SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark One)

|X| Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1997 or

|_| Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _________________ to __________________

Commission file numbers 001-13251

SLM HOLDING CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware	52-2013874
(State of Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
11600 Sallie Mae Drive, Reston, Virginia	20193
(Address of Principal Executive Offices)	(Zip Code)

(703) 810 3000
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: Common Stock, par value $.20 per share Securities registered pursuant to Section 12(g) of the Act: None

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of February 28, 1998 was approximately $7,052,332,153 (based on closing sale price of $41 5/16 per share as reported for the New York Stock Exchange -- Composite Transactions). On that date there were 171,264,359 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's 1997 Annual Report to Shareholders are incorporated by reference into Part II of this Report and portions of the Proxy Statement relating to the registrant's Annual Meeting of Shareholders scheduled to be held May 21, 1998 are incorporated by reference into Part III of this Report.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / /

This Report contains forward-looking statements and information that are based on management's current expectations as of the date of this document. When used herein, the words "anticipate," "believe," "estimate" and "expect" and similar expressions, as they relate to the Registrant's management, are intended to identify forward-looking statements. Such forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause the actual results to be materially different from those reflected in such forward-looking statements. Such factors include, among others, changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in such laws and regulations, changes in the demand for educational financing or in financing preferences of educational institutions, students and their families and changes in the general interest rate environment and in the securitization markets for student loans.

PART I.

Item 1. Business

Industry data on the Federal Family Education Loan Program (the "FFELP") and the Federal Direct Student Loan Program (the "FDSLP") contained in this report are based on sources that the Company believes to be reliable and to represent the best available information for these purposes, including published and unpublished U.S. Department of Education ("DOE") data and industry publications.

GENERAL

SLM Holding Corporation, a Delaware Corporation (the "Company"), provides a wide range of financial services, processing capabilities and information technology to meet the needs of educational institutions, lenders, students and guarantee agencies. The Company was formed in 1997 in connection with the reorganization (the "Reorganization") of the Student Loan Marketing Association, a government-sponsored enterprise (the "GSE"), pursuant to the Student Loan Marketing Association Reorganization Act of 1996 (the "Privatization Act"). The Privatization Act required the GSE to propose to shareholders a plan of reorganization under which their share ownership would convert to an equivalent share ownership in a state-chartered holding company that would own all of the stock of the GSE. Pursuant to the Privatization Act, the Reorganization was approved by the GSE's shareholders on July 31, 1997 and effected on August 7, 1997. The Privatization Act requires the GSE to transfer its business to the Company and dissolve on or before September 30, 2008. During the period prior to the dissolution of the GSE (the "Wind-Down Period"), the GSE is subject to various limitations on its business and activities. See "-- Operations During the Wind-Down Period" and "Regulation -- The Privatization Act."

Chartered by an act of Congress in 1972, the GSE's stated mission was to enhance access to post-secondary education by providing a national secondary market and financing for guaranteed student loans. As of December 31, 1997, the Company's managed portfolio of student loans totaled approximately $43.6 billion (including loans owned, loans securitized and loan participations). The Company also had commitments to purchase $17.5 billion of additional student loans or participations therein as of December 31, 1997. While the Company continues to be the leading purchaser of student loans, its business has expanded over its first quarter of a century, reflecting changes in both the education sector and the financial markets.

Primarily a wholesale provider of credit and a servicer of student loans, the Company serves a diverse range of clients including over 900 financial and educational institutions and state agencies. Through its six regional loan servicing centers, the Company processes student loans for approximately five million borrowers and is recognized as the nation's pre-eminent servicer of student loans. The Company also provides and arranges infrastructure finance for colleges and universities. See "-- Specialized Financial Services -- Academic Facilities Financings and Student Loan Revenue Bonds."

The Company believes that it has successfully fulfilled the GSE's original mandate by fostering a thriving, competitive student loan market and has maintained its leadership position in the education finance industry due to its focus on customer relationships, value-added products and services, superior loan servicing capabilities and a sound financial management strategy. In recognition of the increasingly important role that college and university administrators play in the student loan process, the Company has adopted a school-based growth strategy. The Company's core marketing strategy is to provide schools and their students with simple, flexible and cost-effective products and services so that schools will choose to work with the Company. This strategy, combined with superior servicing and technology capabilities, has helped the Company to build valuable partnerships with schools, lenders, guarantee agencies and others.

INDUSTRY OVERVIEW

The student loan industry provides affordable financing to students and their families to fund post-secondary education. The large majority of student loans are made under federally sponsored programs, although many students and parents secure education credit through private student loan programs. The federally sponsored student loans programs are highly regulated. Under programs sponsored by the federal government, banks and other lenders that satisfy statutory eligibility requirements can make student loans at below-market rates due to subsidies and guarantees. The largest student loan program, formerly called the Guaranteed Student Loan Program and now known as the FFELP, was created in 1965 to ensure low-cost access by families to a full range of post-secondary educational institutions. In 1972, to encourage further bank participation in the Guaranteed Student Loan Program, Congress established the GSE as a for-profit, stockholder-owned national secondary market for student loans. The FFELP industry currently includes a network of approximately 4,813 originators and 6,300 educational institutions and is collectively guaranteed and administered by 37 state-sponsored or non-profit guarantee agencies under contract with the DOE. In addition to the Company, a number of non-profit entities, banks and other financial intermediaries operate as secondary markets for student loans. The Company believes that lender participation in the FFELP is relatively concentrated, with an estimated 93 percent of outstanding loans held by the top 100 participants, including approximately one-third owned or managed by the Company as of September 30, 1996. The Higher Education Act is reauthorized by Congress approximately every six years. The next reauthorization is required in 1998 and the FFELP is subject to change at that time. The provisions of the FFELP are also subject to revision from time to time by Congress.

Demand for student loans has risen substantially over the last several years. Higher education tuition cost and fee increases continue to exceed the inflation rate. Over half of all full-time college students today depend on some form of borrowing, compared to just over 35 percent in 1985. In addition, federal legislation enacted in late 1992 expanded loan limits and borrower eligibility. All of these factors contributed to an increase of over 50 percent in annual federally guaranteed student loan volume ($24 billion in FY 1994 (including FDSLP volume) from $15 billion in FY 1992). Estimated future increases in tuition costs and college enrollments are expected to prompt further growth in the student loan market.

In 1993, Congress expanded a previously established pilot program into the FDSLP, which is administered by the DOE. Established as an alternative to the private sector-based FFELP, the FDSLP accounted for approximately one-third of all new federally sponsored student loans issued in academic year 1996-97. Under the FDSLP, the federal government contracts with third parties for loan administration and collections services while financing its lending activity through U.S. Treasury borrowings.

PRODUCTS AND SERVICES

Loan Purchases. The Company's student loan purchases primarily involve two federally sponsored programs. The Company principally purchases Stafford loans, PLUS loans and SLS loans originated under the FFELP, all of which are insured by state-related or non-profit guarantee agencies and are reinsured by the DOE. The Company also purchases student loans originated under the Health Education Assistance Loan program ("HEAL") that are insured directly by the United States Department of Health and Human Services. As of December 31, 1997, the Company's managed portfolio of student loans totaled $43.6 billion, including $39.4 billion of FFELP loans (including loans owned, loans securitized and loan participations) and $2.7 billion of HEAL loans.

In order to further meet the educational credit needs of students, the Company in 1996 sponsored the creation of the private Signature Education Loansm program, with numerous lenders participating nationwide. Under this program, the Company performs certain origination services on behalf of the participating lenders. The Company insures these loans through its HEMAR Insurance Corporation of America ("HICA") subsidiary. Most of the HICA-insured loans purchased by the Company are part of "bundled" loan programs that include FFELP loans. The Company also purchases loans originated under various other HICA-insured loan programs. As of December 31, 1997, the Company owned approximately $1.5 billion of such privately insured education loans, including HICA-insured Signature Education Loans/sm/.

The Company purchases student loans primarily from commercial banks. The Company also purchases student loans from other eligible FFELP lenders, including savings and loan associations, mutual savings banks, credit unions, certain pension funds and insurance companies, educational institutions and state and private non-profit loan originating and secondary market agencies.

Most lenders using the secondary market hold loans while borrowers are in school and sell loans shortly before conversion to repayment status, when servicing costs increase significantly. Traditionally, the Company has purchased most of its loans just before their conversion to repayment status, although the Company also buys "in-school" loans and loans in repayment. The Company purchases loans primarily through commitment contracts, but also makes "spot" purchases. Approximately two-thirds of the Company's new loan purchases were made pursuant to purchase commitment contracts in 1996 and 1997. The Company enters into commitment contracts with lenders to purchase loans up to a specified aggregate principal amount over the term of the contract, which is usually two to three years. Under the commitment contracts, lenders have the right, and in most cases the obligation, to sell to the Company the loans they own over a specified period of time at a purchase price that is based on certain loan characteristics.

In conjunction with commitment contracts, the Company frequently provides selling institutions with operational support in the form of PortSS(R), an automated loan administration system for the lender's use at its own offices before loan sale, or in the form of loan origination and interim servicing provided through one of the Company's loan servicing centers (ExportSS(R)). In 1996 and 1997, more than two-thirds of the Company's purchase commitment volume came from users of PortSS(R) and ExportSS(R). The Company also offers commitment clients the ability to originate loans and then transfer them to the Company for servicing (TransportSSsm). PortSS(R), ExportSS(R) and TransportSSsm provide the Company and the lender assurance that loans will be efficiently administered by the Company and that borrowers will have access to the Company's repayment options and benefits. The growth in volume generated by PortSS, ExportSS and TransportSS demonstrates the importance of the Company's investment in these systems in past years.

In a spot purchase, the Company competes with other secondary market participants to purchase a portfolio of eligible loans from a selling holder when such holder decides to offer its loans for sale. The Company made approximately one-third of its purchases of educational loans through spot purchases in 1996 and 1997. In general, spot purchase volume is more costly than volume purchased under commitment contracts.

In the past, the Company also has offered eligible borrowers a program for consolidation of eligible insured loans into a single new insured loan with a term of 10 to 30 years. The Higher Education Act of 1965, as amended (the "Higher Education Act"), provides that borrowers may consolidate with one of their loan holders or may consolidate with a separate lender if they cannot obtain a consolidation loan with an income-sensitive repayment plan that they deem acceptable from their loan holders. As of December 31, 1997, the Company owned approximately $9.1 billion of such consolidation loans, known as SMARTsm Loan Accounts. Following enactment of the Emergency Student Loan Consolidation Act 1997, which made significant changes to the FFELP loan consolidation program, the Company announced that, effective as of November 13, 1997, it had suspended its loan consolidation program (marketed as the SMART Loan(sm) program). The new legislation made it difficult for the Company to participate in the FFELP consolidation loan program for profitability reasons. The Company does, however, strongly endorse the principle of the legislation that allows FDSLP and FFELP borrows to consolidate their loans under either program and plans to continue to press for changes that will enable the Company to once again participate in the FFELP consolidation loan program.

Borrower Benefits and Program Technology Support. To create customer preferences and compete more effectively in the student loan marketplace, the Company has developed a comprehensive set of loan programs and services for borrowers, including numerous loan restructuring and repayment options and programs that encourage and reward good repayment habits. The Company also provides counseling and information programs (including a world wide web site) that help borrowers and reinforce relationships with college and university customers and lender partners.

Under the Company's Great Rewards(R) program, certain FFELP borrowers who make their first 48 monthly payments on time receive a two percentage-point interest rate reduction for the remaining term of the loan. Other programs credit students an amount equal to part of the loan origination fees they pay and modestly reduce interest costs for use of automatic debit accounts. The Company also provides financial aid administrators at colleges and universities with innovative products and services that simplify the lending process, including electronic funds transfer services and loan information and management software that enables college application data to be transferred electronically between program participants.

Joint Venture with The Chase Manhattan Bank. In the third quarter of 1996, the Company restructured its business relationship with The Chase Manhattan Bank ("Chase"), which, with an estimated market share of 8.0 percent, is the largest originator of student loans under the FFELP. Under the restructured arrangement, the Company and Chase Education Holdings, Inc., a wholly owned subsidiary of Chase, are equal owners of Education First Finance LLC and Education First Marketing LLC (collectively, the "Joint Venture"). Education First Marketing LLC is responsible for marketing education loans to be made by Chase and its affiliates to schools and borrowers. Shortly after such loans are made by Chase and its affiliates, the loans are purchased on behalf of Education First Finance LLC by the Chase/Sallie Mae Education Loan Trust (the "Trust"), which presently finances these purchases through the sale of loan participations to the Company and Chase. As of December 31, 1997, the Trust owned approximately $3.9 billion of federally insured education loans. Substantially all loans owned by the Trust are serviced on behalf of the Trust by Sallie Mae Servicing Corporation, the Company's wholly owned servicing subsidiary ("SMSC"), on a fee-for-service basis.

SERVICING

In 1980, the Company began servicing its own portfolios in order to better control costs and manage risks. In late 1995, in connection with the commencement of its securitization program, the Company transferred its servicing operations to SMSC. Through SMSC, the Company is now the nation's largest FFELP loan servicer, and management believes that the Company is recognized as the premier service quality and technology provider in the student loan industry. The Company believes that its processing capability and service excellence are integral to its school-based growth strategy. As of December 31, 1997, the Company serviced approximately $49.7 billion of loans, including approximately $27.3 billion of loans owned by the GSE and $14.1 billion owned by nine securitization trusts sponsored by the GSE, $4.5 billion of loans currently owned by ExportSS(R) customers and $3.8 billion owned by the Chase Joint Venture Trust.

The Company currently has six loan servicing centers, located in the states of Florida, Kansas, Massachusetts, Pennsylvania, Texas and Washington. This geographic coverage, together with total systems integration among centers, facilitates operations and customer service.

The DOE and the various guarantee agencies prescribe rules and regulations that govern the servicing of federally insured student loans. The Company's origination and servicing systems, internal procedures and highly trained staff support compliance with these regulations, are designed to promote asset integrity and provide superior service to borrowers. The Company uses state-of-the-art imaging technology to further increase servicing productivity and capacity.

SPECIALIZED FINANCIAL SERVICES

The Company, principally through the GSE, engages in a number of specialty financial services related to higher education credit, including collateralized financing of FFELP and other education loan portfolios (warehousing advances), credit support for student loan revenue bonds, portfolio investments in student loan revenue and facilities bonds, underwritings of academic facilities bonds and surety bond support for non-federally insured student loans.

Warehousing Advances. Warehousing advances are secured loans to financial and educational institutions to fund FFELP and HEAL loans and other forms of education-related credit. As of December 31, 1997, the Company held approximately $1.9 billion of warehouse loans with an average term of 4.5 years. These loans remain assets of the GSE, but the GSE can extend new warehousing advances during the Wind-Down Period only pursuant to financing commitments in place as of August 7, 1997. As of December 31, 1997, the GSE had in place approximately $3.4 billion of such commitments. The Company does not expect that its non-GSE affiliates will continue this line of business.

Academic Facilities Financings and Student Loan Revenue Bonds. Since 1987, the GSE has provided facilities financing and commitments for future facilities financing to approximately 250 educational institutions. Certain of these financings are secured either by a mortgage on the underlying facility or by other collateral. The GSE also invests in student loan revenue obligations. In late 1995, the GSE established a broker-dealer subsidiary, Education Securities, Inc. ("ESI"), which manages the GSE's municipal bond portfolio and is developing an array of specialized underwriting and financial advisory services for the education sector. The Company anticipates that it will reduce its investment activity in academic facilities and student loan revenue bond products during the Wind-Down Period. As of December 31, 1997, these portfolios totaled $1.4 billion and $197 million, respectively.

Letters of Credit. In the past, the GSE has offered letters of credit to guarantee issues of state and non-profit agency student loan revenue bonds. Currently outstanding letters of credit have original terms of up to 17 years. As of December 31, 1997, the GSE had approximately $4.8 billion of such commitments outstanding. During the Wind-Down Period, letter of credit activity by the GSE will be limited to guarantee commitments in place as of August 7, 1997.

Private Student Loan Insurance. In 1995, the GSE acquired HICA, a South Dakota stock insurance company engaged exclusively in insuring lenders against credit loss on their education-related, non-federally insured loans to students attending post-secondary educational institutions. Loans owned by the GSE are a significant portion of HICA's insured loan portfolio. See "-- Products and Services -- Loan Purchases."

FINANCING/SECURITIZATION

The GSE obtains funds for its operations primarily from the sale of debt securities in the domestic and overseas capital markets, and through public offerings and private placements of U.S. dollar-denominated and foreign currency-denominated debt of varying maturities and interest rate characteristics. GSE debt securities are currently rated at the highest credit rating level by Moody's Investors Service and Standard & Poor's. The Company expects that the credit rating on any debt securities of the Company will be lower than that of the GSE's debt securities.

The GSE uses interest rate and currency exchange agreements (collateralized where appropriate), U.S. Treasury securities, interest rate futures contracts and other hedging techniques to reduce its exposure to interest rate and currency fluctuations arising out of its financing activities and to match the characteristics of its assets and liabilities. The GSE has also issued preferred stock to obtain funds, including preferred stock held by the Company. Under the Privatization Act, the GSE may issue debt with maturity dates through September 30, 2008 to fund student loan and other permitted asset purchases. Upon the GSE's dissolution pursuant to the Privatization Act, the GSE must transfer any remaining GSE obligations into a defeasance trust for the benefit of the holders of such obligations together with cash or full faith and credit obligations of the United States, or an agency thereof, in amounts sufficient, as determined by the Secretary of the Treasury, to pay the principal and interest on the deposited obligations. If the GSE has insufficient assets to fully fund such GSE debt, the Company must transfer sufficient assets to the trust to account for this shortfall. The Privatization Act requires that upon the dissolution of the GSE on or before September 30, 2008, the GSE shall repurchase or redeem or make proper provisions for repurchase or redemption of the GSE's outstanding preferred stock.

Since late 1995 the Company has further diversified its funding sources, independent of its GSE borrower status, by securitizing a portion of its student loan assets. Securitization is an off-balance sheet funding mechanism that the Company effects through the sale of portfolios of student loans by the GSE to SLM Funding Corporation, a bankruptcy-remote, special-purpose, wholly owned subsidiary of the GSE, which in turn sells the student loans to an independent owner trust that issues securities to fund the purchase of the student loans. The securitization trusts typically issue several classes of debt securities rated at the highest investment grade level. The GSE has not guaranteed such debt securities and has no obligation to ensure their repayment. Because the securities issued by the trusts through securitization are not GSE securities, the Company has been and in the future expects to be able to fund its student loans to term through securitization, even for those assets with final maturities that extend beyond the Wind-Down Period. The DOE has concurred with the Company's position that a 30 basis point per annum offset fee imposed on loans held by the GSE does not apply to securitized loans. See "Legal Proceedings." The Company anticipates that securitization will remain a primary student loan funding mechanism for the Company when it begins to conduct student loan purchase activity through a non-GSE subsidiary. In addition to the foregoing, the Company obtains funding through a bank line of credit.

OPERATIONS DURING THE WIND-DOWN PERIOD

Privatization enables the Company to commence new business activities without regard to restrictions in the GSE's charter. The stock of certain GSE subsidiaries, including SMSC, HICA and ESI, has been transferred to the Company. Accordingly, the business activities of these subsidiaries are no longer subject to restrictions contained in the GSE's charter. In addition, the GSE's employees have been transferred to Sallie Mae, Inc. (the "Management Company").

During the Wind-Down Period, the GSE generally is prohibited from conducting new business except in connection with student loan purchases through September 30, 2007 or with other outstanding contractual commitments, and from issuing new debt obligations that mature beyond September 30, 2008. The GSE has transferred personnel and certain assets to the Company or other non-GSE affiliates. Student loans, warehousing advances and other program-related or financial assets (such as portfolio investments, letters of credit, swap agreements and forward purchase commitments) have not been and are generally not expected to be transferred. Neither the Company nor any of its non-GSE affiliates may make secondary market purchases of FFELP loans for so long as the GSE is actively acquiring insured student loans. During the Wind-Down Period, GSE operations will be managed pursuant to arm's-length service agreements between the GSE and one or more of its non-GSE affiliates. The Privatization Act also provides certain restrictions on intercompany relations between the GSE and its affiliates during the Wind-Down Period.

COMPETITION

The Company is the major financial intermediary for higher education credit, but is subject to competition on a national basis from several large commercial banks and non-profit secondary market agencies and on a state or local basis from smaller banks and state-based secondary markets. In addition, the availability of securitization for student loan assets has created new competitive pressures for traditional secondary market purchasers. Based on the most recent information from the DOE and management estimates, at the end of fiscal year 1995, the GSE's share (in dollars) of outstanding FFELP loans was 33 percent, while banks and other financial institutions held 48 percent and state secondary market participants held 19 percent. Although Congress establishes loan limits and interest rates on student loans, management believes that market share in the FFELP industry is increasingly a function of school and student desire for borrower benefits and superior customer service. FFELP providers have been aggressively competing on the basis of enhanced products and services in recent years.

Because the GSE historically has been confined by statute to secondary market activity, it has depended mainly on its network of lender partners and its school-based strategy for new loan volume. Because the Company is not subject to the same limitations as the GSE, it plans to heighten its visibility with consumers to favorably position itself for future new product offerings.

The Company also faces competition for new and existing loan volume from the FDSLP. Based on current DOE projections, the Company estimates that total student loan originations for the academic years 1994-95, 1995-96 and 1996-97 were $22.2 billion, $24.7 billion and $27.4 billion, respectively, of which FDSLP originations represented approximately 7 percent, 31 percent and 32 percent, respectively. The DOE projects that FDSLP originations will represent 35 percent of total student loan originations in the 1997-98 academic year.

The DOE has also begun to offer FFELP borrowers the opportunity to refinance or consolidate FFELP loans into FDSLP loans upon certification that the holder of their FFELP loans does not offer an income-sensitive payment plan acceptable to the borrower. As of December 31, 1997, approximately $608 million of the GSE's FFELP loans had been consolidated into the FDSLP. In early 1995, the Company began offering an income-sensitive payment plan. The FDSLP, however, also provides an income-contingent option not available under the FFELP program that may be more attractive to certain borrowers. Under this repayment option, the government will ultimately forgive student loan debt after 25 years. Effective November 13, 1997, the Company suspended its loan consolidation program. See "-- Products and Services -- Loan Purchases." It is not certain what action, if any, Congress will take with regard to the FDSLP in connection with the anticipated reauthorization of the Higher Education Act. Based on public statements by members of Congress and the Administration, however, management believes that the FFELP and the FDSLP will continue to coexist as competing programs for the foreseeable future.

REGULATION

As a government-sponsored enterprise, the GSE is organized under federal law and its operations are restricted by its government charter. Although privatization permits the Company's private activities to expand through non-GSE subsidiaries, the GSE's operations continue to be subject to broad federal regulation, during the Wind-Down Period.

The Privatization Act

The Privatization Act established the basic framework for the Reorganization and imposes certain restrictions on the operations of the Company and its subsidiaries during the Wind-Down Period. The Privatization Act amends the GSE's charter to require certain enhanced regulatory oversight of the GSE to ensure its financial safety and soundness. See "-- GSE Regulation."

Reorganization. The Privatization Act required the GSE to propose to shareholders a plan of reorganization under which their share ownership in the GSE would be automatically converted to an equivalent share ownership in a state-chartered holding company that would own all of the common stock of the GSE. On July 31, 1997, the GSE's shareholders approved the Reorganization in fulfillment of this provision. The Privatization Act requires that the GSE be liquidated on or before September 30, 2008, upon which its federal charter will be rescinded. During the Wind-Down Period, the Company will remain a passive entity that supports the operations of the GSE and its other non-GSE subsidiaries, and any new business activities will be conducted through such subsidiaries.

The Privatization Act requires all personnel and certain assets to be transferred to non-GSE subsidiaries of the Company in connection with the Reorganization, including the transfer of the GSE's interest in certain subsidiaries. The GSE's student loans and related contracts, warehousing advances and other program-related or financial assets (such as portfolio investments, letters of credit, swap agreements and forward purchase commitments) and any non-material assets that the GSE Board determines to be necessary for or appropriate to continued GSE operations, may be retained by the GSE. Employees of the GSE were transferred to the Management Company at the effective time of the Reorganization. Employees who were employed by non-GSE subsidiaries of the GSE before the Reorganization continue to be employed by such subsidiaries.

During the Wind-Down Period, the GSE is restricted in the new business activities it may undertake. The GSE may continue to purchase student loans only through September 30, 2007, and warehousing advance, letter of credit and standby bond purchase activity by the GSE is limited to takedowns on contractual financing and guarantee commitments in place at the effective time of the Reorganization. In addition, the Company, and its non-GSE subsidiaries may not make secondary market purchases of FFELP loans for so long as the GSE is actively acquiring insured student loans.

