at March 31, 2009 and December 31, 2008 related to derivative exposures between the Company and its derivative counterparties are detailed in the following table:

(Dollars in millions)	**March 31, 2009**	**December 31, 2008**
Collateral held:		
Cash (obligation to return cash collateral is recorded in short-term borrowings)[1]	$ 911	$ 1,624
Securities at fair value corporate derivatives (not recorded in financial statements)[2]	491	689

Securities at fair value on-balance sheet securitization derivatives (not recorded in financial statements)(3)		534		688
Total collateral held	$	1,936	$	3,001
Derivative asset at fair value including accrued interest	$	2,523	$	3,741
Collateral pledged to others:				
Cash (right to receive return of cash collateral is recorded in investments)	$	86	$	
Securities at fair value (recorded in investments)(4)		18		26
Securities at fair value re-pledged (not recorded in financial statements)(5)(6)		405		191
Total collateral pledged	$	509	$	217
Derivative liability at fair value including accrued interest and premium receivable	$	1,111	$	677

(1) In general, cash collateral is held in unrestricted cash accounts. Further downgrade in the Company s unsecured credit ratings could result in the Company being required to move cash collateral held to restricted accounts.
(2) In general, the Company has the ability to sell or re-pledge securities it holds as collateral.
(3) The trusts do not have the ability to sell or re-pledge securities they hold as collateral.
(4) Counterparty does not have the right to sell or re-pledge securities.
(5) Counterparty has the right to sell or re-pledge securities.
(6) Represents securities the Company holds as collateral that have been pledged to other counterparties.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

6. Derivative Financial Instruments (Continued)

Additionally, as of March 31, 2009 and December 31, 2008, $232 million and $340 million, respectively, in collateral related to off-balance sheet trust derivatives were held by these off-balance sheet trusts. Collateral posted by third parties to the off-balance sheet trusts cannot be sold or re-pledged by the trusts.

7. Other Assets

The following table provides the detail of the Company s other assets at March 31, 2009 and December 31, 2008.

	March 31, 2009		December 31, 2008	
	Ending Balance	% of Balance	Ending Balance	% of Balance
Accrued interest receivable	$ 3,008,379	31%	$ 3,466,404	31%
Derivatives at fair value	2,135,879	22	3,013,644	27
Income tax asset	1,698,342	18	1,661,039	15
APG Purchased paper receivables and Real Estate Owned	994,735	10	1,222,345	11
Benefit and insurance-related investments	473,966	5	472,899	4
Fixed assets, net	307,726	3	313,059	3
Accounts receivable general	655,354	7	712,854	6
Other	423,950	4	278,533	3
Total	$ 9,698,331	100%	$ 11,140,777	100%

The Derivatives at fair value line in the above table represents the fair value of the Company s derivatives in a gain position by counterparty exclusive of accrued interest and collateral. At March 31, 2009 and December 31, 2008, these balances primarily included cross-currency interest rate swaps and interest rate swaps designated as fair value hedges that were offset by an increase in interest-bearing liabilities related to the hedged debt. As of March 31, 2009 and December 31, 2008, the cumulative mark-to-market adjustment to the hedged debt was $(2.1) billion and $(3.4) billion, respectively.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

8. Stockholders Equity

The following table summarizes the Company s common share repurchases and issuances for the three months ended March 31, 2009 and 2008.

(Shares in millions)	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Common shares repurchased:		
Benefit plans[1]	.1	.3
Total shares repurchased	.1	.3
Average purchase price per share	$ 24.25	$ 19.82
Common shares issued	.3	1.2
Authority remaining at end of period for repurchases	38.8	38.8

(1) Includes shares withheld from stock option exercises and vesting of restricted stock for employees tax withholding obligations and shares tendered by employees to satisfy option exercise costs.

The closing price of the Company s common stock on March 31, 2009 was $4.95.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) includes the after-tax change in unrealized gains and losses on available-for-sale investments, unrealized gains and losses on derivatives, and the defined benefit pension plans adjustment. The following table presents the cumulative balances of the components of other comprehensive income (loss) as of March 31, 2009, December 31, 2008 and March 31, 2008.