In certain circumstances, the GSE will continue to serve as a lender of last resort and will provide secondary market support for the FFELP upon the request of the Secretary of Education. If and to the extent that the GSE performs such functions, however, it will not be required to pay a statutorily imposed 30 basis point offset fee on such loans. The GSE may transfer assets and declare dividends, from time to time, if it maintains a minimum capital ratio of at least 2 percent until the year 2000. After that time, charter amendments effected by the Privatization Act require that the GSE maintain a minimum capital ratio of at least 2.25 percent. In the event that the GSE does not maintain the required minimum capital ratio, the Company is required to supplement the GSE's capital to achieve such minimum capital ratio.

The GSE's debt obligations, including debt obligations that were outstanding at the time of the Reorganization, continue to be outstanding obligations of the GSE and will not be transferred to any other entity (except in connection with the defeasance trust described below). See "-- GSE Dissolution After Reorganization." The Privatization Act provides that the Reorganization does not modify the attributes accorded to the debt obligations of the GSE by the GSE's charter. During the Wind-Down Period, the GSE can continue to issue debt in the government agency market to finance student loans and other permissible asset purchases. The maturity date of such issuances, however, may not extend beyond September 30, 2008, the GSE's final dissolution date. This restriction does not apply to debt issued to finance any lender of last resort or secondary market purchase activity requested by the Secretary of Education. The Privatization Act is clear that the Reorganization (and the subsequent transfer of any remaining GSE debt to the defeasance trust described below) will not modify the legal status of any GSE debt obligations, whether such obligations existed at the time of Reorganization or are subsequently issued.

Oversight Authority. During the Wind-Down Period, the Secretary of the Treasury has extended oversight authority to monitor the activities of the GSE and, in certain cases, the Company and its non-GSE subsidiaries to the extent that the activities of such entities are reasonably likely to have a material impact on the financial condition of the GSE. The U.S. Department of the Treasury has established the Office of Sallie Mae Oversight to perform these functions. During this period, the Secretary of the Treasury may require that the GSE submit periodic reports regarding any potentially material financial risk of its associated persons and its procedures for monitoring and controlling such risk. The Company is expressly prohibited from transferring ownership of the GSE or causing the GSE to file bankruptcy without the approval of the Secretary of the Treasury and the Secretary of Education. Each of the Secretary of Education and the Secretary of the Treasury has express authority to request that the Attorney General bring an action, or may bring an action under the direction and control of the Attorney General, in the United States District Court for the District of Columbia, for the enforcement of any provision of the GSE's safety and soundness requirements or the requirements of the Privatization Act in general.

Restrictions on Intercompany Relations. The Privatization Act restricts intercompany relations between the GSE and its affiliates during the Wind-Down Period. Specified corporate formalities must be followed to ensure that the separate corporate identities of the GSE and its affiliates are maintained. Specifically, the Privatization Act provides that the GSE must not extend credit to, nor guarantee any debt obligations of, the Company or its subsidiaries. The Privatization Act also provides that (i) the funds and assets of the GSE must at all times be maintained separately from the funds and assets of the Company and its subsidiaries, (ii) the GSE must maintain books and records that clearly reflect the assets and liabilities of the GSE, separate from the assets and liabilities of the Company or its subsidiaries, (iii) the GSE must maintain a corporate office that is physically separate from any office of the Company and its subsidiaries, (iv) no director of the GSE who is appointed by the President may serve as a director of the Company and (v) at least one officer of the GSE must be an officer solely of the GSE.

Furthermore, the Privatization Act mandates that transactions between the GSE and the Company, including any loan servicing arrangements, shall be on terms no less favorable to the GSE than the GSE could obtain from an unrelated third party, and any amounts collected on behalf of the GSE by the Company pursuant to a servicing contract or other arrangement between the GSE and the Company shall be immediately deposited by the Company to an account under the sole control of the GSE.

Limitations on Company Activities. During the Wind-Down Period, the Company must remain a passive entity that holds the stock of its subsidiaries and provides funding and management support to such subsidiaries. The Privatization Act contemplates that until the GSE is dissolved, the Company's business activities will be conducted through subsidiaries. However, the Privatization Act extends to the Company and its subsidiaries the GSE's "eligible lender" status for loan consolidation and secondary market purchases. See "Business."

The Company and its non-GSE subsidiaries generally may not begin to make secondary market purchases of FFELP student loans for so long as the GSE is actively acquiring insured student loans. Subject to the foregoing, the Company may elect, at any time, to transfer new student loan purchase activity from the GSE to one of its non-GSE subsidiaries. Under the Higher Education Act, loans acquired after August 10, 1993 and held by the GSE are subject to a 30 basis point per annum "offset fee." The offset fee does not apply to loans held or securitized by the Company or its non-GSE subsidiaries.

Although the GSE may not finance the activities of the Company's non-GSE subsidiaries, it may, subject to its minimum capital requirements, dividend retained earnings and surplus capital to the Company, which in turn may use such amounts to support its non-GSE subsidiaries. The GSE's charter requires that the GSE maintain a minimum capital ratio of at least 2 percent until the year 2000, and charter amendments effected by the Privatization Act require that the GSE maintain a minimum capital ratio of at least 2.25 percent thereafter. In the event that the GSE's capital falls below the applicable required level, the Company is required to supplement the GSE's capital to achieve such required level. The Privatization Act further directs that, unless and until distributed as dividends by the GSE, under no circumstances shall the assets of the GSE be available or used to pay claims or debts of or incurred by the Company.

In exchange for the payment of $5 million to the District of Columbia Financial Responsibility and Management Assistance Authority (the "Control Board"), the Company and its other subsidiaries may continue to use the name "Sallie Mae," but not the name "Student Loan Marketing Association," as part of their legal names or as a trademark or service mark. Interim disclosure requirements in connection with securities offerings and promotional materials are required to avoid marketplace confusion regarding the separateness of the GSE and its affiliated entities. During the Wind-Down Period and until one year after repayment of all outstanding GSE debt, the "Sallie Mae" name may not be used by any Company unit that issues debt obligations or other securities to any person or entity other than the Company or its subsidiaries. In addition, the Privatization Act required the Company to issue certain warrants to purchase the Company's Common Stock (the "Warrants") to the Control Board. These provisions of the Privatization Act were part of the terms negotiated with the Administration and Congress in conjunction with the GSE's privatization. The Company issued the Warrants on August 7, 1997.

GSE Dissolution After Reorganization. The Privatization Act provides that the GSE will liquidate and dissolve on September 30, 2008, unless an earlier dissolution is requested by the GSE and the Secretary of Education makes no finding that the GSE continues to be needed as a lender of last resort under the GSE charter or to purchase loans under certain agreements with the Secretary of Education. In connection with such dissolution, the GSE must transfer any remaining GSE obligations into a defeasance trust for the benefit of the holders of such obligations, along with cash or full faith and credit obligations of the United States, or an agency thereof, in amounts sufficient, as determined by the Secretary of the Treasury, to pay the principal and interest on the deposited obligations. As of December 31, 1997, the GSE had $381 million in current carrying value of debt obligations outstanding with maturities after September 30, 2008. If the GSE has insufficient assets to fully fund such GSE debt obligations outstanding at the time of dissolution, the Company must transfer sufficient assets to the trust to account for this shortfall. The Privatization Act also requires that on the dissolution date, the GSE shall repurchase or redeem, or make proper provisions for the repurchase or redemption of, any outstanding shares of preferred stock, of which the GSE has issued Series A and B Adjustable Rate Cumulative Preferred Stock. The Series A Preferred Stock is carried at its liquidation value of $50.00 per share for a total of $214 million and pays a variable dividend that has been at its minimum rate of 5 percent per annum for the last several years. The Series B Preferred Stock is carried at its liquidation value of $500,000 per share for a total of $100 million and pays a variable dividend that is equal to 3-month London Interbank Offered Rate ("LIBOR") plus one percent per annum divided by 1.377. Upon dissolution, the GSE charter will terminate, and any assets that the GSE continues to hold after establishment of the trust or that remain in the trust after full payment of the remaining obligations of the GSE assumed by the trust will be transferred to the Company or its affiliates, as determined by the Company's Board of Directors.

GSE Regulation

The GSE's structure and the scope of its business activities are set forth in its charter. The charter, which is subject to review and change by Congress, sets forth certain restrictions on the GSE's business and financing activities and charges the federal government with certain oversight responsibilities with respect to these activities. The GSE's charter grants the GSE certain exemptions from federal and state laws. The GSE's charter's primary regulatory restrictions and exemptions, including certain provisions added by the Privatization Act, are summarized as follows:

1. Seven members of the GSE's 21-member Board of Directors are appointed by the President of the United States. The other 14 members are elected by the Company as the holder of the GSE's Common Stock. The Chairman of the Board is designated by the President of the United States from among the Board's 21 members.

2. Debt obligations issued by the GSE are exempt from state taxation to the same extent as United States government obligations. The GSE is exempt from all taxation by any state or by any county, municipality or local taxing authority except with respect to real property taxes. The GSE is not exempt from federal corporate income taxes.

3. All stock and other securities of the GSE are deemed to be exempt securities under the laws administered by the SEC to the same extent as obligations of the United States.

4. The GSE may conduct its business without regard to any qualification or similar statute in any state of the United States, including the District of Columbia, the Commonwealth of Puerto Rico and the territories and possessions of the United States (although the scope of the GSE's business is generally limited by its federal charter).

5. The issuance of GSE debt obligations must be approved by the Secretary of the Treasury.

6. The GSE is required to have its financial statements examined annually by independent certified public accountants and to submit a report of the examination to the Secretary of the Treasury. The Department of the Treasury is also authorized to conduct audits of the GSE and to otherwise monitor the GSE's financial condition. The GSE is required to submit annual reports of its operations and activities to the President of the United States and Congress. The GSE must pay up to $800,000 per year to the Department of the Treasury to cover the costs of its oversight.

7. The GSE is subject to certain "safety and soundness" regulations, including the requirement that the GSE maintain a 2.00 percent capital adequacy ratio (increasing to 2.25 percent after January 1, 2000). The GSE may pay dividends only upon certification that, at the time of a dividend declaration and after giving effect to the payment of such dividend, the capital adequacy ratio is satisfied.

8. The Secretary of Education and the Secretary of the Treasury have certain enforcement powers under the GSE's charter.

9. A 30 basis point annual offset fee, unique to the GSE, is payable to the Secretary of Education on student loans purchased and held by the GSE on or after August 10, 1993. See "Legal Proceedings."

10. In certain circumstances, at the request of the Secretary of Education, the GSE is required to act as a lender of last resort to make FFELP loans when other private lenders are not available. Such loans are not subject to the 30 basis point offset fee on loans held by the GSE.

Other Regulation

Under the Higher Education Act, the GSE is an "eligible lender" for purposes only of purchasing and holding loans made by other lenders and making consolidation and lender of last resort loans. Like other participants in insured student loan programs, the Company is subject, from time to time, to review of its student loan operations by the General Accounting Office, the DOE and certain guarantee agencies. The laws relating to insured student loan programs are subject to revision from time to time and changes to such laws are beyond the Company's control. In addition, SMSC, as a servicer of student loans, is subject to certain DOE regulations regarding financial responsibility and administrative capability that govern all third party servicers of insured student loans. Failure to satisfy such standards may result in the loss of the government guarantee of FFELP loans. ESI is a broker-dealer registered with the SEC and the National Association of Securities Dealers (the "NASD") and is licensed to do business in 50 states. ESI is subject to regulation by the SEC and the NASD as a municipal security broker-dealer. HICA, a South Dakota stock insurance company, is subject to the ongoing regulatory authority of the South Dakota Division of Insurance and that of comparable governmental agencies in six other states.

Non-Discrimination and Limitations on Affiliation with Depository Institutions

The Privatization Act also amended the Higher Education Act to provide that the GSE and any successor entity (including the Company) functioning as a secondary market for federally insured student loans may not engage, directly or indirectly, in any pattern or practice that results in a denial of a borrower's access to insured loans because of the borrower's race, sex, color, religion, national origin, age, disability status, income, attendance at a particular institution, length of a borrower's educational program or the borrower's academic year at an eligible institution.

Pub. L. No. 104-208, the federal budget legislation of which the Privatization Act was a part, contains amendments to the Federal Deposit Insurance Act and the Federal Credit Union Act that prohibit all government-sponsored enterprises from directly or indirectly sponsoring or providing non-routine financial support to certain credit unions and depository institutions. Depository institutions are also prohibited from being affiliates of government-sponsored enterprises. Thus, neither the Company nor any of its subsidiaries may be affiliated with a depository institution until the GSE is dissolved. Most originators of insured student loans are depository institutions that qualify as "eligible lenders" under the Higher Education Act.

As of December 31, 1997, the Company employed 4,608 employees nationwide.

Item 2. Properties

The following table lists the principal facilities owned by the Company:

LOCATION	FUNCTION	APPROXIMATE SQUARE FEET
Reston, VA	Operations/Headquarters	395,000
Wilkes Barre, PA	Loan Servicing Center	135,000
Killeen, TX	Loan Servicing Center	133,000
Lynn Haven, FL	Loan Servicing Center	133,000
Lawrence, KS	Loan Servicing Center	52,000

The Company leases approximately 36,800 square feet of office space for its loan servicing center in Waltham, Massachusetts, 39,100 square feet of office space for its loan servicing center in Spokane, Washington and 47,000 square feet of additional space for its loan servicing center in Lawrence, Kansas. The GSE leases approximately 254,000 square feet of office space in Washington, D.C. for its former headquarters. The Company has entered into and is currently negotiating subleases through the term of these leases, which expire in 2001, and other arrangements to terminate the GSE's obligations under these leases. With the exception of the Pennsylvania loan servicing center, none of the Company's facilities is encumbered by a mortgage. The Company believes that its headquarters and loan servicing centers are generally adequate to meet its long-term student loan and new business goals.

The Company's principal office is located in owned space at 11600 Sallie Mae Drive, Reston, Virginia, 20193.

Item 3. Legal Proceedings.

The Higher Education Act imposes a 30 basis point per annum "offset fee" to student loans held by the GSE. The Secretary of Education initially interpreted the Higher Education Act to apply that fee both to loans held directly by the GSE and to loans sold by the GSE to securitization trusts. In April 1995, the Company filed suit in the U.S. District Court for the District of Columbia to challenge the constitutionality of the 30 basis point fee and the application of the fee to loans securitized by the Company. On November 16, 1995, the District Court ruled that the fee is constitutional, but that, contrary to the Secretary of Education's interpretation, the fee does not apply to securitized loans. Both the Company and the United States appealed this ruling. On January 10, 1997, the U.S. Court of Appeals for the District of Columbia Circuit struck down the Secretary of Education's interpretation, ruling that the fee applies only to loans that the GSE owns and remanding the case to the District Court with instructions to remand the matter to the Secretary of Education. In addition, the Court of Appeals upheld the constitutionality of the offset fee for loans owned by the GSE. The offset fee applies annually to the principal amount of student loans that the GSE holds and that were acquired on or after August 10, 1993.

On April 29, 1997, U.S. District Court Judge Stanley Sporkin ordered the DOE to decide by July 31, 1997 its final position on the application of the offset fee to loans that the GSE has securitized. On July 23, 1997, the DOE decided that the 30 basis point annual offset fee that the GSE is required to pay on student loans that it owns does not apply to student loans that the GSE has securitized. Based upon this favorable determination, a contingent gain of $97 million pre-tax that had not been recognized in income through June 30, 1997 was released and recognized in income in the third quarter of 1997. All future securitization gains will be calculated without consideration of the offset fee.

On December 19, 1996, Orange County, California filed an amended complaint against the Company in the U.S. Bankruptcy Court for the Central District of California. The case is currently pending in the U.S. District Court for the Central District of California. The complaint alleges that the Company made fraudulent representations and omitted material facts in offering circulars on various bond offerings purchased by Orange County, which contributed to Orange County's market losses and subsequent bankruptcy. The complaint seeks to hold the GSE liable for losses resulting from Orange County's bankruptcy, but does not specify the amount of damages claimed. The complaint against the Company is one of numerous cases filed by Orange County that have been coordinated for discovery purposes. Other defendants include Merrill Lynch, Morgan Stanley, KPMG Peat Marwick, Standard & Poor's and Fannie Mae. The complaint includes a claim of fraud under Section 10(b) of the Securities Exchange Act and Rule 10b-5 promulgated thereunder. The complaint also includes counts under the California Corporations Code and a count of common law fraud. On December 24, 1997, the Company filed a motion for partial summary judgment dismissing certain of Orange County's claims. The Company believes that the complaint is without merit and intends to defend the case vigorously. At this time, management believes the impact of the lawsuit will not be material to the Company.

In September 1996, the Company obtained a declaratory judgment against the Secretary of Education in the U.S. District Court for the District of Columbia to the effect that the Secretary erred in refusing to allow the Company to claim adjustments to Special Allowance Payments on certain FFELP loans that were required to be converted retrospectively from a fixed rate to a variable rate. On September 30, 1997 the U.S. Court of Appeals for the District of Columbia Circuit affirmed the District Court's decision granting the declaratory judgment.

Item 4. Submission of Matters to a Vote of Security-Holders

Nothing to report.

Part II.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock is listed and traded on the New York Stock Exchange under the symbol SLM. The number of holders of record of the Company's Common Stock as of March 3, 1998 was approximately 668. The following table sets forth the high and low sales prices for the Company's Common Stock for each full quarterly period within the two most recent fiscal years . The prices in this table are adjusted to reflect a 7-for-2 stock split, which was effected on January 2, 1998 as a stock dividend of five shares for every two shares outstanding.

COMMON STOCK PRICES

		1st Quarter	2d Quarter	3d Quarter	4th Quarter
1996	High	$24 39/64	$23 55/64	$22	$28 5/64
	Low	18 5/64	18 55/64	19 25/32	22 5/64
1997	High	32 41/64	39 23/64	45 55/64	47 11/64
	Low	25 27/64	27 1/32	36 9/32	35 9/32

The Company paid regular quarterly dividends of $.1143 per share on the Common Stock in each of the first three quarters of 1996, $.1257 per share for the fourth quarter of 1996 and the first three quarters of 1997 and $.14 for the fourth quarter of 1997 and the first quarter of 1998.

Item 6. Selected Financial Data

Reference is made to the information regarding selected financial data for the fiscal years 1993 through 1997, under the heading "Selected Financial Data 1993-1997" on page 68 of the Company's 1997 Annual Report to Shareholders, which information is included as part of Exhibit 13 and is hereby incorporated by reference in this Annual Report on Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

Reference is made to the information appearing under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 23 through 38 of the Company's 1997 Annual Report to Shareholders, which information is included as part of Exhibit 13 and is hereby incorporated by reference in this Annual Report on Form 10-K.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

Reference is made to the information appearing under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 34 through 36 of the Company's 1997 Annual Report to Shareholders, which information is included as part of Exhibit 13 and is hereby incorporated by reference in this Annual Report on Form 10-K.

Item 8. Financial Statements and Supplementary Data

Consolidated financial statements of the Company at December 31, 1997 and December 31, 1996 and for each of the three years in the period ended December 31, 1997 are included as part of Exhibit 13 and are incorporated by reference in this Annual Report on Form 10-K from the Company's 1997 Annual Report to Shareholders, on pages 39 through 64. The Report of the Independent Public Accountants on the consolidated balance sheet of the Company and its subsidiaries for the year ended December 31, 1997 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended is included as part of Exhibit 13 and is hereby incorporated by reference in this Annual Report on Form 10-K. The Report of the Independent Public Accountants on the consolidated balance sheet of the Company and its subsidiaries for the year ended December 31, 1996 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the two years in the period ended December 31, 1996 is filed separately as Financial Statement Schedule Number XX under Item 14 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Part III.

Item 10. Directors and Executive Officers of the Registrant

The information as to the directors and executive officers of the Company set forth under the captions "PROPOSAL 1 -- ELECTION OF DIRECTORS -- Information Concerning Nominees" and "Executive Officers" in the Proxy Statement to be filed on Schedule 14A relating to the Company's Annual Meeting of Stockholders scheduled to be held on May 21, 1998 (the "Proxy Statement") is incorporated into this Report by reference.

Item 11. Executive Compensation

The information set forth under the caption "Executive Compensation" in the Proxy Statement is incorporated into this Report by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information set forth under the caption "COMMON STOCK INFORMATION - -- Board and Management Ownership" and "-- Principal Holders" in the Proxy Statement is incorporated into this Report by reference thereto. There are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in control of the Company.

Item 13. Certain Relationships and Related Transactions.

The information set forth under the caption "EXECUTIVE COMPENSATION -- Certain Transactions" in the Proxy Statement is incorporated into this Report by reference.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) 1. Financial Statements

The financial statements listed in the accompanying index to financial statements and financial statement schedules are filed or incorporated by reference as part of this annual report.

2. Financial Statement Schedules

Schedule Number	Description
XX	Separate Report of Predecessor Accountant

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits

The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this annual report.

(b) Reports on Form 8-K.

The Company filed the following Current Reports on Form 8-K during the fourth quarter of 1997:

DATE	ITEMS REPORTED	FINANCIAL STATEMENTS
10/21/97	Amendment to Current Report on Form 8-K filed by the Company on August 14, 1997 (which reported the reorganization of the GSE into a wholly owned subsidiary of the Company pursuant to the Privatization Act)	The financial statements of the GSE for the periods specified in 17 C.F.R. ss.210-3.05
10/29/97	Change in the Company's Certifying Accountant	None

(c) Exhibits.

*2	Agreement and Plan of Reorganization by and among the Student Loan Marketing Association, SLM Holding Corporation, and Sallie Mae Merger Company.
**3.1	Amended and Restated Certificate of Incorporation of the Registrant
**3.2	By-Laws of the Registrant
**4	Warrant Certificate No. W-2, dated as of August 7, 1997
*10.1	Board of Director's Restricted Stock Plan
*10.2	Board of Director's Stock Option Plan
*10.3	Deferred Compensation Plan for Directors
*10.4	Incentive Performance Plan
*10.5	Stock Compensation Plan
*10.6	1993-1998 Stock Option Plan
*10.7	Supplemental Pension Plan
*10.8	Supplemental Employees' Thrift & Savings Plan (Sallie Mae 401(K) Supplemental Savings Plan)
+13	Portions of the Annual Report to Shareholders for fiscal year ended December 31, 1997 expressly incorporated by reference herein.
-21	Subsidiaries of the Registrant
+23.1	Consent of Ernst & Young LLP
+23.2	Consent of Arthur Andersen LLP
+27	Financial Data Schedule

- ----------------------------------

* Incorporated by reference to the correspondingly numbered exhibits to the Registrant's Registration Statement on Form S-4, as amended (File No. 333-21217)

** Incorporated by reference to the correspondingly numbered exhibits to the Registrant's Registration on Form S-1 (File No. 333-38391)

\+ Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: March 27, 1998

SLM HOLDING CORPORATION

By: /s/ ALBERT L. LORD

Name: Albert L. Lord

Title: Chief Executive Officer

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the dates indicated.

SIGNATURE	TITLE	DATE
/S/ ALBERT L. LORD Albert L. Lord	Chief Executive Officer (Principal Executive Officer)	March 27, 1998
/S/ MARK G. OVEREND Mark G. Overend	Chief Financial Officer (Principal Financial and Accounting Officer)	March 27, 1998
/S/ EDWARD A. FOX Edward A. Fox	Chairman of the Board of Directors	March 27, 1998
/S/ JAMES E. BRANDON James E. Brandon	Director	March 27, 1998
/S/ CHARLES L. DALEY Charles L. Daley	Director	March 27, 1998
/S/ THOMAS J. FITZPATRICK Thomas J. Fitzpatrick	Director	March 27, 1998
/S/ DIANE SUITT GILLELAND Diane Suitt Gilleland	Director	March 27, 1998

SIGNATURE	TITLE	DATE
/S/ ANN TORRE GRANT Ann Torre Grant	Director	March 27, 1998
/S/ RONALD F. HUNT Ronald F. Hunt	Director	March 27, 1998
/S/ BENJAMIN J. LAMBERT, III Benjamin J. Lambert, III	Director	March 27, 1998
/S/ MARIE V. McDEMMOND Marie V. McDemmond	Director	March 27, 1998
/S/ BARRY A. MUNITZ Barry A. Munitz	Director	March 27, 1998
/S/ A. ALEXANDER PORTER A. Alexander Porter	Director	March 27, 1998
/S/ WOLFGANG SCHOELLKOPF Wolfgang Schoellkopf	Director	March 27, 1998
/S/ STEVEN L. SHAPIRO Steven L. Shapiro	Director	March 27, 1998
/S/ RANDOLPH H. WATERFIELD, JR. Randolph H. Waterfield, Jr.	Director	March 27, 1998

The Board of Directors and Stockholders
SLM Holding Corporation

We have audited the accompanying consolidated balance sheets of SLM Holding Corporation at December 31, 1996, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SLM Holding Corporation at December 31, 1996, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

As discussed in Note 2, the Company's financial statements for 1995 have been restated to reflect a change in its method of accounting for student loan income.

Washington, D.C. /s/ Ernst & Young LLP
January 13, 1997, except as to the
eighteenth and nineteenth paragraphs of Note 2,
which is as of April 7, 1997

Appendix A

THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

General

The Federal Family Education Loan Program ("FFELP") (formerly the Guaranteed Student Loan Program ("GSLP")) under Title IV of the Higher Education Act (the "Act") provides for loans to be made to students or parents of dependent students enrolled in eligible institutions to finance a portion of the costs of attending school. If a borrower defaults on a student loan, becomes totally or permanently disabled, dies, files for bankruptcy or attends a school that closes prior to the student earning a degree, or if the applicable education institution falsely certifies the borrower's eligibility for a federally insured student loan (collectively "insurance triggers"), the holder of the loan (which must be an eligible lender) may file a claim with the applicable state or private nonprofit guarantee agency (each a "Guarantee Agency"). Provided that the loan has been properly originated and serviced, the Guarantee Agency pays the holder all or a portion of the unpaid principal balance on the loan as well as accrued interest ("Guarantee Payments"). Origination and servicing requirements, as well as procedures to cure deficiencies, are established by the U.S. Department of Education (the "Department") and the various Guarantee Agencies.

Under the FFELP, payment of principal and interest with respect to the student loans is guaranteed against default, death, bankruptcy or disability of the applicable borrower by the applicable Guarantee Agency. As described herein, the guarantee agencies are entitled, subject to certain conditions, to be reimbursed for all or a portion of Guarantee Payments they make by the Department pursuant to a program of federal reinsurance under the Act. See "-- Guarantee Agencies".

Guarantee Agencies enter into reinsurance agreements with the Secretary of Education pursuant to which the Secretary agrees to reimburse the Guarantee Agency for all or a portion of the amount expended by the Guarantee Agency in discharge of its guarantee obligation with respect to default claims provided the loans have been properly originated and serviced. Except for claims resulting from death, disability or bankruptcy of a borrower or where the school the borrower attended closed or the borrower's eligibility was falsely certified, in which cases the Secretary pays the full amount of the claim, the amount of reinsurance depends on the default experience of the Guarantee Agency. See "-- Federal Insurance and Reinsurance of Guarantee Agencies".

In the event of a shortfall between the amounts of claims paid to holders of defaulted loans and reinsurance payments from the federal government, Guarantee Agencies pay the claims from their reserves. These reserves come from four principal sources: insurance premiums they charge on student loans (currently up to 1 percent of loan principal), administrative cost allowances from the Department (payment of which is currently discretionary on the part of the Department)1, debt collection activities (generally, the Guarantee Agency may retain 27 percent of its collections on defaulted student loans), and investment income from reserve funds. Claims which a Guarantee Agency is financially unable to pay will be paid by the Secretary or transferred to a financially sound Guarantee Agency, if the Secretary makes the necessary determination that the guarantor is financially unable to pay.

Several types of guaranteed student loans are currently authorized under the Act: (i) loans to students who pass certain financial need tests ("Subsidized Stafford Loans"); (ii) loans to students who do not pass the Stafford need tests or who need additional loans to supplement their Subsidized Stafford Loans ("Unsubsidized Stafford Loans"); (iii) loans to parents of students ("PLUS Loans") who are dependents and whose need exceed the financing available from Subsidized Stafford Loans and/or Unsubsidized Stafford Loans; and (iv) loans to consolidate the borrower's obligations under various federally authorized student loan programs into a single loan ("Consolidation Loans"). Prior to July 1, 1994 the Act also permitted loans to graduate and professional students and independent undergraduate students and, under certain circumstances, dependent undergraduate students who needed additional loans to supplement their Subsidized Stafford Loans ("Supplemental Loans to Students" or "SLS Loans").

The FFELP is subject to statutory and regulatory revision from time to time. The most recent significant revisions are contained in the Higher Education Amendments of 1992 ("the 1992 Amendments"), the Omnibus Budget Reconciliation Act of 1993 ("the 1993 Act") and the "Higher Education Technical Amendments of 1993" (the "Technical Amendments"). As part of the 1992 Amendments the name of the Guaranteed Student Loan Program was changed to the FFELP. The 1993 Act contains significant changes to the FFELP and creates a direct loan program funded directly by the U.S. Department of Treasury (each loan under such program, a "Federal Direct Student Loan").

Following enactment of the 1992 Amendments, Subsidized Stafford Loans, Unsubsidized Stafford Loans, PLUS Loans and Consolidation Loans are officially referred to as "Federal Stafford Loans," "Federal Unsubsidized Stafford Loans," "Federal PLUS Loans" and "Federal Consolidation Loans," respectively.

The description and summaries of the Act, the FFELP, the Guarantee Agreements and the other statutes and regulations referred to in this report not purport to be comprehensive, and are qualified in their entirety by reference to each such statute or regulation. The Act is codified at 20 U.S.C. ss.1071 et seq., and the regulations promulgated thereunder can be found at 34 C.F.R. Part 682. There can be no assurance that future amendments or modifications will not materially change any of the terms or provisions of the programs described in this report of the statutes and regulations implementing these programs.

- --------------

1 The Fiscal Year 1996 Omnibus Appropriations Act provided that for the 1995 1996 federal fiscal years, the Secretary must pay an administrative cost allowance to guaranty agencies equal to .085 percent of each agency's loan originations.

Legislative and Administrative Matters

The Act was amended by enactment of the 1992 Amendments, the general provisions of which became effective on July 23, 1992 and which extend the principal provisions of the FFELP to September 30, 1998 (or in the case of borrowers who have received loans prior to that date, September 30, 2002, except that authority to make Consolidation Loans expires on September 30, 1998). The Technical Amendments became effective on December 20, 1993.

The 1993 Act, effective on August 10, 1993, implements a number of changes to the federal guaranteed student loan programs, including imposing on lenders or holders of guaranteed student loans certain fees, providing for 2 percent lender risk sharing, reducing interest rates and Special Allowance Payments for certain loans, effectively reducing the interest payable to holders of Consolidation Loans and affecting the Department's financial assistance to Guarantee Agencies, including by reducing the percentage of claims the Department will reimburse Guarantee Agencies and reducing more substantially the premiums and default collections that Guarantee Agencies are entitled to receive and/or retain. In addition, such legislation also contemplates replacement of at least 60 percent of the federal guaranteed student loan programs with direct lending by the Department by the 1998-99 academic year.

Eligible Lenders, Students and Institutions

Lenders eligible to make and/or hold loans under the FFELP generally include banks, savings and loan associations, credit unions, pension funds, insurance companies and, under certain conditions, schools and guarantee agencies. Sallie Mae is an eligible lender for making Consolidation Loans and as a lender of last resort and for holding FFELP loans.

A FFELP loan may be made only to qualified borrowers. Generally a qualified borrower is an individual or parent of an individual who (a) has been accepted for enrollment or is enrolled and is maintaining satisfactory progress at an eligible institution, (b) is carrying or will carry at least one-half of the normal full-time academic workload for the course of study the student is pursuing, as determined by such institution, (c) has agreed to notify promptly the holder of the loan of any address change and (d) meets the applicable "need" requirements for the particular loan program. Each loan is to be evidenced by an unsecured promissory note signed by the qualified borrower.

Eligible institutions are post-secondary schools which meet the requirements set forth in the Act. They include institutions of higher education, proprietary institutions of higher education and post-secondary vocational institutions. With specified exceptions, institutions are excluded from consideration as eligible institutions if the institution (i) offers more than 50 percent of its courses by correspondence; (ii) enrolls 50 percent or more of its students in correspondence courses; (iii) has a student enrollment in which more than 25 percent of the students are incarcerated; or (iv) has a student enrollment in which more than 50 percent of the students are admitted without a high school diploma or its equivalent on the basis of their ability to benefit from the education provided (as defined by statute and regulation). Further, schools are specifically excluded from participation if (i) the institution has filed for bankruptcy or (ii) the institution, the owner or its chief executive officer, has been convicted or pleaded nolo contendere or guilty to a crime involving the acquisition, use or expenditure of federal student aid funds, or has been judicially determined to have committed fraud involving funds under the student aid program. In order to participate in the program, the eligibility of a school must be approved by the Department under standards established by regulation.

Financial Need Analysis

Student loans may generally be made in amounts, subject to certain limits and conditions, to cover the student's estimated costs of attendance, including tuition and fees, books, supplies, room and board, transportation and miscellaneous personal expenses (as determined by the institution). Each borrower must undergo a need analysis, which requires the borrower to submit a need analysis form which is forwarded to the federal central processor. The central processor evaluates the parents' and student's financial condition under federal guidelines and calculates the amount that the student and/or the family is expected to contribute towards the student's cost of education (the "family contribution"). After receiving information on the family contribution, the institution then subtracts the family contribution from its cost of attendance to determine the student's eligibility for grants, Subsidized Stafford Loans and work assistance. The difference between (a) the sum of the (i) amount of grants, (ii) the amount earned through work assistance and (iii) the amount of Subsidized Stafford Loans for which the borrower is eligible and (b) the student's estimated cost of attendance (the "Unmet Need") may be borrowed through Unsubsidized Stafford Loans. Parents may finance the family contribution amount through their own resources or through PLUS Loans.

Special Allowance Payments

The Act provides for quarterly special allowance payments ("Special Allowance Payments") to be made by the Department to holders of student loans to the extent necessary to ensure that such holder receives at least a specified market interest rate of return on such loans. The rates for Special Allowance Payments are based on formulas that differ according to the type of loan and the date the loan was originally made or insured. A Special Allowance Payment is made for each of the 3-month periods ending March 31, June 30, September 30, and December 31. The Special Allowance Payments equal the average unpaid principal balance (including interest permitted to be capitalized) of all eligible loans held by such holder during such period multiplied by the special allowance percentage. The special allowance percentage shall be computed by (i) determining the average of the bond equivalent rates of 91-day Treasury bills auctioned for such 3-month period, (ii) subtracting the applicable borrower interest rate on such loans from such average, (iii) adding the applicable Special Allowance Margin (defined below) to the resultant percentage, and (iv) dividing the resultant percentage by 4.

Date of Disbursement	Special Allowance Margin
Prior to 10/17/86....	3.50%
10/17/86-9/30/92.....	3.25%
10/01/92-6/30/95.....	3.10%
7/1/95-6/30/98.......	2.50% (Subsidized and Unsubsidized Stafford Loans, in school, grace or deferment) 3.10% (Subsidized and Unsubsidized Stafford Loans, in repayment and all other loans)

Special Allowance Payments are available on variable rate PLUS Loans and SLS Loans as described below under "PLUS and SLS Loan Programs" only to cover any amount by which the variable rate, which is reset annually based on the 52-week Treasury Bill, would exceed the applicable maximum rate.

As part of the amendments made to the Act by the Omnibus Budget Reconciliation Act of 1993, the method for calculating borrower interest and special allowance payment is scheduled to be altered for loans made on or after July 1, 1998. As of that date, the borrower interest rate on Stafford Loans and Unsubsidized Stafford Loans will be established annually at the "bond equivalent rate of the securities with the comparable maturity", as determined by the Secretary of Education, plus 1.0 percent. This rate will apply for loans both during the in-school and repayment periods. For PLUS loans, the rate will be the same, except that 2.10 percent will be added to the rate basis. Special allowance payments on these loans will be paid at the "bond equivalent rate of the securities with comparable maturities" plus 1.0 percent and reset at intervals established by the Secretary of Education. The Secretary of Education has yet to issue formal guidance on the rate basis or on the method or timing of special allowance payments for these loans.

Origination Fees

The eligible lender charges borrowers an origination fee, which in turn is passed on to the federal government, on Subsidized and Unsubsidized Stafford Loans and PLUS Loans equal to 3 percent of the principal balance of each loan. The amount of the origination fee may be deducted from each disbursement pursuant to a loan on a pro rata basis. No origination fee is paid on Consolidation Loans.

Lenders must refund all origination fees attributable to a disbursement that was returned to the lender by the school or repaid or not delivered within 120 days of the disbursement. Such origination fees must be refunded by crediting the borrower's loan balance with the applicable lender.

Stafford Loans

The Act provides for (i) federal insurance or reinsurance of Subsidized Stafford Loans made by eligible lenders to qualified students, (ii) federal interest subsidy payments on certain eligible Subsidized Stafford Loans to be paid by the Department to holders of the loans in lieu of the borrower making interest payments ("Interest Subsidy Payments"), and (iii) Special Allowance Payments representing an additional subsidy paid by the Department to the holders of eligible Subsidized Stafford Loans (collectively referred to herein as "Federal Assistance").

Subsidized Stafford Loans are loans under the FFELP that may be made, based on need, only to post-secondary students accepted or enrolled in good standing at an eligible institution who are carrying at least one-half the normal full-time course load at that institution. The Act limits the amount a student can borrow in any academic year and the amount he or she can have outstanding in the aggregate. The following chart sets forth the historic loan limits.

MAXIMUM LOAN AMOUNTS
Federal Stafford Loan Program

Borrower's Academic Level	Subsidized Pre-1/1/87	Subsidized on or after 1/1/87	All Students(1): Base Amount Subsidized and Unsubsidized on or after 7/7/93(2)	Independent Students(3): Additional Unsubsidized only on or after 7/1/94	Independent Students(3): Total Amount
Undergraduate (per year)					
1st year..................	$ 2,500	$ 2,625	$ 2,625	$ 4,000	$ 6,625
2nd year..................	$ 2,500	$ 2,625	$ 3,500	$ 4,000	$ 7,500
3rd year & above..........	$ 2,500	$ 4,000	$ 5,500	$ 5,000	$ 10,500
Graduate (per year)........	$ 5,000	$ 7,500	$ 8,500	$ 10,000	$ 18,500
Aggregate Limit					
Undergraduate............	$ 12,500	$17,250	$ 23,000	$ 23,000	$ 46,000
Graduate (including undergraduate)........	$ 25,000	$54,750	$ 65,500	$ 73,000	$138,500

- ----------

(1) The loan limits are inclusive of both Federal Stafford Loans and Federal Direct Student Loans.

(2) These amounts represent the combined maximum loan amount per year for Subsidized and Unsubsidized Stafford Loans. Accordingly, the maximum amount that a student may borrow under an Unsubsidized Loan is the difference between the combined maximum loan amount and the amount the student received in the form of a Subsidized Loan.

(3) Independent undergraduate students, graduate students or professional students may borrow these additional amounts. In addition, dependent undergraduate students may also receive these additional loan amounts if the parents of such students are unable to provide the family contribution amount and it is unlikely that the student's parents will qualify for a Federal PLUS Loan.

(4) Some graduate health profession students otherwise eligible to borrow under HEAL may be entitled to increase unsubsidized loan limits not to exceed HEAL statutory limits for each course of study per academic year.

The interest rate paid by borrowers on a Subsidized Stafford Loan is dependent on the date of the loan except for loans made prior to October 1, 1992, whose interest rate depends on any outstanding borrowings of that borrower as of such date. The rate for variable rate Subsidized Stafford Loans applicable for any 12-month period beginning on July 1 and ending on June 30, is determined on the preceding June 1 and is equal to the lesser of (a) the applicable Maximum Rate or, (b) the sum of (i) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1, and (ii) the applicable Interest Rate Margin.

Subsidized Stafford Loans

Date of Disbursement	Borrower Rate	Maximum Rate	Interest Rate Margin
09/13/83-06/30/88....	8%	8.00%	
07/01/88-09/30/92....	8% for 48 months; thereafter, 91-Day Treasury + Interest Rate Margin	8.00% for 48 months, then 10%	3.25%
10/01/92-06/30/94....	91-Day Treasury + Interest Rate Margin	9.00%	3.10%

Date of Disbursement	Borrower Rate	Maximum Rate	Interest Rate Margin
07/01/94-06/30/95....	91-Day Treasury + Interest Rate Margin	8.25%	3.10%
07/01/95-06/30/98....	91-Day Treasury + Interest Rate Margin	8.25%	2.50% (in school, grace, or deferment) 3.10% (in repayment)
After 07/01/98.......	The bond equivalent rate of the securities with a comparable maturity as established by the Secretary + Interest Rate Margin	8.25%	1.0%

The Technical Amendments provide that, for fixed rate loans made on or after July 23, 1992 and for certain loans made to new borrowers on or after July 1, 1988, the lender must convert the loan to a variable rate loan capped at the interest rate existing prior to the conversion. This conversion must have been completed by January 1, 1995.

Holders of Subsidized Stafford Loans are eligible to receive Special Allowance Payments. The Department is responsible for paying interest on Subsidized Stafford Loans while the borrower is a qualified student, during a grace period or during certain deferment periods. The Department makes quarterly Interest Subsidy Payments to the owner of Subsidized Stafford Loans in the amount of interest accruing on the unpaid balance thereof prior to the commencement of repayment or during any deferment periods. The Act provides that the owner of an eligible Subsidized Stafford Loan shall be deemed to have a contractual right against the United States to receive Interest Subsidy Payments (and Special Allowance Payments) in accordance with its provisions. Receipt of Interest Subsidy Payments and Special Allowance Payments is conditioned on compliance with the requirements of the Act and continued eligibility of such loan for federal reinsurance.

Interest Subsidy Payments and Special Allowance Payments are generally received within 45 days to 60 days after the end of any given calendar quarter (provided that the applicable claim form is properly filed with the Department), although there can be no assurance that such payments will in fact be received from the Department within that period.

Repayment of principal on a Subsidized or Unsubsidized Stafford Loan typically does not commence while a student remains a qualified student, but generally begins upon expiration of the applicable grace period, as described below. Any borrower may voluntarily prepay without premium or penalty any loan and in connection therewith may waive any grace period or deferment period. In general, each loan must be scheduled for repayment over a period of not more than ten years after the commencement of repayment. The Act currently requires minimum annual payments of $600 including principal and interest, unless the borrower and the lender agree to lesser payments. As of July 1, 1995, lenders are required to offer borrowers a choice among standard, graduated and income-sensitive repayment schedules. These repayment options must be offered to all new borrowers who enter repayment on or after July 1, 1995. If a borrower fails to elect a particular repayment schedule or fails to submit the documentation necessary for the option the borrower chooses, the standard repayment schedule is used.

Repayment of principal on a Subsidized Stafford Loan must generally commence following a period of (a) not less than 9 months or more than 12 months (with respect to loans for which the applicable interest rate is 7 percent per annum) and (b) not more than 6 months (with respect to loans for which the applicable interest rate is 9 percent per annum or 8 percent per annum and for loans to first time borrowers on or after July 1, 1988) after the borrower ceases to pursue at least a half-time course of study (a "Grace Period"). However, during certain other periods (each a "Deferment Period") and subject to certain conditions, no principal repayments need be made, including periods when the student has returned to an eligible educational institution on a full-time (or in certain cases half time) basis or is pursuing studies pursuant to an approved graduate fellowship program, or when the student is a member of the Armed Forces or a volunteer under the Peace Corps Act or the Domestic Volunteer Service Act of 1973, or when the borrower is temporarily or totally disabled, or periods during which the borrower may defer principal payments because of temporary financial hardship. For new borrowers to whom loans are first disbursed on or after July 1, 1993, payment of principal may be deferred only while the borrower is at least a half-time student or is in an approved graduate fellowship program or is enrolled in a rehabilitation program, or when the borrower is seeking but unable to find full-time employment, or when for any reason the lender determines that payment of principal will cause the borrower economic hardship; in the case of unemployment or economic hardship the deferment is subject to a maximum deferment period of three years. The 1992 Amendments also require forbearance of loans in certain circumstances and permit forbearance of loans in certain other circumstances (each such period, a "Forbearance Period").

The Unsubsidized Stafford Loan program created under the 1992 Amendments is designed for students who do not qualify for Subsidized Stafford Loans and for independent graduate and professional students whose Unmet Need exceeds what they can borrow under the Subsidized Stafford Loan Program. The basic requirements for Unsubsidized Stafford Loans are essentially the same as those for the Subsidized Stafford Loans, including with respect to provisions governing the interest rate, the annual loan limits and the Special Allowance Payments. The terms of the Unsubsidized Stafford Loans, however, differ in some respects. The federal government does not make Interest Subsidy Payments on Unsubsidized Stafford Loans. The borrower must either pay interest on a periodic basis beginning 60 days after the time the loan is disbursed or capitalize the interest that accrues until repayment begins. Effective July 1, 1994, the maximum insurance premium was set at 1 percent. Subject to the same loan limits established for Subsidized Stafford Loans, the student may borrow up to the amount of such student's Unmet Need. Lenders are authorized to make Unsubsidized Stafford Loans applicable for periods of enrollment beginning on or after October 1, 1992.

PLUS and SLS Loan Programs

The Act also provides for the PLUS Program. The Act authorizes PLUS Loans to be made to parents of eligible dependent students. The 1993 Act eliminated the SLS Program after July 1, 1994.

The PLUS program permits parents of dependent students to borrow an amount equal to each student's Unmet Need. Under the former SLS program, independent graduate or professional school students and certain dependent undergraduate students were permitted to borrow subject to the same loan limitations.

The first payment of principal and interest is due within 60 days of full disbursement of the loan except for borrowers eligible for deferment who may defer principal and interest payments while eligible for deferment; deferred interest is then capitalized periodically or at the end of the deferment period under specific arrangements with the borrower. The maximum repayment term is 10 years. PLUS and SLS loans carry no in-school interest subsidy.

The interest rate determination for a PLUS or SLS loan is dependent on when the loan was originally made or disbursed. Some PLUS or SLS loans carry a variable rate. The rate varies annually for each 12-month period beginning on July 1 and ending on June 30. The variable rate is determined on the preceding June 1 and is equal to the lesser of (a) the applicable Maximum Rate or (b) the sum of (i) the bond equivalent rate of 52-week Treasury bills auctioned at the final auction held prior to such June 1, and (ii) the applicable Interest Rate Margin as set forth below.

PLUS/SLS Loans

Date of Disbursement	Borrower Rate	Maximum Rate	Interest Rate Margin
Prior to 10/01/81......	9%	9%	
10/01/81-10/31/82......	14%	14%	
11/01/82-06/30/87......	12%	12%	
07/01/87-09/30/92......	52-Week Treasury + Interest Rate Margin	12%	3.25%
10/01/92-06/30/94......	52-Week Treasury + Interest Rate Margin	PLUS 10% SLS 11%	3.10%
After 06/30/94 (SLS repealed 07/01/94	52-Week Treasury + Interest Rate Margin	9%	3.10%

A holder of a PLUS or SLS loan is eligible to receive Special Allowance Payments during any such 12-month period if (a) the sum of (i) the bond equivalent rate of 52-week Treasury bills auctioned at the final auction held prior to such June 1, and (ii) the Interest Rate Margin, exceeds (b) the Maximum Rate.

The Consolidation Loan Program

The Act authorizes a program under which certain borrowers may consolidate their various student loans into Consolidation Loans which will be insured and reinsured to the same extent as other loans made under the FFELP. Under this program, a lender may make a Consolidation Loan only if (a) such lender holds one of the borrower's outstanding student loans that is selected for consolidation, or (b) the borrower has unsuccessfully sought a Consolidation Loan from the holders of the Student Loans selected for consolidation.

Consolidation Loans are made in an amount sufficient to pay outstanding principal and accrued unpaid interest and late charges on all FFELP loans, as well as loans made pursuant to various other federal student loan programs, which were selected by the borrower for consolidation. The unpaid principal balance of a Consolidation Loan made prior to July 1, 1994 bears interest at a rate not less than 9 percent. The interest rate on a Consolidation Loan made on or after July 1, 1994 is equal to the weighted average of the interest rates on the loans selected for consolidation, rounded upward to the nearest whole percent. The holder of a Consolidation Loan made on or after October 1, 1993 must pay the Secretary a monthly rebate fee calculated on an annual basis equal to 1.05 percent of the principal plus accrued unpaid interest on any such loan.

The repayment term under a Consolidation Loan varies depending upon the aggregate amount of the loans being consolidated. In no case may the repayment term exceed 30 years. A Consolidation Loan is evidenced by an unsecured promissory note and entitles the borrower to prepay the loan, in whole or in part, without penalty.

Guarantee Agencies

The Act authorizes Guarantee Agencies to support education financing and credit needs of students at post-secondary schools. Under various programs throughout the United States, Guarantee Agencies insure student loans. The Guarantee Agencies are reinsured by the federal government for 80 percent to 100 percent of claims paid, depending on their claims experience for loans disbursed prior to October 1, 1993 and for 78 percent to 98 percent of claims paid for loans disbursed on or after October 1, 1993.