	March 31, 2009	December 31, 2008	March 31, 2008
Net unrealized gains (losses) on investments[1]	$ (293)	$ (1,243)	$ 31,588
Net unrealized gains (losses) on derivatives[2]	(88,577)	(93,986)	(54,148)

Defined benefit pension plans:			
Net prior service cost			
Net gain	18,420	18,753	20,166
Total defined benefit pension plans[3]	18,420	18,753	20,166
Total accumulated other comprehensive income (loss)	$ (70,450)	$ (76,476)	$ (2,394)

(1) Net of tax benefit of $554 and $750 as of March 31, 2009 and December 31, 2008, respectively, and tax expense of $17,773 as of March 31, 2008.

(2) Net of tax benefit of $51,377, $53,419 and $30,551 as of March 31, 2009, December 31, 2008 and March 31, 2008, respectively.

(3) Net of tax expense of $10,958, $10,967 and $11,677 as of March 31, 2009, December 31, 2008 and March 31, 2008, respectively.

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

9. Earnings (Loss) per Common Share

Basic earnings (loss) per common share (EPS) are calculated using the weighted average number of shares of common stock outstanding during each period. A reconciliation of the numerators and denominators of the basic and diluted EPS calculations follows for the three months ended March 31, 2009 and 2008.

	Three Months Ended March 31,	
	2009	**2008**
Numerator:		
Net loss attributable to SLM Corporation common stock	$ (47,781)	$ (132,829)
Adjusted for dividends of convertible preferred stock series C[(1)]		
Net loss attributable to SLM Corporation common stock, adjusted	$ (47,781)	$ (132,829)
Denominator ***(shares in thousands):***		
Weighted average shares used to compute basic EPS	466,761	466,580
Effect of dilutive securities:		
Dilutive effect of convertible preferred stock series C		
Dilutive effect of stock options, non-vested deferred compensation, non-vested restricted stock, restricted stock units and Employee Stock Purchase Plan (ESPP[(2)])		
Dilutive potential common shares[(3)]		
Weighted average shares used to compute diluted EPS	466,761	466,580
Net loss per share:		
Basic loss per common share attributable to SLM Corporation common shareholders	$ (.10)	$ (.28)
Dilutive effect of convertible preferred stock series C[(1)]		
Dilutive effect of stock options, non-vested deferred compensation, non-vested restricted stock, restricted stock units, and ESPP[(2)]		
Diluted loss per common share attributable to SLM Corporation common shareholders	$ (.10)	$ (.28)

(1)

The Company s 7.25 percent mandatory convertible preferred stock series C was issued on December 31, 2007. The mandatory convertible preferred stock will automatically convert on December 15, 2010, into between 48 million shares and 59 million shares of common stock, depending upon the Company s stock price at that time. These instruments were anti-dilutive for the three months ended March 31, 2009 and 2008.

(2) Includes the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options, non-vested deferred compensation and restricted stock, restricted stock units, and the outstanding commitment to issue shares under the ESPP, determined by the treasury stock method.

(3) For the three months ended March 31, 2009 and 2008, stock options covering approximately 45 million and 48 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

10. Other Income

The following table summarizes the components of Other income in the consolidated statements of income for the three months ended March 31, 2009 and 2008.

	Three Months Ended March 31,	
	2009	2008
Late fees and forbearance fees	$ 36,712	$ 37,155
Asset servicing and other transaction fees	25,055	25,868
Loan servicing fees	10,046	6,652
Gains on debt repurchases	63,755	
Foreign currency translation gains	39,684	169
Other	17,206	23,689
Total	$ 192,458	$ 93,533

The increase in other income for the three months ended March 31, 2009 compared to the year-ago quarter was primarily due to two items. The Company repurchased debt and recorded $64 million in related gains in the first quarter of 2009. Also contributing to the increase in other income was a foreign currency translation gain recorded in connection with the Company s international non-mortgage purchased paper business, which was sold in the first quarter of 2009. This translation gain also related to a small amount of foreign currency denominated debt for which the Company does not receive hedge accounting treatment under SFAS No. 133. The Company hedges both of these exposures with derivatives. An offsetting loss was recognized during the current quarter in the gains (losses) on derivative hedging activities, net line on the consolidated statement of income.

11. Restructuring Activities

During the fourth quarter of 2007, the Company initiated a restructuring program to reduce costs and improve operating efficiencies in response to the impacts of The College Cost Reduction and Access Act of 2007 (CCRAA) and current challenges in the capital markets. As part of this review, the Company has refocused its lending activities, and exited certain customer relationships and product lines. Management estimates approximately $10 million of additional restructuring expenses associated with the Company s current cost reduction efforts will be incurred and the Company s current restructuring plan will be substantially complete by the end of 2009. These estimated additional restructuring costs relate primarily to position eliminations and resulting employee terminations as well as lease termination costs in the Company s Asset Performance Group (APG) business segment. During 2009, Management will continue to review the Company s business to determine whether there are other opportunities to further streamline the business.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

11. Restructuring Activities (Continued)

The following table summarizes the restructuring expenses incurred during the quarters ended March 31, 2009 and 2008 and cumulative restructuring expenses incurred through March 31, 2009.