Guarantee Agencies collect a one-time insurance fee of up to 1 percent of the principal amount of each loan, other than Consolidation Loans, that the agency guarantees.

The Guarantee Agencies generally guarantee loans for students attending institutions in their particular state or region or for residents of their particular state or region attending schools in another state. Certain Guarantee Agencies have been designated as the Guarantee Agency for more than one state. Some Guarantee Agencies contract with other entities to administer their guarantee agency programs.

Federal Insurance and Reinsurance of Guarantee Agencies

A student loan is considered to be in default for purposes of the Act when the borrower fails to make an installment payment when due, or to comply with other terms of the loan, and if the failure persists for 180 days in the case of a loan repayable in monthly installments or for 240 days in the case of a loan repayable in less frequent installments.

If the loan is guaranteed by a Guarantee Agency, the eligible lender is reimbursed by the Guarantee Agency for 100 percent (98 percent for loans disbursed on or after October 1, 1993) of the unpaid principal balance of the loan plus accrued interest on any loan defaulted so long as the eligible lender has properly originated and serviced such loan. Under certain circumstances a loan deemed ineligible for reimbursement may be restored to eligibility.

Under the Act, the Department enters into a reinsurance agreement with each Guarantee Agency, which provides for federal reinsurance of amounts paid to eligible lenders by the Guarantee Agency. Pursuant to such agreements, the Department agrees to reimburse a Guarantee Agency for 100 percent of the amounts expended in connection with a claim resulting from the death, bankruptcy, or total and permanent disability of a borrower, the death of a student whose parent is the borrower of a PLUS Loan, or claims by borrowers who received loans on or after January 1, 1986 and who are unable to complete the programs in which they are enrolled due to school closure, or borrowers whose borrowing eligibility was falsely certified by the eligible institution; such claims are not included in calculating a Guaranty Agency's claims experience for federal reinsurance purposes, as set forth below. The Department is also required to repay the unpaid balance of any loan if collection is stayed under the Bankruptcy Code, and is authorized to acquire the loans of borrowers who are at high risk of default and who request an alternative repayment option from the Department.

With respect to FFELP loans in default, the Department is required to pay the applicable Guarantee Agency a certain percentage ("Reinsurance Rate") of the amount such agency paid pursuant to default claims filed by the lender on a reinsured loan. The amount of such Reinsurance Rate is subject to specified reductions when the total reinsurance claims paid by the Department to a Guarantee Agency during a fiscal year equals or exceeds 5 percent of the aggregate original principal amount of FFELP loans guaranteed by such agency that are in repayment on the last day of the prior fiscal year. Accordingly, the amount of the reinsurance payment received by the Guarantee Agency may vary. The Reinsurance Rates are set forth in the following table.

Guarantee Agency's claims experience	Applicable Reinsurance Rate
0% up to 5%........	98% (100% for loans disbursed before Oct. 1, 1993)
5% up to 9%........	88% (90% for loans disbursed before Oct. 1, 1993)
9% and over........	78% (80% for loans disbursed before Oct. 1, 1993)

- ----------

The claims experience is not cumulative. Rather, the claims experience for any given Guarantee Agency is determined solely on the basis of claims for any one federal fiscal year compared with the original principal amount of loans in repayment at the beginning of that year.

The 1992 Amendments addressed industry concerns regarding the Department's commitment to providing support in the event of Guarantee Agency failures. Pursuant to the 1992 Amendments, Guarantee Agencies are required to maintain specified reserve fund levels. Such levels are defined as 0.5 percent of the total attributable amount of all outstanding loans guaranteed by the agency for the fiscal year of the agency that begins in 1993, 0.7 percent for the agency's fiscal year beginning in 1994, 0.9 percent for the agency's fiscal year beginning in 1995, and 1.1 percent for the agency's fiscal year beginning on or after January 1, 1996. If (i) the Guarantee Agency fails to achieve the minimum reserve level in any two consecutive years, (ii) the Guarantee Agency's federal reimbursements are reduced to 80 percent (or 78 percent after October 1, 1993) or (iii) the Department determines the Guarantee Agency's administrative or financial condition jeopardizes its continued ability to perform its responsibilities, the Department must require the Guarantee Agency to submit and implement a management plan to address the deficiencies. The Department may terminate the Guarantee Agency's agreements with the Department if the Guarantee Agency fails to submit the required plan, or fails to improve its administrative or financial condition substantially, or if the Department determines the Guarantee Agency is in danger of financial collapse. In such event, the Department is authorized to undertake specified actions to assure the continued payment of claims, including making advances to guarantee agencies to cover immediate cash needs, transferring of guarantees to another Guarantee Agency, or transfer of guarantees to the Department itself.

The Act provides that, subject to compliance with the Act, the full faith and credit of the United States is pledged to the payment of federal reinsurance claims. It further provides that Guarantee Agencies are deemed to have a contractual right against the United States to receive reinsurance in accordance with its provisions. In addition, the 1992 Amendments provide that if the Department determines that a Guarantee Agency is unable to meet its insurance obligations, holders of loans may submit insurance claims directly to the Department until such time as the obligations are transferred to a new Guarantee Agency capable of meeting such obligations or until a successor Guarantee Agency assumes such obligations. There can be no assurance that the Department would under any given circumstances assume such obligation to assure satisfaction of a guarantee obligation by exercising its right to terminate a reimbursement agreement with a Guarantee Agency or by making a determination that such Guarantee Agency is unable to meet its guarantee obligations.

Lastly, the 1993 Act provides the Secretary of Education with broad authority to manage the finances and affairs of Guarantee Agencies. In general, the Act provides that agency reserve funds are federal property and may be taken by the Secretary if he determines such action is in the best interests of the loan program. Also, the Secretary has broad authority to terminate a Guarantee Agency's reinsurance agreement with the Department.

Within each fiscal year, the applicable Reinsurance Rate steps down incrementally with respect to claims made only after the claims experience thresholds are reached.

Management's Discussion and Analysis of Financial Condition and Results of Operations Years ended December 31, 1995-1997 (Dollars in millions, except per share amounts)

Overview

SLM Holding Corporation ("SLM Holding") was formed on February 3, 1997 as a wholly owned subsidiary of the Student Loan Marketing Association (the "GSE"). On August 7, 1997, pursuant to the Student Loan Marketing Association Reorganization Act of 1996 (the "Privatization Act") and approval by shareholders of an agreement and plan of reorganization, the GSE was reorganized into a subsidiary of SLM Holding (the "Reorganization"). SLM Holding is a holding company that operates through a number of subsidiaries including the GSE. References herein to the "Company" refer to the GSE and its subsidiaries for periods prior to the Reorganization and to SLM Holding and its subsidiaries for periods after the Reorganization.

On January 2, 1998, SLM Holding effected a 7-for-2 stock split through a stock dividend of an additional five shares for every two owned. All share and per share amounts have been restated to reflect the stock split.

The GSE was established in 1973 as a for-profit, stockholder-owned, government-sponsored enterprise to support the education credit needs of students by, among other things, promoting liquidity in the student loan marketplace through secondary market purchases. On July 31, 1997, at a Special Meeting of Shareholders convened pursuant to the Privatization Act, the shareholders approved the Reorganization. The Reorganization was consummated on August 7, 1997 and each outstanding share of common stock, par value $.20 per share, of the GSE was converted into one share of common stock, par value $.20 per share, of SLM Holding. Under the terms of the Reorganization, all GSE employees were transferred to non-GSE subsidiaries on August 7, 1997 and on December 31, 1997 the GSE transferred certain assets, including stock in certain subsidiaries, to SLM Holding or one of its non-GSE subsidiaries. The shareholders also elected 15 nominees of the Committee to Restore Value at Sallie Mae ("CRV") as the initial Board of Directors of SLM Holding. The new Board of Directors installed a new management team to implement the business plan that the CRV had presented to the shareholders.

The Company is the largest source of financing and servicing for education loans in the United States primarily through its participation in the Federal Family Education Loan Program ("FFELP"), formerly the Guaranteed Student Loan Program, and the Health Education Assistance Loan Program ("HEAL"). The Company's products and services include student loan purchases and commitments to purchase student loans as well as operational support to originators of student loans and to post-secondary education institutions and other education-related financial services. The Company also purchases privately insured loans, principally those insured by a wholly owned subsidiary.

Both the FFELP and HEAL programs are highly regulated. There are three types of FFELP loans: Stafford loans, PLUS loans, and consolidation loans. Generally, these loans have repayment periods of between five and ten years, with the exception of consolidation loans, and obligate the borrower to pay interest at an annually reset variable rate that has a cap or, on older loans, a stated fixed rate. In each case, pursuant to a government established formula, the yield to holders of FFELP loans is subsidized on the borrowers' behalf by the federal government to provide a market rate of return. The federal subsidy is referred to as the Special Allowance Payment ("SAP"), which is paid to holders of FFELP loans whenever the average of all of the 91-day Treasury bill auctions in a calendar quarter, plus a spread of between 2.50 and 3.50 percentage points depending on the loan's origination date and whether the loan is in repayment status, exceeds the rate of interest which the borrower is obligated to pay. In low interest rate environments, the rate which the borrower is obligated to pay may exceed the rate determined by the special allowance formula. In those instances, no SAP is paid and the interest rate paid on the loan by the borrower becomes, in effect, a floor on an otherwise variable rate asset. When this happens, the difference between the interest rate paid by the borrower and the rate determined by the SAP formula is referred to as "student loan floor revenue" or "floor revenue".

The Omnibus Budget Reconciliation Act of 1993 changed the FFELP in a number of ways that lowered the profitability of FFELP loans for all participants and established the Federal Direct Student Loan Program ("FDSLP") under which the federal government lends directly to students. FFELP changes include risk-sharing on defaulted loans, reductions in the special allowance rate, a 105 basis point annual rebate fee on consolidation loans, a 50 basis point origination fee on Stafford and PLUS loans and a 30 basis point annual offset fee (the "Offset Fee") unique to the GSE on student loans purchased and held on or after August 10, 1993.

The following Management's Discussion and Analysis contains forward-looking statements and information that are based on management's current expectations as of the date of this document. When used herein, the words "anticipate," "believe," "estimate" and "expect" and similar expressions, as they relate to the Company's management, are intended to identify forward-looking statements. Such forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause the actual results of the Company to be materially different from those reflected in such forward-looking statements. Such factors include, among others, changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in such laws and regulations, changes in the demand for educational financing or in financing preferences of educational institutions, students and their families and changes in the general interest rate environment and in the securitization markets for student loans.

Selected Financial Data
Condensed Statements of Income

	Years ended December 31, 1997	1996	1995	Increase (Decrease) 1997 vs. 1996 $	%	1996 vs. 1995 $	%
Net interest income	$ 758	$ 866	$ 901	$ (108)	(13)%	$(35)	(4)%
Gains on sales of student loans	280	49	-	231	472	49	100
Servicing and securitization revenue	151	58	1	93	162	57	100
Other income	70	40	49	30	75	(9)	(18)
Operating expenses	494	405	439	89	22	(34)	(8)
Federal income taxes	243	183	141	60	32	42	30
Minority interest in net earnings of subsidiary	11	11	11	-	-	-	-
Income before premiums on debt extinguished	511	414	360	97	24	54	15
Premiums on debt extinguished, net of tax	(3)	(5)	(5)	2	32	-	2
NET INCOME	$ 508	$ 409	$ 355	$ 99	24%	$ 54	15%
BASIC EARNINGS PER COMMON SHARE	$ 2.80	$ 2.10	$ 1.51	$ .70	33%	$.59	39%
DILUTED EARNINGS PER COMMON SHARE	$ 2.78	$ 2.09	$ 1.51	$ .69	33%	$.58	38%
Dividends per common share	$ .52	$ .47	$ .43	$ .05	11%	$.04	9%
CORE EARNINGS	$ 487	$ 381	$ 350	$ 106	28%	$ 31	9%

CORE EARNINGS
Core earnings are defined as the Company's net income less the after-tax effect of floor revenues. Management believes that this measure, which is not recognized under generally accepted accounting principles ("GAAP"), assists in understanding the Company's earnings before the effects of student loan floor revenues which, to the extent they are not hedged by floor revenue contracts, are largely outside of the Company's control. Management believes that core earnings as defined, while not necessarily comparable to other companies' use of similar terminology, provide for meaningful period-to-period comparisons as a basis for analyzing trends in the Company's core student loan operations.

Condensed Balance Sheets

	December 31, 1997	December 31, 1996	Increase (Decrease) 1997 vs. 1996 $	1997 vs. 1996 %	1996 vs. 1995 $	1996 vs. 1995 %
ASSETS						
Student loans	$29,521	$33,754	$(4,233)	(13)%	$ (582)	(2)%
Warehousing advances	1,869	2,790	(921)	(33)	(1,075)	(28)
Academic facilities financings	1,375	1,473	(98)	(7)	160	12
Cash and investments	5,130	7,706	(2,576)	(33)	(1,161)	(13)
Other assets	2,014	1,907	107	6	286	18
Total assets	$39,909	$47,630	$(7,721)	(16)%	$(2,372)	(5)%
LIABILITIES AND STOCKHOLDERS' EQUITY						
Short-term borrowings	$23,176	$22,518	$ 658	3%	$ 5,071	29%
Long-term notes	14,541	22,606	(8,065)	(36)	(7,477)	(25)
Other liabilities	1,303	1,458	(155)	(11)	67	5
Total liabilities	39,020	46,582	(7,562)	(16)	(2,339)	(5)
Minority interest in subsidiary	214	214	-	-	-	-
Stockholders' equity before treasury stock	1,099	1,371	(272)	(20)	(2,291)	(63)
Common stock held in treasury at cost	424	537	(113)	(21)	(2,258)	(81)
Total stockholders' equity	675	834	(159)	(19)	(33)	(4)
Total liabilities and stockholders' equity	$39,909	$47,630	$(7,721)	(16)%	$(2,372)	(5)%

Results of Operations

Earnings Summary

For the year ended December 31, 1997, the Company's net income was $508 million ($2.78 diluted earnings per common share), compared to $409 million ($2.09 diluted earnings per common share) for the year ended December 31, 1996. The increase in 1997 net income of $99 million (24 percent) reflects the Company's strategy of funding its managed portfolio of student loans through its securitization program. In 1997, the Company securitized $9.4 billion of student loans and recorded securitization gains of $182 million, after-tax, an increase of $150 million over the gains recorded in 1996. The increase is mainly due to the securitization of $3.4 billion more loans in 1997 and to higher average borrower indebtedness and the longer average life of the portfolios securitized in 1997 versus 1996. The 1997 gain also includes $36 million, after-tax, related to the reversal of reserves for Offset Fees on securitizations completed prior to 1997, which were held in reserve until the third quarter of 1997 when the Company resolved litigation over whether the Offset Fee applied to securitized student loans (discussed below). The growth in securitization activity in 1997 increased the average balance of securitized student loans, which increased servicing and securitization revenue by approximately $61 million, after-tax. The increased income from the Company's securitization program was offset by the reduction in net interest income of $71 million, after-tax, which occurred as the on-balance sheet student loan portfolio was reduced through securitizations and as a result of declining student loan spreads. Operating expenses increased by $62 million, after-tax, due mainly to one-time or non-recurring charges associated with the Reorganization, privatization and proxy expenses (discussed below) and to the increase in the volume of student loans serviced. Operating expenses (exclusive of the one-time or non-recurring charges) as a percent of managed student loans decreased from 109 basis points in 1996 to 98 basis points in 1997. Each of these components of net income is discussed in further detail in subsequent sections of this analysis.

In the third quarter of 1997, in response to litigation initiated by the Company, the United States Department of Education determined that the Offset Fee that the GSE is required to pay on certain student loans does not apply to securitized student loans. As a result, in the third quarter of 1997 the Company reversed a pre-tax $97 million reserve ($40 million of which was accrued in the first half of 1997) for Offset Fees accrued previously on securitized student loans. In the consolidated statements of income, $94 million of the reserve reversal is included in the gain on sale of student loans for 1997 and $3 million is included in servicing and securitization revenue. Also, during 1997, net income was reduced by pre-tax charges of $107 million ($86 million included in operating expenses) for expenses and asset writedowns in connection with the Reorganization, the proxy contest, the transfer of student loans from a third party servicer in financial difficulty and the change in business strategies implemented by the new management. (See -- "Operating Expenses.")

During 1997, the Company spent $680 million to repurchase 18 million common shares (or 10 percent of its outstanding shares), which further enhanced earnings per share growth.

Net Interest Income

Net interest income is derived largely from the Company's on-balance sheet portfolio of student loans. The Taxable Equivalent Net Interest Income analysis set forth below is designed to facilitate a comparison of nontaxable asset yields to taxable yields on a similar basis. Additional information regarding the return on the Company's student loan portfolio is set forth below under "Student Loans".

Taxable Equivalent Net Interest Income

The amounts in the following table are adjusted for the impact of certain tax-exempt and tax-advantaged investments based on the marginal corporate tax rate of 35 percent.

	Years ended December 31,			Increase (Decrease)			
				1997 vs. 1996		1996 vs. 1995	
	1997	1996	1995	$	%	$	%
Interest income							
Student loans	$2,462	$2,607	$2,708	$(145)	(6)%	$ (101)	(4)%
Warehousing advances	151	194	408	(43)	(22)	(214)	(53)
Academic facilities financings	98	100	108	(2)	(2)	(8)	(7)
Investments	573	548	697	25	4	(149)	(21)
Taxable equivalent adjustment	35	36	52	(1)	(1)	(16)	(30)
Total taxable equivalent interest income	3,319	3,485	3,973	(166)	(5)	(488)	(12)
Interest expense	2,526	2,583	3,020	(57)	(2)	(437)	(14)
Taxable equivalent net interest income	$ 793	$ 902	$ 953	$(109)	(12)%	$ (51)	(5)%

Average Balance Sheets
The following table reflects the rates earned on earning assets and paid on liabilities for the years ended December 31, 1997, 1996 and 1995.

	Years ended December 31,					
	1997		1996		1995	
	Balance	Rate	Balance	Rate	Balance	Rate
AVERAGE ASSETS						
Student loans	$31,949	7.70%	$33,273	7.83%	$32,758	8.27%
Warehousing advances	2,518	6.00	3,206	6.04	6,342	6.43
Academic facilities financings	1,436	8.57	1,500	8.43	1,527	8.92
Investments	9,592	6.08	9,444	5.91	11,154	6.46
Total interest earning assets	45,495	7.30%	47,423	7.35%	51,781	7.67%
Non-interest earning assets	1,983		1,858		1,673	
Total assets	$47,478		$49,281		$53,454	
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY						
Six month floating rate notes	$ 2,908	5.48%	$ 2,485	5.42%	$ 3,609	5.86%
Other short-term borrowings	23,640	5.51	18,493	5.43	11,802	5.88
Long-term notes	18,677	5.70	26,024	5.55	35,373	5.98
Total interest bearing liabilities	45,225	5.59%	47,002	5.50%	50,784	5.95%
Non-interest bearing liabilities	1,473		1,464		1,451	
Stockholders' equity	780		815		1,219	
Total liabilities and stockholders' equity	$47,478		$49,281		$53,454	
Net interest margin		1.74%		1.90%		1.84%

Rate/Volume Analysis
The Rate/Volume Analysis below shows the relative contribution of changes in interest rates and asset volumes.

	Taxable equivalent increase (decrease)	Increase (decrease) attributable to change in	
		Rate	Volume
1997 vs. 1996			
Taxable equivalent interest income	$(166)	$ (26)	$(140)
Interest expense	(57)	55	(112)
Taxable equivalent net interest income	$(109)	$ (81)	$ (28)
1996 vs. 1995			
Taxable equivalent interest income	$(488)	$(235)	$(253)
Interest expense	(437)	(223)	(214)
Taxable equivalent net interest income	$ (51)	$ (12)	$ (39)

Taxable equivalent net interest income and net interest margin for the year ended December 31, 1997 decreased from 1996 by $109 million and .16 percent, respectively. The $81 million decrease in taxable equivalent net interest income attributable to the change in rates in 1997 versus 1996 was principally due to a $21 million increase in consolidation loan rebate fees (See -- "Student Loan Spread Analysis"), lower student loan yields in the form of reduced SAP rates which reduced interest income by $12 million and the growth in the balance of student loan participations which, due to the fact that they earn at a contractual rate that is net of servicing costs, negatively impacted student loan spreads by $16 million. Other factors contributing to the decrease were the writeoff of $13 million of deferred hedge losses in the 1997 third quarter and a decrease of $12 million in floor revenues, net of payments under the floor revenue contracts discussed below. These decreases were partially offset by an increase in income of $12 million from the amortization of upfront payments received from floor revenue contracts and higher interest spreads on investments. The $28 million decrease in taxable equivalent net interest income attributable to the change in volume was due mainly to the decrease in the average balance of student loans on-balance sheet as a result of securitizations partially offset by the increase in the average balance of student loan participations.

Taxable equivalent net interest income in 1996 decreased from 1995 by $51 million. The $12 million decrease in taxable equivalent net interest income attributable to the change in rates in 1996 versus 1995 was principally due to higher reserves for risk-sharing, consolidation loan rebate fees and yield reductions totalling $40 million, an increase in student loan loss reserves (exclusive of risk-sharing) of $14 million and increased leverage of $21 million, partially offset by the increase of $29 million in floor revenues, net of payments to floor contract counterparties. Other items offsetting the decreases in taxable equivalent net interest income discussed above include $22 million of revenues from the amortization of the up-front payments received from student loan floor contracts, the $9 million reversal of a previously established reserve due to the successful outcome of litigation related to SAP payments on certain loans, and a higher percentage of student loans relative to average earning assets. The $39 million decrease attributable to volume is primarily due to the decrease in the balance of warehousing advances and investments as the Company reduced these assets and utilized the capital supporting them to purchase shares of its common stock. Since the Company's borrowings are largely variable rate in nature, the decrease in interest expense in 1996 was reflective of the level of interest rates in general. In addition, the absolute level of borrowings decreased as the balance sheet was reduced in size through the securitization of student loans as well as the reductions in the investment and warehousing advance portfolios.

The increase in net interest margin in 1996 from 1995 was due principally to the increase in student loans as a percentage of average earning assets.

Student Loans

STUDENT LOAN SPREAD ANALYSIS

The following table analyzes the earning spreads on student loans for 1997, 1996 and 1995. The line captioned "Adjusted Student Loan Yields" reflects contractual yields adjusted for the amortization of premiums paid to purchase loan portfolios and the estimated costs of borrower benefits. The Company's servicing subsidiary, as the servicer of student loans that the Company securitizes, will continue to earn fee revenues over the life of the securitized student loan portfolios. The off-balance sheet information presented in the Student Loan Spread Analysis that follows analyzes the on-going revenues associated with the securitized portfolios of student loans.

	Years ended December 31, 1997	1996	1995
ON-BALANCE SHEET			
Adjusted student loan yields	7.85%	7.92%	8.40%
Amortization of floor swap payments...............	.12	.07	-
Floor income..............	.10	.13	.04
Consolidation loan rebate fees............	(.20)	(.12)	(.10)
Reserves for risk-sharing costs..........	(.05)	(.05)	-
Offset fees..............	(.12)	(.12)	(.07)
Student loan income.......	7.70	7.83	8.27
Cost of funds............	(5.53)	(5.49)	(5.95)
Student loan spread.......	2.17%	2.34%	2.32%
Core student loan spread..	2.07%	2.21%	2.28%
OFF-BALANCE SHEET			
Servicing and securitization revenue................	1.58%	1.43%	.80%
AVERAGE BALANCES			
Student loans, including participations.........	$31,949	$33,273	$32,758
Securitized loans.........	9,542	4,020	177
Managed student loans.....	$41,491	$37,293	$32,935

The core student loan spread declined from 2.21 percent in 1996 to 2.07 percent in 1997, a decline of .14 percent. The combined impact of consolidation loan rebate fees, reserves for risk-sharing losses and Offset Fees reduced core student loan spreads by .37 percent in 1997 versus .29 percent in 1996. This reduction was principally due to the growth in the portfolio of loans subject to the consolidation loan rebate fee. Other factors contributing to the decrease in the core student loan spread were the relative increase in student loan participations which contractually yield a lower rate than the underlying student loans (discussed below) and lower student loan yields in the form of reduced SAP rates, partially offset by increased revenues from the amortization of upfront payments received from student loan floor contracts and by lower additions to loss reserves for student loans.

In November 1997, the Company suspended its loan consolidation program (See - -- "Legislative Developments - Loan Consolidation Program") and, unless the Company is able to reinstate its program, consolidation loan rebate fees will decline over time as the portfolio of consolidation loans are repaid. However, on-balance sheet student loan spreads will continue to be negatively impacted as the balance of newly acquired loans, which are subject to the reduced SAP rates, risk-sharing and Offset Fees, replaces the runoff of older student loans not subject to these fees and yield reductions. The Company endeavors to pass through the impact of these costs through the pricing of loan portfolios it purchases in the secondary market.

The decrease in the core student loan spread in 1996 relative to 1995 was due principally to higher consolidation loan rebate fees, reserves for risk-sharing losses and Offset Fees, the effect of student loan participations which contractually yield a lower rate than the underlying student loans, and increased student loan loss reserves, offset by the revenues from the amortization of upfront payments received from student loan floor contracts and a one-time gain from the reversal of a previously established loss reserve due to the successful outcome of litigation related to SAP payments on certain loans.

In the third quarter of 1996, the GSE restructured its business relationship with the Chase Manhattan Bank ("Chase") whereby the GSE and Chase formed a joint venture (the "Joint Venture") that markets education loans made by Chase. Chase sells the loans to a trust which holds them on behalf of the Joint Venture. These loan purchases are financed through sales of student loan participations to the GSE and Chase. The loan participations earn interest at a contractual rate which is based on the yield of the underlying student loans less amounts to cover servicing and other operating expenses. Such expenses reduced the Company's student loan spread by .08 percent in 1997 and .03 percent in 1996. At December 31, 1997 and 1996, the Joint Venture owned $3.9 billion and $2.9 billion, respectively, of federally insured education loans with substantially all of the loans serviced by the Company's servicing subsidiary. The Company accounts for its investment in the Joint Venture using the equity method.

STUDENT LOAN FLOOR REVENUES

The yield to holders of FFELP loans is subsidized on the borrower's behalf by the federal government to provide a market rate of return through the payment of SAP. The SAP is paid to holders of FFELP loans whenever the average of all of the 91-day Treasury bill auctions in a calendar quarter plus a spread of 2.50 percent, 3.10 percent, 3.25 percent or 3.50 percent, depending on the loan's status and origination date, exceeds the rate of interest that the borrower pays. The interest rate paid by the borrower is either at a fixed rate or a rate that resets annually. Thus, the yield to holders of student loans varies with the 91-day Treasury bill rate except in low interest rate environments, when the interest rate which the borrower is obligated to pay exceeds the variable rate determined by the SAP formula. When this happens the borrower's interest rate, which is the minimum interest rate earned on FFELP loans, becomes, in effect, a floor rate. The floor enables the Company to earn wider spreads on these student loans since the Company's variable cost of funds, which is indexed to the 91-day Treasury bill rate, reflects lower market rates. The floor generally becomes a factor when the Treasury bill rate is less than 5.90 percent. For loans which have fixed borrower interest rates, the floor remains a factor until Treasury bill rates rise to a level at which the yield determined by the SAP formula exceeds the borrower's interest rate ("fixed rate floors"). For loans with annually reset borrower rates, the floor is a factor until either Treasury bill rates rise or the borrower's interest rate is reset which occurs on July 1 of each year ("variable rate floors"). Under the FFELP program, the majority of loans disbursed after July 1992 have variable borrower interest rates that reset annually.

MANAGED STUDENT LOANS ELIGIBLE TO EARN FLOOR REVENUES

The following table reflects those loans in the Company's managed student loan portfolio with potential to earn floor revenue at December 31, 1997 and 1996 (dollars in billions).

	December 31, 1997			December 31, 1996		
	Fixed	Variable	Total	Fixed	Variable	Total
Student loans with floor revenue potential............	$14.2	$ 20.5	$ 34.7	$16.1	$15.1	$ 31.2
Less notional amount of floor revenue contracts.......	(7.2)	(10.6)	(17.8)	(8.6)	(4.9)	(13.5)
Net student loans with floor revenue potential........	$ 7.0	$ 9.9	$ 16.9	$ 7.5	$10.2	$ 17.7
Net student loans earning floor revenues at year end..	$ 4.6	$ --	$ 4.6	$ 2.8	$ 6.6	$ 9.4

Based on the average bond equivalent 91-day Treasury bill rates of 5.21 percent, 5.16 percent and 5.68 percent for the years ended December 31, 1997, 1996 and 1995, respectively, the Company earned floor revenues of $32 million (net of $19 million in payments under the floor revenue contracts), $43 million (net of $12 million in payments under the floor revenue contracts), and $14 million, respectively.

FLOOR REVENUE CONTRACTS

During 1996 and 1997, the Company entered into contracts with third parties with notional amounts of $13 billion and $11 billion, respectively, under which it agreed to pay the future floor revenues received in exchange for upfront payments ("floor revenue contracts"). These upfront payments are being amortized to student loan income over the average life of the contracts, which is approximately six months for the 1997 contracts and two years for the 1996 contracts. At December 31, 1997, $11 billion of the notional amount of the 1997 contracts was outstanding and $7 billion of the notional amount of the 1996 contracts was outstanding.

For the years ended December 31, 1997 and 1996, the amortization of the upfront payments received for the sale of fixed rate floor revenue contracts contributed $34 million and $22 million, respectively, pre-tax to core earnings. The amortization of these payments is not dependent on future interest rate levels, and therefore is included in the Company's definition of core earnings. In addition, for the years ended December 31, 1997 and 1996, the Company earned $7 million and $1 million, respectively, on variable rate floor revenue contracts. These contracts typically expire on the interest reset date of the underlying student loans and the related amortization of up-front payments is excluded from core earnings.

PROVISION FOR STUDENT LOAN LOSSES

The provision for student loan losses is the periodic expense of maintaining an allowance sufficient to absorb losses, net of recoveries, inherent in the existing on-balance sheet loan portfolio. In evaluating the adequacy of the allowance for loan losses, the Company takes into consideration several factors including trends in claims rejected for payment by guarantors, default rates on non-federally insured student loans, principally those insured by a wholly owned subsidiary of the Company and the amount of FFELP loans subject to 2 percent risk-sharing. In 1997, the Company added $17 million to this reserve to provide for losses on non-federally insured student loans versus $14 million in 1996. The Company also added a net of $5 million for potential losses on its federally insured student loan portfolio based on the additions for potential losses due to risk-sharing partially offset by decreases due to improved experience in recovering unpaid guarantees on defaulted student loans versus $15 million in 1996. The provision for loan losses, net of recoveries, did not change materially in 1995. Once a student loan is charged off as a result of an unpaid claim, it is the Company's policy to continue to pursue the recovery of principal and interest.

Management believes that the allowance for loan losses is adequate to cover anticipated losses in the on-balance sheet student loan portfolio. However, this evaluation is inherently subjective as it requires material estimates that may be susceptible to significant changes.

Funding Costs

The Company's borrowings are generally variable rate indexed principally to the 91-day Treasury bill rate. The following table summarizes the average balance of debt (by index after giving effect to the impact of interest rate swaps) for the years ended December 31, 1997, 1996 and 1995.

	Years ended December 31,					
	1997		1996		1995	
Index	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Treasury bill, principally 91-day	$32,240	5.52%	$35,375	5.48%	$34,039	5.93%
LIBOR	6,219	5.51	7,797	5.38	14,290	5.87
Discount notes	5,267	5.48	2,694	5.35	1,209	5.85
Fixed	663	7.02	720	6.81	811	6.68
Zero coupon	134	11.12	123	11.12	123	11.06
Other	702	5.20	293	4.87	312	6.11
Total	$45,225	5.59%	$47,002	5.50%	$50,784	5.95%

In the above table, for the years ended December 31, 1997, 1996 and 1995, spreads for Treasury bill indexed borrowings averaged .24 percent, .25 percent and .26 percent, respectively, over the weighted average Treasury bill rates for those years and spreads for London Interbank Offered Rate ("LIBOR") indexed borrowings averaged .24 percent, .26 percent and .31 percent, respectively, under the weighted average LIBOR rates.

Other Income

In addition to the $97 million reserve reversal related to the applicability of the Offset Fee to securitized student loans, the increase in other income of $354 million over 1996 was mainly due to higher levels of securitization during 1997, and an increase of $93 million in servicing and securitization revenue as the Company's average balance of securitized student loans increased by $5.5 billion over 1996.

Securitization Program

During each of the years ended December 31, 1997 and 1996, the Company completed four securitization transactions, in which a total of $9.4 billion and $6.0 billion of student loans, respectively, were sold to a special purpose finance subsidiary and by the subsidiary to trusts that issued asset-backed securities to fund the student loans to term. The Company accounts for its securitization transactions in accordance with Statement of Financial Accounting Standards No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS 125"), which establishes the accounting for certain financial asset transfers including securitization transactions. Under SFAS 125, the Company records a gain on sale equal to the present value of the expected net cash flows from the trust to the Company over the life of the portfolio sold. The resultant asset (the "Interest Residual") consists of the net present value of the excess of the interest earned on the portfolio of student loans sold to the trust less the interest paid on the asset-backed securities, servicing and administration fees, the estimated cost of borrower benefit programs, expected losses from risk-sharing on defaulted loans and other student loan related costs. In addition, the Company continues to service the loans in the trusts for a fee and earns that fee over the life of the portfolio. When the contract servicing fee is greater than current market servicing rates, the present value of such excess servicing fees is recognized as a servicing asset and included in the gain on sale.

GAINS ON SALES OF STUDENT LOANS

In 1997, the Company recorded securitization gains of $280 million pre-tax, an increase of $231 million over the gains recorded in 1996. The increase is mainly due to the securitization of $3.4 billion more student loans in 1997 than in 1996. In the third quarter of 1997, the Company resolved litigation over whether the Offset Fee applied to securitized student loans. As a result, in the third quarter of 1997 the Company reversed a pre-tax $97 million reserve (of which $57 million was accrued prior to 1997 and $40 million was accrued in the first half of 1997) for Offset Fees accrued previously on securitized student loans. If the Company had recorded gains at the time of each securitization transaction without reserving for the Offset Fee, then the 1997 gains would have been pre-tax $226 million versus $95 million in 1996, or, as a percentage of the securitized portfolios, 2.39 percent in 1997 versus 1.58 percent in 1996. The increase in gains as a percentage of the securitized portfolio was due mainly to higher average borrower indebtedness and the longer average life of the portfolios of loans securitized in 1997 versus 1996. Gains on securitizations were immaterial in 1995. Gains on future securitizations will continue to vary depending on the size and the loan characteristics of the loan portfolios securitized and the funding costs prevailing in the securitization debt markets.

SERVICING AND SECURITIZATION INCOME

Interest earned on the Interest Residual is included in servicing and securitization revenue and totaled $53 million and $23 million, for the years ended December 31, 1997 and 1996, respectively. Securitization and servicing revenue also includes fee income earned for servicing the securitized portfolios. These fees, less the amortization of the servicing asset, totaled $98 million and $35 million, for the years ended December 31, 1997 and 1996, respectively. The increase in servicing and securitization income is mainly due to the increase in the average balance of the Interest Residual from $144 million in 1996 to $329 million in 1997, and to the increase in the average balance of securitized student loans from $4.0 billion in 1996 to $9.5 billion in 1997. Servicing and securitization income in 1997 also includes $3 million related to the Offset Fee reserve reversal in the third quarter of 1997.

Operating Expenses

Operating expenses include costs to service the Company's managed student loan portfolio and operational costs incurred in the process of acquiring student loan portfolios and general and administrative expenses. Total operating expenses as a percentage of average managed student loans were 119 basis points, 109 basis points and 133 basis points for the years ended December 31, 1997, 1996 and 1995 respectively. Operating expenses in 1997 included one-time expenses of $86 million ($61 million to corporate operating expenses and $25 million to servicing costs) incurred in 1997 in connection with the Company's Reorganization, the proxy contest, the transfer of loans from a third party servicer in financial difficulty and the change in business strategies implemented by the new management. Together these one-time costs account for 21 of the 119 basis points in 1997. Operating expenses are summarized in the tables on the following page.

	Years ended December 31,								
	1997			1996			1995		
	Corporate	Servicing and Acquisition	Total	Corporate	Servicing and Acquisition	Total	Corporate	Servicing and Acquisition	Total
Salaries and employee benefits..................	$ 75	$150	$225	$ 68	$138	$206	$ 75	$137	$212
Occupancy and equipment......	28	72	100	24	60	84	25	49	74
Professional fees...........	23	20	43	15	8	23	34	11	45
Advertising and printing.....	7	-	7	7	-	7	6	-	6
Office operations...........	8	28	36	8	32	40	9	35	44
Other.......................	34	12	46	9	2	11	12	2	14
Total internal operating expenses...................	175	282	457	131	240	371	161	234	395
Third party servicing costs...	-	37	37	-	35	35	-	44	44
Total operating expenses......	$175	$319	$494	$131	$275	$406	$161	$278	$439
Employees at end of the year..	563	4,045	4,608	761	4,031	4,792	856	3,885	4,741

	Years ended December 31,			Increase/(Decrease)			
	1997	1996	1995	1997 vs. 1996 $	%	1996 vs. 1995 $	%
Servicing costs.......................	$252	$211	$205	$41	20%	$ 6	3%
Acquisition costs.....................	67	64	73	3	4	(9)	(13)
Total servicing and acquisition costs..	$319	$275	$278	$44	16%	$(3)	(1)%

==

In 1997, corporate operating expenses increased by $44 million over the corresponding year. As mentioned above, the increase can be attributed to the one-time, non-recurring expenses of $61 million that relate to the Reorganization of the GSE. Specifically, these expenses were related to privatization costs ($12 million expense related to the warrants issued to the D.C. government, $5 million for the use of the Sallie Mae name and $3 million in fees and related costs for the Company's initial SEC registration), severance costs as a result of staff reductions ($16 million), costs associated with the consolidation of staff located in the metropolitan Washington D.C. area ($11 million), the write-down of various non-student loan assets ($5 million) and costs associated with the proxy solicitations relating to the Reorganization ($9 million). The decrease in corporate operating expenses exclusive of the one-time, non-recurring expenses was due to lower professional fees and the beneficial impact in the fourth quarter from the staff reductions, lower depreciation from the asset writedowns and the consolidation of facilities.

For the year ended December 31, 1997, servicing costs increased by $41 million. Approximately $25 million of this increase was due to the one-time, non-recurring expenses of $11 million for the write-down of assets, $4 million for severance costs relating to the third quarter staff reductions and $10 million in connection with the transfer of loans from a third party servicer in financial difficulty to Sallie Mae Servicing Corporation ("SMSC"), a wholly owned subsidiary of the Company. The increase also reflects increased costs associated with the increase in the volume of loans serviced.

The decrease of $30 million in corporate operating expenses in 1996 versus 1995 was due principally to the divestiture of a majority interest in CyberMark, a wholly owned subsidiary, completed during the second quarter of 1996 which reduced 1996 operating expenses by $20 million. Reductions in corporate staffing and professional fees reduced operating expenses by an additional $10 million.

Servicing costs include all operations and systems costs incurred to service the portfolio of managed student loans, including fees paid to third party servicers. The 1992 legislated expansion of student eligibility and increases in loan limits resulted in higher average student loan balances, which generally command a higher price in the secondary market and contribute to lower servicing costs as a percentage of the average balance of managed student loans. When expressed as a percentage of the managed student loan portfolio, servicing costs averaged 61 basis points, 57 basis points and 62 basis points for the years ended December 31, 1997, 1996 and 1995 respectively. The increase in 1997 was due principally to the one-time costs discussed above, which increased servicing costs by 6 basis points for the year ended December 31, 1997.

Loan acquisition costs are principally costs incurred under the ExportSS(R) ("ExportSS") loan origination and administration service, the costs of converting newly acquired portfolios onto the Company's servicing platform or those of third party servicers and costs of loan consolidation activities. The ExportSS service provides back-office support to clients by performing loan origination and servicing prior to the sale of portfolios to the Company. During 1997, $4.7 billion of student loans were originated and transferred to the Company's ExportSS system, of which $1.5 billion was related to the Joint Venture's portfolio including $760 million committed for sale to the Company, compared to $4.2 billion in the prior year. The outstanding portfolio of loans serviced for ExportSS lenders totaled $4.2 billion at December 31, 1997, up 3 percent from $4.0 billion at December 31, 1996.

Federal and State Taxes

The Company maintains a portfolio of tax-advantaged assets principally to support education-related financing activities. That portfolio was primarily responsible for the decrease in the effective federal income tax rate from the statutory rate of 35 percent to 32 percent in 1997, 30 percent in 1996, and 27 percent in 1995. The increase in the effective tax rate for 1997 was mainly due to $12 million of warrants issued in connection with the privatization and other privatization costs, which are not deductible for tax purposes. The GSE is exempt from all state, local, and District of Columbia income, franchise, sales and use, personal property and other taxes, except for real property taxes. However, this tax exemption applies only to the GSE and does not apply to SLM Holding or its other operating subsidiaries. Under the Privatization Act, the Company's GSE and non-GSE activities are separated, with non-GSE activities being subject to taxation at the state and local level. State taxes were immaterial in 1997 as the majority of the Company's business activities were conducted in the GSE.

As increasing business activity occurs outside of the GSE, the impact of state and local taxes will increase accordingly. Management expects that ultimately all business activities will occur outside of the GSE which could increase the Company's effective income tax rate by as much as four percent. The loss of the GSE tax exemption for sales and use and personal property taxes could increase operating costs by one percent.

Liquidity and Capital Resources

The Company's primary requirements for capital are to fund the Company's operations, its purchases of student loans and the repayment of its debt obligations while continuing to meet the GSE's statutory capital adequacy ratio test. The Company's primary sources of liquidity are through the debt issuances by the GSE, off-balance sheet financings through securitizations, cash generated by its subsidiaries' operations and distributed through dividends to the Company and bank borrowings.

The GSE secures financing to fund its on-balance sheet portfolio of student loans along with its other operations by issuing debt securities in the domestic and overseas capital markets, through public offerings and private placements of U.S. dollar-denominated and foreign currency-denominated debt of varying maturities and interest rate characteristics and through securitizations of its student loans. The GSE's debt securities are currently rated at the highest credit rating level by Moody's Investors Service and Standard & Poor's. Historically, the rating agencies' ratings of the GSE have been largely a factor of its status as a government-sponsored enterprise. Since the Privatization Act did not modify the attributes of debt issued by the GSE, management anticipates that the GSE will retain its current credit ratings. In addition to the GSE debt, student loan securitization has been an increasing source of funding for the Company's managed student loan portfolio since 1995. As student loans are securitized the need for long-term financing of these assets on balance sheet decreases. Management believes that the financing and capital requirements of the Company can be adequately accommodated through the foregoing sources.

During 1997, the Company used the proceeds from student loan securitizations of $9.6 billion, repayments and claim payments on student loans of $3.8 billion, and the net proceeds from sales of investments of $2.4 billion to purchase student loans and participations of $9.0 billion, to reduce total debt by $7.4 billion and to repurchase $680 million of the Company's common stock.

Operating activities provided net cash inflows of $55 million in 1997, a decrease of $147 million from the net cash inflows of $202 million in 1996. This decrease was mainly attributable to the decrease in other liabilities of $130 million in 1997 versus an increase of $188 million in 1996 caused by 1996 student loan purchases of approximately $200 million for which payment was made in 1997.

During 1997, the GSE issued $4.7 billion of long-term notes to refund maturing and repurchased obligations. At December 31, 1997, the GSE had $14.5 billion of outstanding long-term debt issues of which $9.6 billion had stated maturities that could be accelerated through call provisions. The GSE uses interest rate and foreign currency swaps (collateralized where appropriate), purchases of U.S. Treasury securities and other hedging techniques to reduce the exposure to interest rate and currency fluctuations that arise from its financing activities and to match the characteristics of its variable interest rate earning assets. (See "Interest Rate Risk Management.")

On August 8, 1997, SLM Holding secured a $600 million bank line of credit which is being used to meet working capital needs. Over the long term, securitization is expected to provide the principal source of long-term funding for the Company's managed portfolio of student loans. There will also be a need for short-term financing for student loans prior to securitization. Such financings will likely require the Company to obtain a bond rating and such ratings will not be known until specific debt is issued. It is expected that these ratings will be below the GSE's current credit rating levels. At December 31, 1997, SLM Holding had $281 million outstanding under this line.

Until the GSE is dissolved, the Privatization Act places a number of limitations on the Company. Under the Privatization Act, the GSE must wind down its operations and dissolve on or before September 30, 2008. Any GSE debt obligations outstanding at the date of such dissolution will be defeased through creation of a fully collateralized trust, consisting of U.S. government or agency obligations with cash flows matching the interest and principal obligations of the defeased debt. The Privatization Act requires that on the dissolution date of September 30, 2008, the GSE shall repurchase or redeem, or make proper provisions for repurchase or redemption of any outstanding preferred stock. The Company has the option of effecting an earlier dissolution of the GSE if certain conditions are met. Also upon the GSE's dissolution, all of its remaining assets will transfer to the Company.

The Privatization Act effectively requires that the GSE maintain a minimum statutory capital adequacy ratio (the ratio of stockholders' equity to total assets plus 50 percent of the credit equivalent amount of certain off-balance sheet items) of at least 2 percent until January 1, 2000 and 2.25 percent thereafter or be subject to certain "safety and soundness" requirements designed to restore such statutory ratio. Management anticipates being able to fund the increase in required capital from the GSE's current and retained earnings. While the GSE may not finance the activities of its non-GSE affiliates, it may, subject to its minimum capital requirements, dividend retained earnings and surplus capital to SLM Holding, which in turn may contribute such amounts to its non-GSE subsidiaries. The Privatization Act requires management to certify to the Secretary of the Treasury that, after giving effect to the payment of dividends, the statutory capital ratio test would have been met at the time the dividend was declared. At December 31, 1997, the GSE's statutory capital adequacy ratio, after the effect of the dividends to be paid in the first quarter of 1998, was 2.00 percent.

The Privatization Act imposes certain restrictions on intercompany relations between the GSE and its affiliates during the wind-down period. In particular, the GSE must not extend credit to nor guarantee any debt obligations of SLM Holding or its non-GSE subsidiaries.

The Privatization Act provides that the GSE may continue to issue new debt obligations maturing on or before September 30, 2008. The legislation further provides that the legal status and attributes of the GSE's debt obligations, including Securities and Exchange Commission ("SEC") registration and state tax exemptions, will be fully preserved until their respective maturities. Such debt obligations will remain GSE debt obligations, whether such obligations were outstanding at the time of, or issued subsequent to, the Reorganization. The obligations of SLM Holding do not have GSE status.

Securitization

Since 1995, the Company has diversified its funding sources independent of its GSE borrower status by securitizing a portion of its student loan assets. Securitized student loans are funded off-balance sheet to term through the public issuance of student loan asset-backed securities ("ABS securities"), which reduces the Company's on-balance sheet funding needs. During 1997, the GSE completed four transactions in which it sold a total of $9.4 billion of student loans to trusts which issued $9.6 billion of securities backed by the loans.

Management believes that securitization represents an efficient source of funding. The GSE's ABS securities generally have a higher cost of funds than its traditional on-balance sheet financing because the ABS securities are term match-funded and do not benefit from the GSE's government-sponsored enterprise status. However, the increased funding costs of the ABS securities are mitigated by the absence of the Offset Fees on securitized loans. Securitization also allows the Company to obtain financing at a lower cost than otherwise would be achievable without the GSE's government-sponsored status. Securitizations to date have been structured to achieve a "AAA" credit rating on over 96 percent of its securities sold (with an "A" credit rating on the remaining subordinated securities).

Interest Rate Risk Management

Interest Rate GAP Analysis

The Company's principal objective in financing its operations is to minimize its sensitivity to changing interest rates by matching the interest rate characteristics of its borrowings to specific assets in order to lock in spreads. The Company funds its floating rate managed loan assets (most of which have weekly rate resets) with variable rate debt and fixed rate debt converted to variable rates with interest rate swaps. The Company also uses interest rate cap and collar agreements, foreign currency swaps, options on securities, and financial futures contracts to further reduce interest rate risk and foreign currency exposure on certain of its borrowings. Investments are funded on a "pooled" approach, i.e., the pool of liabilities that funds the investment portfolio has an average rate and maturity or reset date that corresponds to the average rate and maturity or reset date of the investments which they fund.

In addition to term match funding, the Company's ABS securities generally match the interest rate characteristics of the majority of the student loans in the trusts by being indexed to the 91-day Treasury bill. However, at December 31, 1997, there were approximately $2 billion of PLUS/SLS student loans outstanding in the trusts which have interest rates which reset annually based on the final auction of 52-week Treasury bill before each June 1. The Company manages this basis risk within the trusts through its on-balance sheet financing activities. The effect of this basis risk management is included in the following table as the impact of securitization.