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	Cumulative Expense as of March 31, 2009
Severance costs	$ 2,666	$ 14,869	$ 88,029
Lease and other contract termination costs	675	435	10,192
Exit and other costs	1,432	5,374	12,832
Total[1]	$ 4,773	$ 20,678	$ 111,053

(1) Aggregate restructuring expenses incurred across the Company s reportable segments during the three months ended March 31, 2009 and 2008 totaled $1 million and $15 million, respectively, in the Company s Lending reportable segment, $2 million and $1 million, respectively, in the Company s APG reportable segment, and $2 million and $5 million, respectively, in the Company s Corporate and Other reportable segment.

As of March 31, 2009 and 2008, severance costs were incurred in conjunction with aggregate completed and planned position eliminations of approximately 2,900 and 600 positions, respectively, across all of the Company s reportable segments, with position eliminations ranging from senior executives to clerical personnel. Lease and other contract termination costs and exit and other costs incurred during the three months ended March 31, 2009 and 2008 related primarily to terminated or abandoned facility leases and consulting costs incurred in conjunction with various cost reduction and exit strategies.

The following table summarizes the restructuring liability balance, which is included in other liabilities in the accompanying consolidated balance sheet.

	Severance Costs	Lease and Other Contract Termination Costs	Exit and Other Costs	Total

Balance at December 31, 2007	$ 18,329	$	$	$ 18,329
Net accruals	62,858	9,517	11,400	83,775
Cash paid	(66,063)	(6,719)	(11,340)	(84,122)
Balance at December 31, 2008	$ 15,124	$ 2,798	$ 60	$ 17,982
Net accruals	$ 2,666	$ 675	$ 1,432	$ 4,773
Cash paid	(8,996)	(498)	(1,188)	(10,682)
Balance at March 31, 2009	$ 8,794	$ 2,975	$ 304	$ 12,073

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

12. Fair Value Measurements

The following tables summarize the valuation of the Company s financial instruments that are marked-to-market on a recurring basis in the financial statements as of March 31, 2009 and December 31, 2008.

	Fair Value Measurements on a Recurring Basis as of March 31, 2009					
(Dollars in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Cash Collateral**	**Net**
Assets						
Available for sale investments	$	$ 547	$	$ 547	$	$ 547
Retained Interest in off-balance sheet securitized loans			1,951	1,951		1,951
Derivative instruments(1)(2)		1,699	437	2,136	(911)	1,225
Total Assets	$	$ 2,246	$ 2,388	$ 4,634	$ (911)	$ 3,723
Liabilities(3)						
Derivative instruments(1)(2)	$ (3)	$ (1,334)	$	$ (1,337)	$ 86	$ (1,251)
Total Liabilities	$ (3)	$ (1,334)	$	$ (1,337)	$ 86	$ (1,251)

	Fair Value Measurements on a Recurring Basis as of December 31, 2008					
(Dollars in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Cash Collateral**	**Net**
Assets						
Available for sale investments	$	$ 861	$	$ 861	$	$ 861
Retained Interest in off-balance sheet securitized loans			2,200	2,200		2,200
Derivative instruments(1)(2)		3,014		3,014	(1,624)	1,390
Total Assets	$	$ 3,875	$ 2,200	$ 6,075	$ (1,624)	$ 4,451

Liabilities[3]												
Derivative instruments[1][2]	$	(3)	$	(648)	$	(341)	$	(992)	$		$	(992)
Total Liabilities	$	(3)	$	(648)	$	(341)	$	(992)	$		$	(992)

(1) Fair value of derivative instruments is comprised of market value less accrued interest and excludes collateral.

(2) Level 1 derivatives include euro-dollar futures contracts. Level 2 derivatives include derivatives indexed to interest rate indices and currencies that are considered liquid. Level 3 derivatives include derivatives indexed to illiquid interest rate indices and derivatives for which significant adjustments were made to observable inputs.