In the table below the Company's variable rate assets and liabilities are categorized by reset date of the underlying index. Fixed rate assets and liabilities are categorized based on their maturity dates. An interest rate gap is the difference between volumes of assets and volumes of liabilities maturing or repricing during specific future time intervals. The following gap analysis reflects rate-sensitive positions at December 31, 1997 and is not necessarily reflective of positions that existed throughout the period.

	Interest Rate Sensitivity Period					
	3 months or less	3 months to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	Over 5 years
ASSETS						
Student loans	$27,216	$ 2,305	$ -	$ -	$ -	$ -
Warehousing advances	1,847	2	-	1	-	19
Academic facilities financings	82	39	19	60	345	830
Cash and investments	3,106	26	48	28	84	1,838
Other assets	4	5	10	29	192	1,774
Total assets	32,255	2,377	77	118	621	4,461
LIABILITIES AND STOCKHOLDERS' EQUITY						
Short-term borrowings	15,170	2,370	5,636	-	-	-
Long-term notes	4,221	499	-	4,339	4,900	582
Other liabilities	-	-	-	-	-	1,303
Minority interest in subsidiary	-	-	-	-	-	214
Stockholders' equity	-	-	-	-	-	675
Total liabilities and stockholders' equity	19,391	2,869	5,636	4,339	4,900	2,774
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS						
Interest rate swaps	12,232	1,400	(5,556)	(4,289)	(4,779)	992
Impact of securitized student loans	1,831	(1,831)	-	-	-	-
Total off-balance sheet financial instruments	14,063	(431)	(5,556)	(4,289)	(4,779)	992
Period gap	$(1,199)	$ (61)	$ (3)	$ 68	$ 500	$ 695
Cumulative gap	$(1,199)	$(1,260)	$(1,263)	$(1,195)	$ (695)	-
Ratio of interest-sensitive assets to interest-sensitive liabilities	166.3%	82.7%	1.2%	2.1%	8.8%	461.7%
Ratio of cumulative gap to total assets	3.0%	3.2%	3.2%	3.0%	1.7%	-%

Interest Rate Sensitivity Analysis

The effect of short-term movements in interest rates on the Company's results of operations and financial position has been limited through the Company's risk management activities. The Company performed a sensitivity analysis to determine the effect of a hypothetical increase in market interest rates of 10 percent. Based on this analysis an increase in rates of this magnitude would reduce net income by approximately $22 million or $.12 diluted earnings per share. The decline in net income would primarily be due to the reduction in floor revenues earned net of payments to floor revenue counterparties.

The fair value of the Company's interest sensitive assets and its long-term debt and hedging instruments are also subject to change as a result of potential changes in market rates and prices. A separate analysis was performed to determine the effects of 10 percent rise in market interest rates on the fair value of the Company's financial instruments. The effect of the 10 percent rise in rates on fair values would be a decrease in the fair market value of student loans of approximately $50 million. The decrease in student loan fair market value would be partially offset by a net increase in the fair market value of the Company's non-student loan assets, long-term debt and hedging instruments of $5 million. The decrease in student loan market value is mainly due to the reduction in value of the floor revenue feature of the underlying student loans.

These amounts have been determined after considering the impact of a hypothetical shift in interest rates and the use of this methodology to quantify the market risk of such instruments with no other changes in the Company's financial structure. The analysis is limited because it does not take into account the overall level of economic activity, other operating transactions and other management actions that could be taken to further mitigate the Company's exposure to risk.

Average Terms to Maturity

The following table reflects the average terms to maturity for the Company's earning assets and liabilities at December 31, 1997 (in years):

EARNING ASSETS	
Student loans	6.0
Warehousing advances	4.5
Academic facilities financings	7.5
Cash and investments	6.0
Total earning assets	6.0
BORROWINGS	
Short-term borrowings	.5
Long-term borrowings	3.0
Total borrowings	1.5

In the above table, Treasury receipts and variable rate asset-backed securities, although generally liquid in nature, extend the weighted average remaining term to maturity of cash and investments to 6.0 years. As student loans are securitized, the need for long-term on-balance sheet financing will decrease.

Common Stock

On January 2, 1998, the Company effected a 7-for-2 stock split through a stock dividend of an additional five shares for every two owned. This increased the number of common shares outstanding at December 31, 1997 from 49.5 million to 173.4 million.

During 1997, the Company repurchased 18.0 million shares of its common stock adjusted for the 7-for-2 stock split leaving 173.4 million shares outstanding at December 31, 1997. For the past few years the GSE has operated near the statutory minimum capital ratio of 2.0 percent of risk adjusted assets required under its charter. Capital in excess of such amounts has been used to repurchase common shares. As of December 31, 1997, the Company had remaining authority to repurchase up to an additional 6.3 million shares. In January 1998, the Board of Directors increased this authority by 20 million shares, bringing the total remaining authority to 26.3 million shares which covers both purchases of common shares in the open market or effective purchases through equity forward contracts. Commencing in the fourth quarter of 1997, the Company supplemented its open market common stock purchases by entering into equity forward transactions to purchase 7 million shares on a cash or net share settled basis. The forwards settle at various times over the next two years at prices ranging from $38 per share to $42 per share.

Other Related Events and Information

Legislative Developments

The Higher Education Act provides that the special allowance for student loans made on or after July 1, 1998 will be based on the U.S. Treasury security with comparable maturity plus 1.0 percent for Stafford and Unsubsidized Stafford loans, and 2.1 percent for PLUS loans. The Secretary of Education has not adopted regulations specifying the U.S. Treasury security on which these interest rates will be based or how often the special allowance rate will reset. Depending on the specifics of the regulations, these changes could adversely impact the FFELP market and the Company's business, because of the uncertain availability and costs of funding to support this new type of instrument. On February 25, 1998, the U.S. Treasury Department released a report on "The Financial Viability of the Government Guaranteed Student Loan Program." The report concludes that the new special allowance formula scheduled to take effect for student loans on July 1, 1998 would reduce lenders' net return to below acceptable levels and would create inefficiencies. The Treasury report also suggests that the current T-bill based formula provides lenders with a pre-tax rate of return that exceeds a "reasonable range of target rates." Management believes that the report's costs and profitability assumptions underlying the rate of return analysis are flawed. Concurrent with the release of the report, the Clinton Administration called for a reinstatement of the 91-day T-bill index and an 80 basis point reduction in the special allowance for both in-school and repayment loans. Management believes the administration's proposal, as with the currently scheduled rate change, would result in uneconomic returns for lenders. Such a reduction would have a material adverse impact on the Company and its earnings. Management expects Congress to consider this issue in March of 1998. It is uncertain whether Congress will enact any changes to the law and whether such changes would be in line with the Administration's proposal.

Loan Consolidation Program

On November 13, 1997, President Clinton signed into law the Emergency Student Loan Consolidation Act of 1997, which made significant changes to the FFELP loan consolidation program. These changes include: (1) providing that FDSLP loans are eligible to be included in a FFELP consolidation loan; (2) changing the borrower interest rate on new consolidation loans (previously a fixed rate based on the weighted average of the loans consolidated, rounded up to the nearest whole percent) to the annually variable rate applicable to Stafford loans (the bond equivalent rate at the last auction in May of 91-day Treasury bills, plus 3.10 percent, capped at 8.25 percent); (3) providing that the portion of a consolidated loan that is comprised of subsidized loans retains its subsidy benefits during periods of deferment; and (4) establishing prohibitions against various forms of discrimination in the making of consolidation loans. All of these provisions, with the exception of item 4, expire on September 30, 1998. The emergency legislation did not alter the 105 basis points annual fee payable by the holder of a consolidation loan or the 50 basis points origination fee charged to lenders when a consolidation loan is issued.

Following enactment of this legislation, the Company announced that, effective as of November 13, 1997, it had suspended its loan consolidation program (marketed as the SMART LoanSM program). The new legislation made it difficult for the Company to participate in the FFELP consolidation loan program for profitability reasons. The Company does, however, strongly endorse the principle of the legislation that allows FDSLP and FFELP borrowers to consolidate their loans under either program and plans to continue to press for changes that will enable the Company to once again participate in the FFELP consolidation loan program.

Administration's FY 1999 Budget Proposal

On February 3, 1998, President Clinton submitted his Fiscal Year 1999 budget proposal to Congress. As in past years, the President has included a number of provisions designed to reduce the costs of the FFELP program and to provide savings necessary to offset the costs of reducing borrower paid loan origination fees, which he proposed to eliminate completely for Subsidized Stafford loans by July 1, 2003. The President proposed to provide FFELP borrowers extended repayment options that are available in the FDSLP, and to allow for a multi-year promissory note for both the FFELP and FDSLP to streamline the application process for serial borrowers. Of specific interest to lenders are proposals to reset the interest rate for special allowance payments on new loans on an annual basis, versus the current weekly reset, require lenders to limit interest capitalization on Unsubsidized Stafford Loans to the beginning of repayment (versus current policy which permits capitalization to occur as frequently as quarterly while the borrower is in school) and to require FFELP lenders that offer benefits involving the partial or complete payment of borrower origination fees to offer those benefits to all borrowers they serve. Special allowance payments made on loans funded via tax-exempt obligations would also be reduced. In Higher Education Act reauthorization proposals submitted subsequent to submission of the budget, the Administration proposed to reduce the interest rate on Stafford loans while the borrower is in school to the 10-year Treasury Note rate without any spread to that rate. The President called again for a total restructuring of the guaranty agencies, including recalling more than $1 billion in remaining guarantor reserve funds. The President's plan for guaranty agencies calls for converting them to a "fee for service" model, reducing amounts they currently retain on amounts collected from defaulted borrowers from 27 percent to 18.5 percent and replacing payments for pre-claims assistance with a performance-based formula. All these proposals may be considered by Congress as it deliberates on this budget and addresses the reauthorization of the Higher Education Act.

Year 2000 Issue

The "Year 2000 issue" refers to a wide variety of potential computer program processing and functionality issues that may arise from the inability of computer programs to properly process date-sensitive information relating to the Year 2000, years thereafter and to a lesser degree the Year 1999. During 1996, the Company commenced a Year 2000 compliance project to assess and remediate its internal software and hardware systems to avoid or mitigate Year 2000 problems and to evaluate potential Year 2000 problems that may arise from entities with which the Company interacts. The Company is assessing its internal software and hardware, and is in the process of replacing or modifying those systems. The Company does not believe that the costs of its internal program will be material to any single year.

The Company has surveyed its third party service providers and business partners and is currently reviewing these surveys to determine the level of compliance and the potential impact of noncompliance. There can be no assurance that the computer systems of other companies or counterparties on which the Company relies will be compliant on a timely basis, or that a failure to resolve Year 2000 issues by another party, or a remediation or conversion that is incompatible with the Company's computer systems, will not have a material adverse effect on the Company.

Consolidated Balance Sheets
(Dollars in thousands, except per share amounts)

	December 31, 1997	1996
ASSETS		
Insured student loans purchased	$27,592,714	$32,307,930
Student loan participations	1,927,896	1,445,596
Insured student loans	29,520,610	33,753,526
Warehousing advances	1,868,654	2,789,485
Academic facilities financings		
Bonds - available-for-sale	860,325	934,481
Loans	514,691	538,850
Total academic facilities financings	1,375,016	1,473,331
Investments		
Available-for-sale	4,549,977	6,833,695
Held-to-maturity	525,962	601,887
Total investments	5,075,939	7,435,582
Cash and cash equivalents	54,022	270,887
Other assets, principally accrued interest receivable	2,014,556	1,907,079
Total assets	$39,908,797	$47,629,890
LIABILITIES		
Short-term borrowings	$23,175,509	$22,517,627
Long-term notes	14,541,316	22,606,226
Other liabilities	1,303,517	1,458,207
Total liabilities	39,020,342	46,582,060
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST IN SUBSIDIARY	213,883	213,883
STOCKHOLDERS' EQUITY		
Common stock, par value $.20 per share, 250,000,000 shares authorized: 183,632,694 and 229,934,499 shares issued, respectively	36,726	45,987
Additional paid-in capital	28,838	-
Unrealized gains on investments (net of tax of $203,935 and $188,050, respectively)	378,736	349,235
Retained earnings	654,135	975,889
Stockholders' equity before treasury stock	1,098,435	1,371,111
Common stock held in treasury at cost: 10,221,757 and 42,017,416 shares, respectively	423,863	537,164
Total stockholders' equity	674,572	833,947
Total liabilities and stockholders' equity	$39,908,797	$47,629,890

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income
(Dollars in thousands, except per share amounts)

	Years ended December 31, 1997	1996	1995
Interest income:			
Insured student loans purchased	$2,344,089	$2,586,035	$2,708,079
Student loan participations	117,571	20,625	-
Insured student loans	2,461,660	2,606,660	2,708,079
Warehousing advances	151,086	193,654	407,866
Academic facilities financings:			
Taxable	51,410	52,163	54,862
Tax-exempt	46,558	48,262	52,859
Total academic facilities financings	97,968	100,425	107,721
Investments	573,120	548,582	697,724
Total interest income	3,283,834	3,449,321	3,921,390
Interest expense:			
Short-term debt	1,461,954	1,138,272	905,933
Long-term debt	1,064,202	1,444,613	2,114,716
Total interest expense	2,526,156	2,582,885	3,020,649
NET INTEREST INCOME	757,678	866,436	900,741
Other income:			
Gain on sale of student loans	280,221	48,981	-
Servicing and securitization revenue	151,221	57,736	1,423
Gains/(losses) on sales of securities	21,086	11,898	24,032
Other	48,344	28,301	24,958
Total other income	500,872	146,916	50,413
Operating expenses:			
Salaries and benefits	224,554	206,347	211,787
Other	269,213	199,305	226,914
Total operating expenses	493,767	405,652	438,701
Income before federal income taxes and premiums on debt extinguished and minority interest in net earnings of subsidiary	764,783	607,700	512,453

Income tax expense (benefit):			
Current	219,145	207,437	141,803
Deferred	23,776	(23,939)	(540)
Total income taxes	242,921	183,498	141,263
Minority interest in net earnings of subsidiary	10,694	10,694	10,694
Income before premiums on debt extinguished	511,168	413,508	360,496
Premiums on debt extinguished, net of tax	(3,273)	(4,792)	(4,911)
NET INCOME	$ 507,895	$ 408,716	$ 355,585
Basic earnings per common share before premiums on debt extinguished	$ 2.82	$ 2.13	$ 1.53
BASIC EARNINGS PER COMMON SHARE	$ 2.80	$ 2.10	$ 1.51
Diluted earnings per common share before premiums on debt extinguished	$ 2.80	$ 2.12	$ 1.53
DILUTED EARNINGS PER COMMON SHARE	$ 2.78	$ 2.09	$ 1.51

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of
Changes in Stockholders' Equity
(Dollars in thousands, except per share amounts)

	Years ended December 31, 1997	1996	1995
COMMON STOCK:			
Balance, beginning of year (as restated, See Note 14)	$ 45,987	$ 86,885	$ 86,691
Issuance of common shares	695	402	194
Retirement of treasury shares	(9,956)	(41,300)	-
Balance, end of year	36,726	45,987	86,885
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of year (as restated, See Note 14)	-	475,757	462,589
Proceeds in excess of par value from issuance of common stock	59,729	22,633	11,534
Issuance of warrants	12,393	-	-
Tax benefit related to employee stock option and purchase plans	22,879	7,393	1,634
Premiums on equity forward purchase contracts	(18,082)	-	-
Retirement of treasury shares	(48,081)	(505,783)	-
Balance, end of year	28,838	-	475,757
UNREALIZED GAINS ON INVESTMENTS, NET OF TAX:			
Balance, beginning of year	349,235	370,846	299,558
Change in unrealized gains	29,501	(21,611)	71,288
Balance, end of year	378,736	349,235	370,846
RETAINED EARNINGS:			
Balance, beginning of year (as restated, see Notes 2 and 14)	975,889	2,728,383	2,473,048
Net income	507,895	408,716	355,585
Retirement of treasury shares	(736,019)	(2,070,216)	-
Cash dividends:			
Common stock ($.52, $.47, and $.43 per share, respectively)	(93,630)	(90,994)	(100,250)
Balance, end of year	654,135	975,889	2,728,383
COMMON STOCK HELD IN TREASURY AT COST:			
Balance, beginning of year	537,164	2,794,549	1,934,377
Repurchase of 17,979,497; 16,063,082 and 56,331,454 common shares, respectively	680,342	359,914	860,172
Retirement of 49,775,156 and 206,500,000 treasury shares, respectively	(793,643)	(2,617,299)	-
Balance, end of year	423,863	537,164	2,794,549
TOTAL STOCKHOLDERS' EQUITY	$ 674,572	$ 833,947	$ 867,322

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows
(Dollars in thousands)

	Years ended December 31, 1997	1996	1995
OPERATING ACTIVITIES			
Net income	$ 507,895	$ 408,716	$ 355,585
Adjustments to reconcile net income to net cash provided by operating activities:			
Gains on sales of student loans	(280,221)	(48,981)	-
(Increase) in accrued interest receivable	(76,561)	(11,286)	(179,505)
Increase (decrease) in accrued interest payable	(40,231)	(109,214)	112,133
(Increase) decrease in other assets	74,591	(225,591)	(128,799)
Increase (decrease) in other liabilities	(130,344)	188,142	15,804
Total adjustments	(452,766)	(206,930)	(180,367)
Net cash provided by operating activities	55,129	201,786	175,218
INVESTING ACTIVITIES			
Insured student loans purchased	(8,311,364)	(8,370,836)	(9,379,663)
Reduction of insured student loans purchased:			
Installment payments	2,486,559	3,094,937	3,452,985
Claims and resales	1,112,226	1,277,400	1,161,163
Proceeds from securitization of student loans	9,621,989	6,026,780	1,000,000
Participations purchased	(728,733)	(1,498,868)	-
Participation repayments	246,433	53,272	-
Warehousing advances made	(695,061)	(1,391,590)	(2,250,077)
Warehousing advance repayments	1,615,892	2,467,198	5,416,890
Academic facilities financings made	(148,033)	(465,596)	(122,813)
Academic facilities financings reductions	256,420	302,557	379,283
Investments purchased	(16,639,867)	(15,966,490)	(43,716,393)
Proceeds from sale or maturity of investments	19,027,736	16,113,659	46,627,289
Net cash provided by investing activities	7,844,197	1,642,423	2,568,664
FINANCING ACTIVITIES			
Short-term borrowings issued	685,921,616	268,027,948	163,805,115
Short-term borrowings repaid	(682,026,471)	(262,994,320)	(166,764,320)
Long-term notes issued	4,691,827	8,304,988	12,350,217
Long-term notes repaid	(15,994,000)	(15,744,378)	(12,196,436)
Common stock issued	64,809	30,428	13,362
Common stock repurchased	(680,342)	(359,914)	(860,172)
Dividends paid	(93,630)	(90,994)	(100,250)
Net cash (used in) financing activities	(8,116,191)	(2,826,242)	(3,752,484)
(Decrease) in cash and cash equivalents	(216,865)	(982,033)	(1,008,602)
Cash and cash equivalents at beginning of year	270,887	1,252,920	2,261,522
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 54,022	$ 270,887	$ 1,252,920

CASH DISBURSEMENTS MADE FOR:

Interest	$ 2,198,630	$ 2,460,870	$ 2,772,815
Income taxes	$ 143,500	$ 202,200	$ 122,000

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Privatization

SLM Holding Corporation ("SLM Holding") was formed on February 3, 1997 as a wholly owned subsidiary of the Student Loan Marketing Association (the "GSE"). On August 7, 1997, pursuant to the Student Loan Marketing Association Reorganization Act of 1996 (the "Privatization Act") and approval by shareholders of an agreement and plan of reorganization, the GSE was reorganized into a subsidiary of SLM Holding (the "Reorganization"). SLM Holding is a holding company that operates through a number of subsidiaries including the GSE. References herein to the "Company" refer to the GSE and its subsidiaries for periods prior to the Reorganization and to SLM Holding and its subsidiaries for periods after the Reorganization.

Under the terms of the Reorganization each outstanding share of common stock, par value $.20 per share, of the GSE was converted into one share of common stock, par value $.20 per share of SLM Holding. The GSE transferred all employees to non-GSE subsidiaries on August 7, 1997 and also transferred certain assets, including stock in certain subsidiaries, to SLM Holding or one of its non-GSE subsidiaries on December 31, 1997. This transfer of the subsidiaries and assets and the related exchange of stock was accounted for at historical cost similar to a pooling of interests and therefore all prior period financial statements and related disclosures presented have been restated as if the Reorganization took place at the beginning of such periods.

The GSE was chartered by Congress to provide liquidity for originators of student loans made under federally sponsored student loan programs and otherwise to support the credit needs of students and educational institutions. The GSE is predominantly engaged in the purchase of student loans insured under federally sponsored programs. The GSE also makes secured loans (warehousing advances) to providers of education credit, and provides financing to educational institutions for their physical plant and equipment (academic facilities financings).

Privatization

The Privatization Act provides that the GSE may continue to issue new debt obligations maturing on or before September 30, 2008. The legislation further provides that the legal status and attributes of the GSE's debt obligations, including Securities and Exchange Commission ("SEC") registration and state tax exemptions, will be fully preserved until their respective maturities. Such debt obligations will remain GSE debt obligations, whether such obligations were outstanding at the time of, or issued subsequent to, the Reorganization. The obligations of SLM Holding do not have GSE status. Beginning in fiscal 1997, and until the GSE is dissolved, the GSE also must reimburse the U.S. Treasury Department up to $800,000 annually (subject to adjustment based on the Consumer Price Index) for its reasonable costs and expenses of carrying out its supervisory duties under the Privatization Act.

As required by the Privatization Act the GSE paid $5 million to the District of Columbia Financial Responsibility and Management Assistance Authority (the "D.C. Financial Control Board") for the use of the name "Sallie Mae," and SLM Holding issued to the D.C. Financial Control Board warrants to purchase 1,942,553 shares of SLM Holding Common Stock at a price of $20.69 per share after consideration of the Company's 7-for-2 stock split.

The GSE will wind down its operations and dissolve on or before September 30, 2008. Any GSE debt obligations outstanding at the date of such dissolution will be defeased through creation of a fully collateralized trust, consisting of U.S. government or agency obligations with cash flows matching the interest and principal obligations of the defeased debt. The Privatization Act further requires that the GSE's outstanding adjustable rate cumulative preferred stock be redeemed on September 30, 2008 or at such earlier time when the GSE is dissolved. Also upon the GSE's dissolution, all of its remaining assets will transfer to the Company.

2. Significant Accounting Policies

Loans

Loans, consisting of insured student loans purchased (student loans), student loan participations, warehousing advances, and academic facilities financings are carried at their unpaid principal balances which, for student loans, are adjusted for unamortized premiums and unearned purchase discounts.

Student Loan Income

The Company recognizes student loan income as earned, including adjustments for the amortization of premiums and the accretion of discounts. Interest income earned on student loan participations is recognized in accordance with the terms of the joint venture agreement with the Chase Manhattan Bank (the "Joint Venture")which effectively reflects the underlying interest income earned on the student loans less servicing costs and the general and administrative expenses of the joint venture. The Company's investment in the Joint Venture is accounted for using the equity method of accounting.

Student Loan Loss Reserves

The Company has established reserves for potential losses on its student loan portfolio that can result from defective servicing, and risk-sharing on claim payments for federally insured loans and credit losses on privately insured loans. The reserve is based on periodic evaluations of its loan portfolios considering past experience, changes to federal student loan programs, current economic conditions and other relevant factors. The reserve is maintained at a level that management believes is adequate to absorb estimated potential credit losses. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant changes.

Cash and Cash Equivalents

Cash and cash equivalents include term federal funds and bank deposits with terms to maturity less than three months.

Investments

Investments are held to provide liquidity, to hedge certain financing activities and to serve as a source of short-term income. Investments are segregated into three categories as required under Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Securities that are actively traded are accounted for at fair market value with unrealized gains and losses included in investment income. Securities that are intended to be held-to-maturity are accounted for at amortized cost. Securities that fall outside of the two previous categories are considered as available-for-sale. Such securities are carried at market value, with the after-tax unrealized gain or loss, along with after-tax unrealized gain or loss on instruments which hedge such securities, carried as a separate component of stockholders' equity. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts.

Interest Expense

Interest expense is based upon contractual interest rates adjusted for net payments under derivative financial instruments with off-balance sheet risks, which include interest rate and foreign currency exchange agreements and the amortization of debt issuance costs and deferred gains and losses on hedge transactions entered into to reduce interest rate risk.

Interest Rate Swaps

The Company utilizes interest rate swap agreements ("interest rate swaps") principally for hedging purposes to alter the interest rate characteristics of its debt in order to manage interest rate risk. This enables the Company to match the interest rate characteristics of borrowings to specific assets in order to lock in spreads. The Company does not hold or issue interest rate swaps for trading purposes.

Amounts paid or received under swaps that are used to alter the interest rate characteristics of its interest-sensitive liabilities are accrued and recognized as an adjustment of the interest expense on the related borrowing. The related net receivable or payable from counterparties is included in other assets or other liabilities. Gains and losses associated with the termination of swaps for designated positions are deferred and amortized over the remaining life of the designated instrument as an adjustment to interest expense.

The Company's credit exposure on swaps is limited to their unrealized gains in the event of nonperformance by the counterparties. The Company manages the credit risk associated with these instruments by performing credit reviews of counterparties and monitoring market conditions to establish counterparty, sovereign and instrument-type credit lines and, when appropriate, requiring collateral.

Floor Revenue Contracts

The Company enters into contracts with third parties, under which it agreed to pay the future floor revenues received in exchange for upfront payments ("floor revenue contracts"). These upfront payments are being amortized to student loan income over the average life of the contracts, which is approximately six months for the 1997 contracts and two years for the 1996 contracts.

Foreign Currency Derivatives

The Company enters into various foreign currency swaps, forward currency exchange agreements and options on forward currency exchange agreements to hedge its foreign currency linked debt agreements. These contracts mature concurrently with the maturities of the debt and are subject to the same credit standards as interest rate swaps. Foreign currency derivatives and the related foreign currency borrowings are translated at the market rates of exchange as of the balance sheet date. Gains and losses on foreign currency transactions that are designated hedges are deferred and included in the basis of the designated instrument.

Income Taxes
Deferred income taxes reflect the net effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Earnings per Common Share
In 1997, the Company adopted SFAS No. 128, "Earnings per Share". SFAS No. 128 simplifies the standards for computing EPS previously found in Accounting Principles Board Opinion ("APB") No. 15, "Earnings per Share," and makes the standards comparable to recently adopted international EPS guidelines. SFAS No. 128 replaces the presentation of "primary" EPS with the presentation of "basic" EPS. It also requires dual presentation of basic and diluted EPS on the face of the income statement and a reconciliation of the numerator and denominator used in the basic EPS calculation to the numerator and denominator used in the diluted EPS calculation.

Basic earnings per common share were computed using the weighted average of common shares outstanding during the year. Diluted earnings per common share were computed using the weighted average of common and common equivalent shares outstanding during the year. Common equivalent shares include shares issuable upon exercise of incentive stock options and in 1997, warrants for voting common stock. Equity forward transactions are included in common equivalent shares if the average market price of the Company's stock is less than the forward contract's exercise price.

Consolidation
The consolidated financial statements include the accounts of SLM Holding and its subsidiaries, after eliminating significant intercompany accounts and transactions.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, reported amounts of revenues and expenses and other disclosures. Actual results could differ from those estimates.

Reclassifications
Certain reclassifications have been made to the balances as of and for the years ended December 31, 1996 and 1995, to be consistent with classifications adopted for 1997.

Restatement of Previously Issued Financial Statements
Student loan servicing costs are generally incurred in a fixed amount per borrower and thus increase in proportion to principal balances outstanding as loans are repaid. Prior to 1995, to achieve a level yield to maturity, interest income was deferred during the early years of the loans, then recognized during the later years to offset the aforementioned proportional servicing cost increases. Changes in the estimates of future loan servicing costs were reflected in student loan income over the estimated remaining terms of the loans. In the fourth quarter of 1995, the GSE discontinued its accounting method of deferring income on student loans which resulted in an increase in 1995 net income and income before premiums on debt extinguished of $21 million ($.09 per diluted common share).

After discussions with the Securities and Exchange Commission, management determined that the GSE's method for recognizing student loan income as earned should be used for all periods presented. Accordingly, the previously reported financial statements of the GSE for the year ended December 31, 1995 have been restated. For 1995, the cumulative effect of the change in accounting method of $130 million ($.55 per diluted common share) has been eliminated, thereby, decreasing net income and increasing the beginning balance of retained earnings by $130 million.

Recently Issued Accounting Pronouncements
During the first quarter of 1998 the Company will adopt SFAS No. 130, "Reporting Comprehensive Income," which addresses the manner in which certain adjustments to stockholders' equity (principally unrealized gains and losses on available-for-sale securities) are displayed in the financial statements, with no effect on reported earnings, assets or capital. During 1997 the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which revises the requirements for disclosing segment data. The Company is reviewing the new requirements for presentation of segment data under the standard and is determining those operating segments, if any, that require separate disclosure. Both Statements are effective for fiscal years beginning after December 15, 1997. Adoption of these standards will not impact the Company's consolidated financial position, results of operations or cash flows, and any effect, while not yet determined by the Company, will be limited to the presentation of its disclosures.

3. Student Loans
The Company purchases student loans from originating lenders, typically just before the student leaves school and is required to begin repayment of the loan. The Company's portfolio consists principally of loans originated under two federally sponsored programs - the Federal Family Education Loan Program ("FFELP") and the Health Education Assistance Loan Program ("HEAL"). The Company also purchases privately insured loans from time to time, principally those insured by a wholly owned subsidiary.

There are three principal categories of FFELP loans: Stafford loans, PLUS loans, and consolidation loans. Generally, these loans have repayment periods of between five and ten years, with the exception of consolidation loans, and obligate the borrower to pay interest at a stated fixed rate or an annually reset variable rate that has a cap. However, the yield to holders is subsidized on the borrowers' behalf by the federal government to provide a market rate of return. The formula through which the subsidy is determined is referred to as the special allowance formula. Special allowance is paid whenever the average of all of the 91-day Treasury bill auctions in a calendar quarter, plus a spread of between 2.50 and 3.50 percentage points depending on the loan status and when it was originated, exceeds the rate of interest which the borrower is obligated to pay.

In low interest rate environments, if the rate which the borrower is obligated to pay exceeds the rate determined by the special allowance formula, then the borrower's rate becomes a floor on an otherwise variable rate asset. When this happens, the differences between the interest paid by the borrower and the rate determined by the special allowance formula is referred to as "floor revenue." During 1997 and 1996, the Company entered into contracts ("floor revenue contracts") with third parties under which it agreed to pay the future floor revenues received on student loans with a principal balance of $11 billion and $13.5 billion, respectively, in exchange for upfront payments of $14 million and $128 million, respectively. These upfront payments are being amortized to student loan income over the average life of the contracts, which is approximately six months for the 1997 contracts, and two years for the 1996 contracts. For the years ended December 31, 1997 and 1996, the amortization of the upfront payments on fixed and variable floor revenue contracts increased student loan income by $41 million and $23 million, respectively. For the years ended December 31, 1997 and 1996, payments under the contracts totaled $19 million and $12 million, respectively.

Offset fees, consolidation loan rebate fees, risk-sharing and yield reductions continue to have increasing adverse effect on the Company as a higher percentage of loans originated after August 1993 and subject to these costs become available to the Company. In addition, the Federal Direct Student Loan Program ("FDSLP") originated approximately 32 percent, 31 percent and 7 percent of student loan originations for academic years 1996-97, 1995-96 and 1994-95, respectively. Based on Department of Education estimates, management believes that FDSLP originations will increase to approximately 35 percent of student loan originations for the 1997-98 academic year and continue at that level thereafter.

The estimated average remaining term of student loans in the Company's portfolio, including student loan participations, was approximately 6 years at December 31, 1997 and 1996. The following table reflects the distribution of the Company's student loan portfolio by program.

	December 31, 1997	December 31, 1996
FFELP--Stafford	$12,005,935	$17,292,273
FFELP--PLUS/SLS	2,349,310	3,580,803
FFELP--Consolidation loans	9,111,299	7,658,035
HEAL	2,628,719	2,758,860
Privately insured	1,497,451	1,017,959
Insured student loans purchased	27,592,714	32,307,930
Student loan participations	1,927,896	1,445,596
Total student loans	$29,520,610	$33,753,526

As of December 31, 1997 and 1996, 86 percent and 84 percent, respectively, of the Company's on-balance sheet student loan portfolio was in repayment.

Holders of FFELP loans are insured against the borrower's default, death, disability or bankruptcy. Insurance on FFELP loans is provided by certain state or non-profit guarantee agencies, which are reinsured by the federal government. FFELP loans originated prior to October 1, 1993 are reinsured 100 percent by the federal government, while FFELP loans originated after October 1, 1993 are reinsured for 98 percent of their unpaid balance resulting in 2 percent risk-sharing for holders of these loans. At December 31, 1997 and 1996, the Company owned $12.4 billion and $15.5 billion of 100 percent reinsured FFELP loans, and $13.0 billion and $14.5 billion of 98 percent reinsured loans, respectively. HEAL loans are directly insured by the federal government. Both FFELP and HEAL loans are subject to regulatory requirements relating to servicing. In the event of default on a student loan or the borrower's death, disability or bankruptcy, the Company files a claim with the insurer or guarantor of the loan, who, provided the loan has been properly originated and serviced, and in the case of HEAL litigated, pays the Company the unpaid principal balance and accrued interest on the loan less risk-sharing, where applicable.

Claims not immediately honored by the guarantor because of servicing or origination defects are returned for remedial servicing, during which period income is not recognized. On certain paid claims, guarantors assess a penalty for minor servicing defects. Costs associated with claims on defaulted student loans, which include such penalties, reduced interest income on student loans by $10.9 million, $12.8 million and $15.8 million for the years ended December 31, 1997, 1996 and 1995, respectively.

The following table summarizes the reserves that the Company has recorded for estimated losses due to risk-sharing, unpaid guarantee claims and defaults on privately insured loans, which are netted against student loans on the balance sheet.

	Years ended December 31, 1997	1996	1995
BALANCE AT BEGINNING OF PERIOD	$ 84,063	$ 60,337	$ 64,928
Additions			
Provisions for loan losses	21,717	29,749	800
Recoveries	7,551	7,235	6,096
Deductions			
Reductions for sales on student loans	(10,556)	(3,188)	-
Losses on loans	(15,115)	(10,070)	(11,487)
BALANCE AT END OF PERIOD	$ 87,660	$ 84,063	$ 60,337

In addition to the reserves for loan losses in the above table, the Company through its wholly owned insurance subsidiary, the Hemar Insurance Corporation of America ("HICA"), maintains a provision for future losses on private student loans that it insures.

At December 31, 1997 and 1996, HICA's reserve was $79 million and $63 million, respectively, for which the Company owned 89 percent of the $1.5 billion and 73 percent of the $1.2 billion, respectively, of student loans insured by HICA.

4. Warehousing Advances

Warehousing advances are secured loans made, generally, to finance student loans and other education-related loans at certain financial and educational institutions and public sector agencies. Such advances are collateralized by student loans, obligations of the U.S. government or instrumentalities thereof, or by other collateral, such as residential first mortgages and mortgage-backed securities. As of December 31, 1997, approximately 96 percent were collateralized by student loans, 2 percent by U.S. government securities, and 2 percent by other collateral. As of December 31, 1996, approximately 97 percent were collateralized by student loans, 1 percent by U.S. government securities and 2 percent by other collateral. A summary of warehousing advances by industry concentration follows:

	December 31, 1997	December 31, 1996
Commercial banks................	$ 679,113	$1,547,193
Public sector agencies..........	1,083,168	1,126,095
Educational institutions........	106,373	116,197
	$1,868,654	$2,789,485

Warehousing advances have specific maturities and generally bear rates of interest which vary with the 91-day Treasury bill rate, or the London Interbank Offered Rate ("LIBOR"), or which are fixed for the term of the advance. A summary of warehousing advance interest rate characteristics follows:

	December 31, 1997	December 31, 1996
Variable rate:		
Treasury bill................	$1,167,912	$1,723,588
LIBOR........................	678,868	1,046,086
Fixed rate......................	21,874	19,811
	$1,868,654	$2,789,485

The average remaining term to maturity of warehousing advances was 4.5 years as of December 31, 1997 with maturities as follows: 1998-$395,143; 1999-$1,000; 2000-$859,835; 2001-$0; 2002-$2,200 and after 2002-$610,476.

5. Academic Facilities Financings

Academic facilities financings are comprised of bonds issued by and loans to educational institutions to finance their physical plant and equipment. The academic facilities bonds are classified as available-for-sale securities under SFAS No. 115 and are carried at fair market value.

The following tables summarize the academic facilities bonds at December 31, 1997 and 1996.

	December 31, 1997			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
BONDS -- AVAILABLE-FOR-SALE				
Fixed...	$790,163	$28,863	$ (46)	$818,980
Variable..	41,721	7	(383)	41,345
Total academic facilities bonds................................	$831,884	$28,870	$ (429)	$860,325

December 31, 1996			
Amortized	Gross Unrealized	Gross Unrealized	Market

	Cost	Gains	Losses	Value
BONDS -- AVAILABLE-FOR-SALE				
Fixed	$831,711	$19,794	$ (978)	$850,527
Variable	84,401	10	(457)	83,954
Total academic facilities bonds	$916,112	$19,804	$(1,435)	$934,481

The following table summarizes academic facilities loans at December 31, 1997 and 1996.

	December 31, 1997	1996
LOANS		
Fixed	$456,788	$474,659
Variable	57,903	64,191
Total academic facilities loans	$514,691	$538,850

The average remaining term to maturity of academic facilities financings was 7.5 years at December 31, 1997. The stated maturities and maturities if accelerated to the put or call dates for academic facilities bonds and loans at December 31, 1997 are shown in the following table:

	December 31, 1997		
	Bonds		Loans
Year of Maturity	Stated Maturity	Maturity to Put or Call Date	Stated Maturity
1998	$ 44,163	$103,071	$ 8,942
1999	40,577	53,899	45,272
2000	64,088	106,246	15,719
2001	123,745	143,981	20,827
2002	140,194	124,525	29,551
2003-2007	365,221	310,799	82,168
after 2007	82,337	17,804	312,212
	$860,325	$860,325	$514,691

6. Investments

At December 31, 1997 and 1996, all investments with the exception of other investments are classified as available-for-sale securities under SFAS No. 115 and carried at fair market values which approximate amortized costs, except for U.S. Treasury securities which have an amortized cost of $887 million. The fair market value of U.S. Treasury securities is adjusted for unrealized gains and losses on $1.1 billion of interest rate swaps (See Note 10), which are held to reduce interest rate risk related to these securities ($45.7 million of unrealized losses at December 31, 1997 and $19.5 million of unrealized gains at December 31, 1996). A summary of investments at December 31, 1997 and 1996 follows:

	December 31, 1997			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
AVAILABLE-FOR-SALE				
U.S. Treasury and other U.S. government agencies obligations				
U.S. Treasury securities..................................	$ 886,918	$583,119	$(46,163)	$1,423,874
State and political subdivisions of the U.S.				
Student loan revenue bonds................................	189,467	7,364	-	196,831
Asset-backed and other securities				
Asset-backed securities...................................	2,613,914	2,686	(32)	2,616,568
Variable corporate bonds..................................	250,589	168	-	250,757
Commercial paper..	52,947	-	-	52,947
Other securities..	9,000	-	-	9,000
Total available-for-sale investment securities...............	$4,002,835	$593,337	$(46,195)	$4,549,977
HELD-TO-MATURITY				
Other...	$ 525,962	$ 144	$ (110)	$ 525,996

	December 31, 1996			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
AVAILABLE-FOR-SALE				
U.S. Treasury and other U.S. government agencies obligations				
U.S. Treasury securities..................................	$ 809,164	$508,758	$ (41)	$1,317,881
State and political subdivisions of the U.S.				
Student loan revenue bonds................................	201,248	5,563	(431)	206,380
Asset-backed and other securities				
Asset-backed securities...................................	4,645,046	4,746	(167)	4,649,625
Variable corporate bonds..................................	634,925	489	-	635,414
Commercial paper..	24,395	-	-	24,395
Total available-for-sale investment securities..............	$6,314,778	$519,556	$ (639)	$6,833,695
HELD-TO-MATURITY				
Other..	$ 601,887	$ 125	$ (267)	$ 601,745

The Company sold available-for-sale securities with a carrying value of $5.6 billion, $4.6 billion and $6.6 billion for the years ended December 31, 1997, 1996 and 1995, respectively.

As of December 31, 1997, stated maturities and maturities if accelerated to the put or call dates for investments are shown in the following table:

	December 31, 1997		
	Held-to-Maturity	Available-for-Sale	
Year of Maturity	Stated Maturity	Stated Maturity	Maturity to Put or Call Date
1998	$ 28,780	$ 328,702	$ 330,456
1999	10,293	134,205	141,618
2000	96,780	55,846	65,563
2001	1,184	66,169	80,061
2002	630	239,191	261,819
2003-2007	48,133	1,727,797	1,741,536
after 2007	340,162	1,998,067	1,928,924
	$525,962	$4,549,977	$4,549,977

7. Short-Term Borrowings

Short-term borrowings have an original or remaining term to maturity of one year or less. The following tables summarize outstanding short-term notes at December 31, 1997, 1996 and 1995, the weighted average interest rates at the end of each period, and the related average balances, weighted average interest rates and weighted average effective interest rates, which include the effects of related off-balance sheet financial instruments (see Note 10) during the periods.

	At December 31, 1997		Year ended December 31, 1997		
	Ending Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate	Weighted Average Effective Interest Rate
Six month floating rate notes	$ 3,149,410	5.55%	$ 2,907,533	5.39%	5.48%
Other floating rate notes	3,545,717	5.63	2,478,985	5.39	5.41
Discount notes	1,641,221	5.67	5,390,829	5.43	5.49
Fixed rate notes	6,789,749	5.78	5,982,389	5.87	5.58
Securities sold - not yet purchased and repurchase agreements	-	-	292,001	5.43	5.43
Short-term portion of long-term notes	8,049,412	5.74	9,496,177	5.67	5.51
Total short-term borrowings	$23,175,509	5.70%	$26,547,914	5.61%	5.51%
Maximum outstanding at any month end	$29,084,281				

	At December 31, 1996		Year ended December 31, 1996		
	Ending Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate	Weighted Average Effective Interest Rate
Six month floating rate notes...........	$ 2,699,477	5.23%	$ 2,485,322	5.32%	5.42%
Other floating rate notes...............	2,188,722	5.25	2,088,347	5.43	5.35
Discount notes..........................	2,377,976	6.43	3,072,019	5.31	5.36
Fixed rate notes........................	3,964,777	6.01	1,211,197	6.07	5.53
Securities sold - not yet purchased and repurchase agreements............	-	-	165,792	4.93	4.93
Short-term portion of long-term notes...	11,286,675	5.55	11,956,008	5.75	5.45
Total short-term borrowings.............	$22,517,627	5.66%	$20,978,685	5.61%	5.43%
Maximum outstanding at any month end....	$25,271,494				

	At December 31, 1995		Year ended December 31, 1995		
	Ending Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate	Weighted Average Effective Interest Rate
Six month floating rate notes...........	$ 2,699,595	5.64%	$ 3,608,930	5.78%	5.86%
Other floating rate notes...............	1,942,360	5.82	1,221,480	5.60	5.78
Discount notes..........................	1,074,257	5.58	1,427,363	5.81	5.86
Fixed rate notes........................	350,000	6.97	903,670	7.99	5.82
Securities sold - not yet purchased and repurchase agreements............	131,112	6.38	311,797	6.10	6.10
Short-term portion of long-term notes...	11,249,676	5.79	7,937,658	5.83	5.90
Total short-term borrowings.............	$17,447,000	5.79%	$15,410,898	5.93%	5.88%
Maximum outstanding at any month end....	$18,046,974				

At December 31, 1996, the short-term portion of long-term notes included issues totaling $80 million repayable in U.S. dollars, with principal repayment obligations tied to foreign currency exchange rates, and issues totaling $771 million which require the payment of interest and principal in foreign currencies. These notes were repaid in 1997. To eliminate its exposure to the effect of currency fluctuations on these contractual obligations, the Company had entered into various foreign currency agreements with independent parties (see Note 10).

To match the interest rate characteristics on short-term notes with the rate characteristics of its assets, the Company enters into interest rate swaps with independent parties. Under these agreements, the Company makes periodic payments, indexed to the related asset rates, in exchange for periodic payments which generally match the Company's interest obligations on fixed or variable rate notes (see Note 10).

8. Long-Term Notes
The following tables summarize outstanding long-term notes at December 31, 1997 and 1996, the weighted average interest rates and related notional amount of derivatives at the end of the periods, and the related average balances and weighted average effective interest rates, which include the effects of related off-balance sheet financial instruments (see Note 10), during the periods.

	At December 31, 1997			Year ended December 31, 1997	
	Ending Balance	Weighted Average Interest Rate	Notional Amount of Derivatives	Average Balance	Weighted Average Effective Interest Rate
Floating rate notes:					
U.S. dollar denominated:					
Interest bearing, due 1999-2003.........	$ 4,829,849	5.60%	$ 1,296,822	$ 6,788,026	5.48%
Fixed rate notes:					
U.S. dollar denominated:					
Interest bearing, due 1999-2018.........	9,289,872	6.09	14,506,256	11,184,059	5.64
Zero coupon, due 1999-2022.............	164,495	10.79	25,994	278,944	8.13
Dual currency, due 1998...................	-	-	-	168,836	6.74
Foreign currency:					
Interest bearing, due 1999-2000.........	257,100	5.72	496,210	257,100	5.45
Total fixed rate notes.......................	9,711,467	6.16	15,028,460	11,888,939	5.82
Total long-term notes........................	$14,541,316	5.97%	$16,325,282	$18,676,965	5.70%

	At December 31, 1996		Year ended December 31, 1996		
	Ending Balance	Weighted Average Interest Rate	Notional Amount of Derivatives	Average Balance	Weighted Average Effective Interest Rate
Floating rate notes:					
U.S. dollar denominated:					
Interest bearing, due 1998-2003	$ 8,844,825	5.27%	$ 2,022,044	$12,740,190	5.46%
Fixed rate notes:					
U.S. dollar denominated:					
Interest bearing, due 1998-2018	12,928,983	6.35	21,676,042	11,971,640	5.59
Zero coupon, due 1998-2022	326,875	8.25	358,071	304,990	7.68
Dual currency, due 1998	248,443	7.63	272,000	245,569	6.65
Foreign currency:					
Interest bearing, due 1999-2000	257,100	5.34	495,785	577,592	5.31
Zero coupon, due 1997	-	-	-	183,647	5.42
Total fixed rate notes	13,761,401	6.40	22,801,898	13,283,438	5.64
Total long-term notes	$22,606,226	5.96%	$24,823,942	$26,023,628	5.55%

==

At December 31, 1997, the Company had outstanding long-term debt issues with call features totaling $9.6 billion. As of December 31, 1997, the stated maturities and maturities if accelerated to the call dates for long-term notes are shown in the following table:

	December 31, 1997	
Year of Maturity	Stated Maturity	Maturity to Call Date
1998	$ -	$ 9,456,253
1999	7,793,364	2,761,592
2000	3,666,987	1,683,810
2001	2,252,404	79,200
2002	216,020	44,320
2003-2022	612,541	516,141
	$14,541,316	$14,541,316

For the years ended December 31, 1997, 1996 and 1995, the Company repurchased certain long-term notes prior to their scheduled maturity to lower future years' interest expense. The following table summarizes these transactions (dollars in millions):

	Years ended December 31, 1997	1996	1995
Maturity value	$47	$90	$62
Carrying value	$ 6	$ 8	$ 8
Premiums	$ 5	$ 7	$ 8

The Company issues debt with interest and/or principal payment characteristics tied to foreign currency indices to attempt to minimize its cost of funds. At December 31, 1997 and 1996, the Company had outstanding long-term foreign currency notes which require the payment of principal and interest in foreign currencies, and at December 31, 1996, the Company had dual currency notes which require the payment of interest in foreign currencies. To eliminate the Company's exposure to the effect of currency fluctuations on these contractual obligations, the Company has entered into various foreign currency agreements with independent parties (see Note 10).

To match the interest rate characteristics on its long-term notes with the interest rate characteristics of its assets, the Company enters into interest rate swaps with independent parties. Under these agreements, the Company makes periodic payments, indexed to the related asset rates, in exchange for periodic payments which generally match the Company's interest obligations on fixed or variable rate borrowings (see Note 10).

9. Student Loan Securitization

For the years ended December 31, 1997 and 1996 and in October 1995, SLM Funding Corporation, a wholly owned special purpose finance subsidiary of the GSE, purchased from the GSE and sold $9.4 billion, $6 billion and $1 billion, respectively, of student loans to trusts which issued floating rate student loan asset-backed securities in underwritten public offerings. At December 31, 1997 and 1996, securitized student loans outstanding totaled $14.1 billion and $6.3 billion, respectively.