(3) Borrowings which are the hedged items in a fair value hedge relationship and which are adjusted for changes in value due to benchmark interest rates only are not carried at full fair value and are not reflected in this table.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

12. Fair Value Measurements (Continued)

The following table summarizes the change in balance sheet carrying value associated with Level 3 financial instruments carried at fair value on a recurring basis during the three months ended March 31, 2009 and 2008.

	Three Months Ended March 31,					
	2009			2008		
(Dollars in millions)	Residual Interests	Derivative Instruments	Total	Residual Interests	Derivative Instruments	Total
Balance, beginning of period	$ 2,200	$ (341)	$ 1,859	$ 3,044	$ (71)	$ 2,973
Total gains/(losses) (realized and unrealized):						
Included in earnings[1]	(135)	(330)	(465)	60	10	70
Included in other comprehensive income						
Purchases, issuances and settlements	(114)	40	(74)	(230)	9	(221)
Transfers in and/or out of Level 3		1,068	1,068			
Balance, end of period	$ 1,951	$ 437	$ 2,388	$ 2,874	$ (52)	$ 2,822
Change in unrealized gains/(losses) relating to instruments still held at the reporting date	$ (261)[2]	$ (284)[3]	$ (545)	$ (88)[2]	$ 19[3]	$ (69)

[1] Included in earnings is comprised of the following amounts recorded in the specified line item in the consolidated statements of income:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Servicing and securitization revenue (loss)	$ (135)	$ 60

Gains (losses) on derivative and hedging activities, net	(292)	10
Interest expense	(38)	
Total	$ (465)	$ 70

[2] Recorded in servicing and securitization revenue (loss) in the consolidated statements of income.

[3] Recorded in gains (losses) on derivative and hedging activities, net in the consolidated statements of income.

In addition, at March 31, 2009, the Company had real estate owned assets, related to its Purchased Paper Mortgage/Properties business, held on its balance sheet at fair value totaling $194 million. These assets are carried at the lower of cost or fair value and as such are marked-to-market on a non-recurring basis. Fair value is determined using significant unobservable inputs primarily based on broker price opinions and are considered Level 3 valuations.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

12. Fair Value Measurements (Continued)

The following table summarizes the fair values of the Company s financial assets and liabilities, including derivative financial instruments, as of March 31, 2009 and December 31, 2008.

	March 31, 2009			December 31, 2008		
(Dollars in millions)	**Fair Value**	**Carrying Value**	**Difference**	**Fair Value**	**Carrying Value**	**Difference**
Earning assets						
FFELP loans	$ 118,469	$ 128,730	$ (10,261)	$ 107,319	$ 124,220	$ (16,901)
Private Education Loans	17,026	21,644	(4,618)	14,141	20,582	(6,441)
Other loans	560	685	(125)	619	729	(110)
Cash and investments	7,604	7,604		8,646	8,646	
Total earning assets	143,659	158,663	(15,004)	130,725	154,177	(23,452)
Interest-bearing liabilities						
Short-term borrowings	45,723	46,332	609	41,608	41,933	325
Long-term borrowings	91,536	116,669	25,133	93,462	118,225	24,763
Total interest-bearing liabilities	137,259	163,001	25,742	135,070	160,158	25,088
Derivative financial instruments						
Floor Income/Cap contracts	(1,328)	(1,328)		(1,466)	(1,466)	
Interest rate swaps	915	915		1,374	1,374	
Cross currency interest rate swaps	1,151	1,151		2,116	2,116	
Futures contracts	(3)	(3)		(3)	(3)	
Other	64	64				
Other						
Residual interest in securitized assets	1,951	1,951		2,200	2,200	
Excess of net asset fair value over carrying value			$ 10,738			$ 1,636

13. Contingencies

In the ordinary course of business, the Company and its subsidiaries are routinely defendants in or parties to pending and threatened legal actions and proceedings including actions brought on behalf of various classes of claimants. These actions and proceedings may be based on alleged violations of consumer protection, securities, employment and other laws. In certain of these actions and proceedings, claims for substantial monetary damage are asserted against the Company and its subsidiaries.

In the ordinary course of business, the Company and its subsidiaries are subject to regulatory examinations, information gathering requests, inquiries and investigations. In connection with formal and informal inquiries in these cases, the Company and its subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of the Company s regulated activities.

In view of the inherent difficulty of predicting the outcome of such litigation and regulatory matters, the Company cannot predict what the eventual outcome of the pending matters will be, what the timing or the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

13. Contingencies (Continued)

In accordance with SFAS No. 5, Accounting for Contingencies, the Company is required to establish reserves for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, the Company does not establish reserves.

Based on current knowledge, reserves have not been established for any pending litigation or regulatory matters. Based on current knowledge, management does not believe that loss contingencies, if any, arising from pending litigation or regulatory matters will have a material adverse effect on the consolidated financial position or liquidity of the Company.

14. Income Taxes

For the three months ended March 31, 2009 and 2008, the Company reported an income tax benefit of $32 million and $62 million, respectively, representing effective tax rates of 60 percent and 38 percent, respectively. The movement in the effective tax rate was primarily driven by the impact of state rate changes and state law changes recorded discretely in the three months ended March 31, 2009.

Accounting for Uncertainty in Income Taxes

As of March 31, 2009, the Company has gross unrecognized tax benefits of $96 million. Included in the $96 million are $21 million of unrecognized tax benefits that if recognized, would favorably impact the effective tax rate. In addition, as of March 31, 2009, the Company has accrued interest and penalties, net of tax benefit, of $9 million. The unrecognized tax benefits changed from $86 million at December 31, 2008 to $96 million at March 31, 2009, and the accrued interest and penalties changed from $10 million at December 31, 2008 to $9 million at March 31, 2009. These changes result primarily from incorporating into the Company s FIN No. 48 analysis new information received from the IRS during the first quarter as a part of the 2005-2006 exam cycle and from adding a new issue that was identified while completing the 2008 federal income tax return. Several other less significant amounts of uncertain tax benefits were also added during the quarter.

15. Segment Reporting

The Company has two primary operating segments as defined in SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information the Lending operating segment and the APG, formerly known as DMO, operating segment. The Lending and APG operating segments meet the quantitative thresholds for reportable segments identified in SFAS No. 131. Accordingly, the results of operations of the Company s Lending and APG segments are presented below. The Company has smaller operating segments including the Guarantor Servicing, Loan Servicing, and Upromise operating segments, as well as certain other products and services provided to colleges and universities which do not meet the quantitative thresholds identified in SFAS No. 131. Therefore, the results of operations for these operating segments and the revenues and expenses associated with these other products and services are combined with corporate overhead and other corporate activities within the Corporate and Other reportable segment.

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. Management, including the Company s chief operating decision makers, evaluates the performance of the Company s operating segments based on their profitability. As discussed further below, management measures the profitability of the Company s operating segments based on Core Earnings net income. Accordingly, information regarding the Company s reportable segments is provided based on a Core Earnings basis. The Company s Core Earnings performance measures are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

15. Segment Reporting (Continued)

companies. Core Earnings net income reflects only current period adjustments to GAAP net income as described below. Unlike financial accounting, there is no comprehensive, authoritative guidance for management reporting. The management reporting process measures the performance of the operating segments based on the management structure of the Company and is not necessarily comparable with similar information for any other financial institution. The Company s operating segments are defined by the products and services they offer or the types of customers they serve, and they reflect the manner in which financial information is currently evaluated by management. Intersegment revenues and expenses are netted within the appropriate financial statement line items 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 s principal operations are located in the United States, and its results of operations and long-lived assets in geographic regions outside of the United States are not significant. In the Lending segment, no individual customer accounted for more than 10 percent of its total revenue during the three months ended March 31, 2009 and 2008. United Student Aid Funds, Inc. (USA Funds) is the Company s largest customer in both the APG and Corporate and Other segments. During the three months ended March 31, 2009 and 2008, USA Funds accounted for 23 percent and 26 percent, respectively, of the aggregate revenues generated by the Company s APG and Corporate and Other segments. No other customers accounted for more than 10 percent of total revenues in those segments for the years mentioned.

Lending

In the Company s Lending operating segment, the Company originates and acquires both FFELP loans and Private Education Loans. As of March 31, 2009, the Company managed $185.3 billion of student loans, of which $150.9 billion or 81 percent are federally insured, and has 10 million student and parent customers. In the three months ended March 31, 2009, the Company originated $4 million in mortgage loans which were sold. The Company s mortgage and consumer loan portfolio totaled $465 million at March 31, 2009.

Private Education Loans consist of two general types: (1) those that are designed to bridge the gap between the cost of higher education and the amount financed through either capped federally insured loans or the borrowers resources, and (2) those that are used to meet the needs of students in alternative learning programs such as career training, distance learning and lifelong learning programs. Most higher education Private Education Loans are made in conjunction with a FFELP loan and as such are marketed through the same channel as FFELP loans by the same sales force. Unlike FFELP loans, Private Education Loans are subject to the full credit risk of the borrower. The Company manages this additional risk through historical risk-performance underwriting strategies, the addition of qualified cosigners and a combination of higher interest rates and loan origination fees that compensate the Company for the higher risk.

APG

The Company s APG operating segment provides a wide range of accounts receivable and collections services including student loan default aversion services, defaulted student loan portfolio management services, contingency collections services for student loans and other asset classes, and accounts receivable management and collection for purchased portfolios of receivables that are delinquent or have been charged off by their original creditors, and sub-performing and non-performing mortgage loans. The Company s APG operating segment serves the student loan marketplace through a broad array of default management services on a contingency fee or other pay-for-performance basis to 14 FFELP guarantors and for campus-based programs.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended
March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

15. Segment Reporting (Continued)

In addition to collecting on its own purchased receivables and mortgage loans, the APG operating segment provides receivable management and collection services for federal agencies, credit card clients and other holders of consumer debt.

The Company concluded in 2008 that its APG purchased paper business no longer produced a strategic fit, and the Company decided to wind down this business. Due to the continued weakening of the U.S. economy, during the first quarter of 2009, the Company recorded $74 million of impairment related to declines in the fair value of mortgage loans and real estate held by the Company s mortgage purchased paper subsidiary and $3 million of impairment related to the Company s non-mortgage purchase paper subsidiary. These impairments are recorded within collections revenue (loss) as they are not considered restructuring expenses.

Corporate and Other

The Company s Corporate and Other segment includes the aggregate activity of its smaller operating segments, primarily its Guarantor Servicing, Loan Servicing and Upromise operating segments. Corporate and Other also includes several smaller products and services, as well as corporate overhead.

In the Guarantor Servicing operating segment, the Company provides a full complement of administrative services to FFELP guarantors including guarantee issuance, account maintenance, and guarantee fulfillment. In the Loan Servicing operating segment, the Company provides a full complement of activities required to service student loans on behalf of lenders who are unrelated to the Company. Such servicing activities generally commence once a loan has been fully disbursed and include sending out payment coupons to borrowers, processing borrower payments, originating and disbursing FFELP Consolidation Loans on behalf of the lender, and other administrative activities required by ED.

Upromise markets and administers a consumer savings network and also provides program management, transfer and servicing agent services, and administration services for 529 college-savings plans. The Company s other products and services include comprehensive financing and loan delivery solutions that it provides to college financial aid offices and students to streamline the financial aid process. Corporate overhead includes all of the typical headquarter functions such as executive management, accounting and finance, human resources and marketing.

Measure of Profitability

The tables below include the condensed operating results for each of the Company s reportable segments. Management, including the chief operating decision makers, evaluates the Company on certain performance measures that the Company refers to as Core Earnings performance measures for each operating segment. While Core Earnings results are not a substitute for reported results under GAAP, the Company relies on Core Earnings performance measures to manage each operating segment because it believes these measures provide additional information regarding the operational and performance indicators that are most closely assessed by management.

Core Earnings performance measures are the primary financial performance measures used by management to develop the Company s financial plans, track results, and establish corporate performance targets and incentive compensation. Management believes this information provides additional insight into the financial performance of the core business activities of its operating segments. Accordingly, the tables presented below reflect Core Earnings operating measures reviewed and utilized by management to manage the business. Reconciliation of the Core Earnings segment totals to the Company s consolidated operating results in accordance with GAAP is also included in the tables below.

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2009 and for the three months ended March 31, 2009 and 2008 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

15. Segment Reporting (Continued)

Segment Results and Reconciliations to GAAP

	Three Months Ended March 31, 2009					
(Dollars in millions)	**Lending**	**APG**	**Corporate and Other**	**Total Core Earnings**	**Adjustments[2]**	**Total GAAP**
Interest income:						
FFELP Stafford and Other Student Loans	$ 362	$	$	$ 362	$ (19)	$ 343
FFELP Consolidation Loans	439			439	50	489
Private Education Loans	563			563	(176)	387
Other loans	16			16		16
Cash and investments	3		5	8	(2)	6
Total interest income	1,383		5	1,388	(147)	1,241
Total interest expense	949	6	4	959	67	1,026
Net interest income (loss)	434	(6)	1	429	(214)	215
Less: provisions for loan losses	349			349	(99)	250
Net interest income (loss) after provisions for loan losses	85	(6)	1	80	(115)	(35)