The Company accounts for its securitization transactions in accordance with SFAS No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which establishes the accounting for certain financial asset transfers including securitization transactions. Under SFAS No. 125, the Company records a gain on sale equal to the present value of the expected net cash flows from the trust to the Company over the life of the portfolio sold. The resultant asset (the "Interest Residual") consists of the net present value of the excess of the interest earned on the portfolio of student loans sold to the trust less the interest paid on the asset-backed securities, servicing and administration fees, the estimated cost of borrower benefit programs, expected losses from risk-sharing on defaulted loans and other student loan related costs. In addition, the Company continues to service the loans in the trusts for a fee and earns that fee over the life of the portfolio. When the contract servicing fee is greater than current market servicing rates, the present value of such excess servicing fees is recognized as a servicing asset and included in the gain on sale.

For each securitization the Company records the Interest Residual asset and a servicing asset which represent the Company's retained interest in assets sold to the trust. These assets are determined by allocating the previous carrying amount of the student loans securitized among the loans sold, the retained Interest Residual asset and the servicing asset retained based on their relative fair market values at the time of sale. The Interest Residual asset is an available-for-sale security as defined by SFAS No. 115 and is therefore marked-to-market through equity (net of tax). Servicing assets are amortized in proportion to, and over the period of, estimated net servicing income. Impairment of servicing assets is evaluated periodically using discounted cash-flows and comparing them to the net carrying value of those assets with the rate of loan prepayment being the most significant estimate involved in the measurement process. At December 31, 1997 there was no valuation allowance on the servicing asset. At December 31, 1997 the Interest Residual asset was $451 million and the servicing asset was $55 million.

On July 23, 1997, the U.S. Department of Education pursuant to a court order decided that the 30 basis point annual Offset Fee does not apply to student loans the GSE has securitized. The GSE initially filed suit in the U.S. District Court for the District of Columbia in April 1995 challenging the Secretary of Education's attempt to apply the Offset Fee to securitized loans. The GSE prevailed, and the Court of Appeals ruled that the fee applies only to loans that the GSE owns. In addition, the Court of Appeals upheld the constitutionality of the Offset Fee, which applies annually with respect to the principal amount of student loans that the Company holds on-balance sheet and that were acquired on or after August 10, 1993. Based upon the favorable final ruling in this matter, the reserve of approximately $97 million pre-tax was reversed and recognized in income in the third quarter. In the consolidated statements of income, $94 million of the reserve reversal is included in the gain on sale of student loans for 1997 and $3 million is included in servicing and securitization revenue. Since the third quarter, all securitization gains are calculated without consideration of the Offset Fee.

10. Derivative Financial Instruments

Derivative Financial Instruments Held or Issued for Purposes Other than Trading

The Company enters into various financial instruments with off-balance sheet risk in the normal course of business primarily to reduce interest rate risk and foreign currency exposure on certain borrowings. These financial instruments include interest rate swaps, interest rate cap and collar agreements, foreign currency swaps, forward currency exchange agreements, options on currency exchange agreements, options on securities and financial futures contracts.

The Company enters into three general types of interest rate swaps under which it pays the following: 1) a floating rate in exchange for a fixed rate (standard swaps); 2) a fixed rate in exchange for a floating rate (reverse swaps); and 3) a floating rate in exchange for another floating rate, based upon different market indices (basis/reverse basis swaps). At December 31, 1997, the Company had notional principal outstanding of $18.2 billion, $1.1 billion and $16.5 billion of standard swaps, reverse swaps and basis/reverse basis swaps, respectively. Of the Company's $35.8 billion of interest rate swaps outstanding at December 31, 1997, $34.7 billion was related to debt and $1.1 billion was related to investments. At December 31, 1996, the Company had outstanding $18.2 billion, $1.1 billion and $17.8 billion of notional principal amount of standard swaps, reverse swaps and basis/reverse basis swaps, respectively. Of the Company's $37.1 billion of interest rate swaps outstanding at December 31, 1996, $36 billion was related to debt and $1.1 billion was related to investments.

The following tables summarize the ending balances of the borrowings that have been matched with interest rate swaps and foreign currency agreements at December 31, 1997 and 1996 (dollars in billions).

	At December 31, 1997					
		Swaps				
	Borrowings	Standard	Reverse	Basis/ Reverse Basis	Foreign Currency Agreements	Total Derivatives
SHORT-TERM BORROWINGS						
Six month floating rate notes	$ -	$ -	$ -	$ -	$ -	$ -
Other floating rate notes	.4	-	-	.8	-	.8
Discount notes	.5	-	-	.5	-	.5
Fixed rate notes	6.0	6.0	-	4.7	-	10.7
Securities sold - not yet purchased and repurchase agreements	-	-	-	-	-	-
Short-term portion of long-term notes	4.0	3.2	-	3.5	-	6.7
Total short-term borrowings	10.9	9.2	-	9.5	-	18.7
LONG-TERM NOTES						
Floating rate notes:						
U.S. dollar denominated: Interest bearing	.8	.3	-	1.0	-	1.3
Fixed rate notes:						
U.S. dollar denominated:						
Interest bearing	8.7	8.7	-	5.8	-	14.5
Zero coupon	-	-	-	-	-	-
Dual currency	-	-	-	-	-	-
Foreign currency:						
Interest bearing	.3	-	-	.2	.3	.5
Total long-term notes	9.8	9.0	-	7.0	.3	16.3
Total notes	$20.7	$18.2	$ -	$16.5	$.3	$35.0

	At December 31, 1996					
		Swaps				
	Borrowings	Standard	Reverse	Basis/ Reverse Basis	Foreign Currency Agreements	Total Derivatives
SHORT-TERM BORROWINGS						
Six month floating rate notes............	$ .3	$ -	$ -	$ .3	$ -	$ .3
Other floating rate notes................	.3	-	-	.6	-	.6
Discount notes...........................	-	-	-	-	-	-
Fixed rate notes.........................	3.4	3.4	-	2.2	-	5.6
Securities sold - not yet purchased and repurchase agreements.................	-	-	-	-	-	-
Short-term portion of long-term notes.....	4.5	1.8	-	3.2	.9	5.9
Total short-term borrowings...........	8.5	5.2	-	6.3	.9	12.4
LONG-TERM NOTES						
Floating rate notes:						
U.S. dollar denominated:						
Interest bearing....................	1.4	.3	-	1.8	-	2.1
Fixed rate notes:						
U.S. dollar denominated:						
Interest bearing....................	12.3	12.3	-	9.3	-	21.6
Zero coupon.........................	.2	.2	-	.1	-	.3
Dual currency.........................	.2	.2	-	.1	-	.3
Foreign currency:						
Interest bearing....................	.3	-	-	.2	.3	.5
Zero coupon.........................	-	-	-	-	-	-
Total long-term notes.............	14.4	13.0	-	11.5	.3	24.8
Total notes.......................	$22.9	$18.2	$ -	$17.8	$1.2	$37.2

The following table summarizes the activity for the Company's interest rate swaps, foreign currency agreements and futures contracts held or issued for purposes other than trading for the years ended December 31, 1995, 1996 and 1997 (dollars in millions).

	Notional Principal		
	Interest Rate Swaps	Foreign Currency Agreements	Futures Contract Amounts
Balance, December 31, 1994.......................................	$ 29,038	$ 1,398	$ 556
Issuances/Opens...	19,549	466	2,370
Maturities/Expirations..	(10,634)	(380)	(535)
Terminations/Closes...	(1,773)	-	(2,211)
Balance, December 31, 1995.......................................	36,180	1,484	180
Issuances/Opens...	14,571	14	2,631
Maturities/Expirations..	(13,369)	(310)	(708)
Terminations/Closes...	(300)	-	(1,925)
Balance, December 31, 1996.......................................	37,082	1,188	178

Issuances/Opens	11,890	7	4,257
Maturities/Expirations	(13,165)	(938)	(885)
Terminations/Closes	-	-	(2,551)
Balance, December 31, 1997	$ 35,807	$ 257	$ 999

Interest Rate Swaps
Net payments related to the debt-related swaps are recorded in interest expense. For the years ended December 31, 1997, 1996 and 1995, the Company received net payments on debt-related swaps reducing interest expense by $105 million, $165 million and $94 million, respectively.

As of December 31, 1997, stated maturities of interest rate swaps and maturities if accelerated to the put dates, are shown in the following table (dollars in millions). The maturities of interest rate swaps generally coincide with the maturities of the associated assets or borrowings.

	December 31, 1997	
Year of Maturity	Stated Maturity	Maturity to Put Date
1998	$13,941	$19,514
1999	11,181	9,029
2000	6,290	4,760
2001	3,020	1,350
2002	187	12
2003-2008	1,188	1,142
	$35,807	$35,807

Foreign Currency Agreements
At December 31, 1997 and 1996, the Company had borrowings with principal repayable in foreign currencies of $257 million and $1.0 billion, respectively. These borrowings were hedged by notional principal of $257 million and $1.0 billion of foreign currency swaps. The $1.0 billion in foreign currency borrowings at December 31, 1996 was also hedged by $80 million of forward currency exchange agreements and $80 million of currency exchange options. The foreign currency derivative agreements typically mature concurrently with the maturities of the debt. The following table summarizes the outstanding amount of these borrowings and their currency translation values at December 31, 1997 and 1996, using spot rates at the respective dates (dollars in millions).

	December 31,	
	1997	1996
Carrying value of outstanding foreign currency debt	$257	$1,108
Currency translation value of outstanding foreign currency debt	$191	$1,002

Futures Contracts
The Company enters into financial futures contracts to hedge the risk of future interest rate changes. The contracts provide a better matching of interest rate reset dates on debt with the Company's assets. They are also used as anticipatory hedges of debt to be issued to fund the Company's assets, mainly the portfolio of student loans in the PLUS program. These student loans pay interest that are indexed to the one-year Treasury bill, reset annually on the final auction prior to June 1. The gains and losses on these hedging transactions are deferred and included in other assets and will be recognized as an adjustment to interest expense. At December 31, 1997 and 1996, the Company had futures contracts that hedged approximately $999 million and $178 million of debt, respectively. Approximately $4.3 million and $7 million of realized losses had been deferred at December 31, 1997 and 1996, respectively, related to futures contracts.

Derivative Financial Instruments Held or
Issued for Trading Purposes
From time to time the Company maintains a small number of active trading positions in derivative financial instruments which are designed to generate additional income based on market conditions. Trading results for these positions were immaterial to the Company's financial statements for the years ended December 31, 1997 and 1996. During December 1995, the Company entered into a derivative contract of $1.5 billion notional amount whose value is determined by both the market value and the yield of certain AAA rated variable rate asset-backed securities. The mark-to-market gain on this contract, which is included in gains/(losses) on sales of securities in the consolidated statements of income, was $3 million and $4 million for the years ended December 31, 1997 and 1996, respectively and immaterial for the year ended December 31, 1995. This contract matured on January 15, 1998.

11. Fair Values of Financial Instruments
SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," requires estimation of the fair values of financial instruments. The following is a summary of the assumptions and methods used to estimate those values.

Student Loans
Fair value was determined by analyzing amounts which the Company has paid

recently to acquire similar loans in the secondary market.

Warehousing Advances and
Academic Facilities Financings

The fair values of both warehousing advances and academic facilities financings were determined through standard bond pricing formulas using current interest rates and credit spreads.

Cash and Investments
For investments with remaining maturities of three months or less, carrying value approximated fair value. Investments in U.S. Treasury securities were valued at market quotations. All other investments were valued through standard bond pricing formulas using current interest rates and credit spreads.

Short-term Borrowings and Long-term Notes
For borrowings with remaining maturities of three months or less, carrying value approximated fair value. Where available the fair value of financial liabilities was determined from market quotations. If market quotations were unavailable standard bond pricing formulas were applied using current interest rates and credit spreads.

Off-balance Sheet Financial Instruments
The fair values of off-balance sheet financial instruments, including interest rate swaps, interest rate cap and collar agreements, foreign currency swaps, forward exchange agreements and financial futures contracts, were estimated at the amount that would be required to terminate such agreements, taking into account current interest rates and credit spreads.

The following table summarizes the fair values of the Company's financial assets and liabilities, including off-balance sheet financial instruments (dollars in millions):

	December 31, 1997			December 31, 1996		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
EARNING ASSETS						
Student loans	$29,850	$29,521	$329	$34,005	$33,754	$251
Warehousing advances	1,864	1,869	(5)	2,793	2,790	3
Academic facilities financings	1,405	1,375	30	1,473	1,473	-
Cash and investments	5,130	5,130	-	7,706	7,706	-
Total earning assets	38,249	37,895	354	45,977	45,723	254
INTEREST BEARING LIABILITIES						
Short-term borrowings	23,161	23,176	15	22,457	22,518	61
Long-term notes	14,553	14,541	(12)	22,519	22,606	87
Total interest bearing liabilities	37,714	37,717	3	44,976	45,124	148
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS						
Interest rate swaps	59	-	59	(21)	-	(21)
Forward exchange agreements and foreign currency swaps	(99)	-	(99)	(161)	-	(161)
Floor revenue contracts	(59)	(78)	19	(75)	(106)	31
Academic facilities financing commitments	-	-	-	-	-	-
Letters of credit	-	-	-	-	-	-
Excess of fair value over carrying value			$336			$251

At December 31, 1997 and 1996, substantially all interest rate swaps, foreign exchange agreements and foreign currency swaps were hedging liabilities.

12. Commitments and Contingencies

The GSE has committed to purchase student loans during specified periods and to lend funds under the warehousing advance commitments, academic facilities financing commitments and letters of credit programs. Letters of credit support the issuance of state student loan revenue bonds. They represent unconditional guarantees of the GSE to repay holders of the bonds in the event of a default. In the event that letters of credit are drawn upon, such loans are collateralized by the student loans underlying the bonds. Under the terms of the Privatization Act, any future activity under warehousing advance commitments, academic facilities financing commitments and letter of credit activity by the GSE is limited to guarantee commitments which were in place on August 7, 1997.

Commitments outstanding are summarized below:

	December 31, 1997	December 31, 1996
Student loan purchase commitments..................	$17,494,734	$15,845,821
Warehousing advance commitments..................	3,370,419	2,367,288
Academic facilities financing commitments..................	19,577	9,930
Letters of credit................	4,829,089	3,743,892
	$25,713,819	$21,966,931

==

The following schedules summarize expirations of commitments outstanding at December 31, 1997:

	December 31, 1997			
	Student Loan Purchases	Warehousing Advances	Academic Facilities Financings	Letters of Credit
1998..	$ 2,058,029	$ 101,000	$ 8,797	$ 30,346
1999..	5,351,451	30,000	10,780	167,428
2000..	2,263,405	132,887	-	185,754
2001..	-	-	-	168,247
2002..	7,821,849	1,700,001	-	503,959
2003-2017...	-	1,406,531	-	3,773,355
Total...	$17,494,734	$3,370,419	$19,577	$4,829,089

==

Minimum Statutory Capital Adequacy Ratio

The Privatization Act effectively requires that the GSE maintain a minimum statutory capital adequacy ratio (the ratio of stockholders' equity to total assets plus 50 percent of the credit equivalent amount of certain off-balance sheet items) of at least 2 percent until January 1, 2000 and 2.25 percent thereafter or be subject to certain "safety and soundness" requirements designed to restore such statutory ratio. Management anticipates being able to fund the increase in required capital from the GSE's current and retained earnings. While the GSE may not finance the activities of its non-GSE affiliates, it may, subject to its minimum capital requirements, dividend retained earnings and surplus capital to SLM Holding, which in turn may contribute such amounts to its non-GSE subsidiaries. The Privatization Act now requires management to certify to the Secretary of the Treasury that, after giving effect to the payment of dividends, the statutory capital ratio test would have been met at the time the dividend was declared. At December 31, 1997, the GSE's statutory capital adequacy ratio, after the effect of the dividends to be paid in the first quarter of 1998, was 2.00 percent.

Legislative Developments

The Higher Education Act provides that the special allowance for student loans made on or after July 1, 1998 will be based on the U.S. Treasury security with comparable maturity plus 1.0 percent for Stafford and Unsubsidized Stafford loans, and 2.1 percent for PLUS loans. The Secretary of Education has not adopted regulations specifying the U.S. Treasury security on which these interest rates will be based or how often the special allowance rate will reset. Depending on the specifics of the regulations, these changes could adversely impact the FFELP market and the Company's business, because of the uncertain availability and costs of funding to support this new type of instrument. On February 25, 1998, the U.S. Department Treasury released a report on "The Financial Viability of the Government Guaranteed Student Loan Program." The report concludes that the new special allowance formula scheduled to take effect for student loans on July 1, 1998 would reduce lenders' net return to below acceptable levels and creates inefficiencies. The Treasury report also suggests that the current T-bill based formula provides lenders with a pre-tax rate of return that exceeds a "reasonable range of target rates." Management believes that the report's costs and profitability assumptions underlying the rate of return analysis are flawed. Concurrent with the release of the report, the Clinton Administration called for a reinstatement of the 91-day T-bill index and an 80 basis point reduction in the special allowance for both in-school and repayment loans. Management believes the administration's proposal, as with the currently scheduled rate change, would result in uneconomic returns for lenders. Such a reduction would have a material adverse impact on the Company and its earnings. Management expects Congress to consider this issue in March of 1998. It is uncertain whether Congress will enact any changes to the law and whether such changes would be in line with the Administration's proposal.

Litigation
On June 11, 1996, Orange County, California filed an amended complaint against the Company in the U.S. Bankruptcy Court for the Central District of California. The case is currently pending in the U.S. District Court for the Central District of California. The complaint alleges that the Company made fraudulent representations and omitted material facts in offering circulars on various bond offerings purchased by Orange County, which contributed to Orange County's market losses and subsequent bankruptcy. The complaint seeks to hold the Company responsible for losses resulting from Orange County's bankruptcy, but does not specify the amount of damages claimed. The complaint against the Company is one of numerous cases that have been coordinated for discovery purposes. Other defendants include Merrill Lynch, Morgan Stanley, KPMG Peat Marwick, Standard & Poor's and Fannie Mae. The complaint includes a claim of fraud under Section 10(b) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. In addition, the complaint includes counts under the California Corporations Code, as well as a count for common law fraud. On December 24, 1997, the Company filed a motion for partial summary judgement dismissing certain of Orange County's claims. The Company believes that the complaint is without merit and intends to defend the case vigorously. At this time, Management believes the impact of the lawsuit will not be material to the Company.

13. Minority Interest
Upon the Reorganization on August 7, 1997, each outstanding share of common stock of the GSE was converted into one share of common stock of SLM Holding. The outstanding preferred stock of the GSE was not affected by the Reorganization and is reflected as minority interest in the consolidated financial statements.

The GSE's preferred stock dividends are cumulative and payable quarterly at 4.50 percentage points below the highest yield of certain long-term and short-term U.S. Treasury obligations. The dividend rate for any dividend period will not be less than 5 percent per annum nor greater than 14 percent per annum. For the years ended December 31, 1997, 1996 and 1995, the GSE's preferred dividend rate was 5.00 percent and reduced net income by $10.7 million. The Privatization Act requires that on the dissolution date of September 30, 2008, the GSE shall repurchase or redeem, or make proper provisions for repurchase or redemption of any outstanding preferred stock. The Company has the option of effecting an earlier dissolution of the GSE if certain conditions are met.

14. Common Stock
In November 1997, the Company announced that it would effect a 7-for-2 stock split through a stock dividend of an additional five shares for every two already outstanding, effective January 2, 1998, for shareholders of record on December 12, 1997. The stock dividend did not affect the par value of the common stock and as a result $26.2 million was reclassified to common stock from retained earnings ($26.1 million) and additional paid-in-capital ($.1 million) to account for the additional shares issued. In the consolidated statement of changes in stockholders' equity the effect of the stock dividend has been presented retroactively to the earliest period presented and the balances of common stock, additional paid-in-capital and retained earnings as well as all common stock activity have been restated to reflect the dividend. All share and per share amounts have been restated to reflect the payment of that dividend.

On the Reorganization date, each outstanding share of GSE common stock, par value $.20 per share, was converted into one share of SLM Holding common stock, par value $.20 per share. Prior to the conversion of common stock, the GSE retired 49.8 million shares of treasury stock at an average price of $15.94 per share resulting in decreases of $10 million to common stock, $48 million to additional paid-in-capital and $736 million to retained earnings. In December 1996, the Company retired 206.5 million shares of common stock held as treasury stock at an average price of $12.67. This retirement decreased the balance in treasury stock by $2.6 billion with corresponding decreases of $41 million in common stock, $506 million in additional paid-in capital and $2.1 billion to retained earnings.

The Board of Directors has authorized and reserved 36.2 million common shares for issuance under various compensation and benefit plans. Under these authorizations, the Company has 30.9 million shares in reserve and a remaining authority for issuance of 20.9 million shares.

The Company has engaged in repurchases of its common stock since 1986. Commencing in the fourth quarter of 1997, the Company supplemented its open market common stock purchases by entering into equity forward transactions to purchase 7 million shares on a cash or net share settled basis. The forwards settle at various times over the next two years at prices ranging from $38 per share to $42 per share. As of December 31, 1997, the Company held as treasury stock 10.2 million common shares purchased at an average price of $41.47.

Basic earnings per common share are computed based on net income divided by the weighted average common shares outstanding for the period. Average common shares outstanding for the years ended December 31, 1997, 1996 and 1995 totaled 181,554,368; 194,465,537 and 235,467,631, respectively. Diluted earnings per common share are computed based on net income divided by the weighted average common and common equivalent shares outstanding for the period. Average common and common equivalent shares outstanding for the years ended December 31, 1997, 1996 and 1995 totaled 182,941,173; 195,339,477 and 236,078,112, respectively. The major difference between the basic and the dilutive earnings per share calculations are the dilutive effect of applying the treasury stock method of accounting to 996,149; 873,940 and 610,481 of in-the-money stock options for the years ended December 31, 1997, 1996 and 1995, respectively, and 390,656 of in-the-money warrants for the year ended December 31, 1997.

15. Stock Option Plans

SLM Holding maintains stock option plans for its employees which permit grants of stock options for the purchase of common stock with exercise prices equal to or greater than the market value on the date of grant.

After the change in management control in August 1997, the Board of Directors granted options to officers and key employees under the 1993-1998 Stock Option Plan, all of which have 10 year terms and vest in one-third increments. Options granted to executive management under this plan in August 1997 vest in one year and (1) one-third on the date that the Company's common stock closes above $42.86 per share for five business days; (2) one-third on the date that the Company's common stock closes above $57.14 per share for five business days; and (3) one-third on the date that the Company's common stock price closes above $71.43 per share for five business days. Options granted to officers and key employees in November 1997 vest: (1) one-third, one year from the date of grant; (2) one-third on the later of one year or the date that the Company's common stock closes above $57.14 per share for five business days; and (3) one-third on the later of one year or the date that the Company's common stock price closes above $71.43 per share for five business days. In the event that the Company's common stock price does not close above the predetermined prices, all outstanding options will vest eight years after the date of grant. Under this plan, the Company was originally authorized to grant up to 17.8 million shares, of which there is a remaining authority of 8.9 million shares. Options granted by prior Boards of Directors generally have 10 year terms and vest one year after the date of the grant.

In August 1997, the Company's Board of Directors also authorized the grant of options for up to 3.5 million shares of common stock under a new Employee Stock Option Plan. Stock options were granted under this plan to all non-officer employees of the Company and have ten year terms with one-half of the options vesting one year from the date of grant and one-half vesting two years from the date of grant.

In January 1998, the Board of Directors approved a Management Incentive Plan, which will replace the 1993-1998 Stock Option Plan which expires in March 1998. Under this plan, the Board may confer certain awards to officers and employees which may be in the form of stock options, performance stock, and incentive bonuses. The Board authorized up to 6 million shares of the Company's common stock could be issued pursuant to such awards. This plan is subject to shareholder approval at the Company's 1998 Annual Meeting of Shareholders.

The following table summarizes the employee stock option plans for the years ended December 31, 1997, 1996 and 1995. The weighted average fair value of options granted during the year is based on the Extended Binomial Option Pricing Model, a variation of the Black-Sholes option pricing model.

	Years ended December 31,					
	1997		1996		1995	
	Options	Average Price	Options	Average Price	Options	Average Price
Outstanding at beginning of year..........	3,261,500	$17.37	3,832,413	$13.94	3,259,393	$15.57
Granted..................................	13,156,252	40.64	1,139,408	20.88	1,812,300	10.61
Exercised................................	(2,864,110)	17.53	(1,698,771)	11.97	(781,130)	12.22
Canceled.................................	(5,188,110)	44.16	(11,550)	20.86	(458,150)	15.29
Outstanding at end of year................	8,365,532	$37.30	3,261,500	$17.37	3,832,413	$13.94
Exercisable at end of year................	486,465	$18.79	2,133,642	$15.51	2,243,763	$16.31
Weighted-average fair value of options granted during the year........		$17.96		$ 7.39		$ 2.91

The following table summarizes the number, average exercise prices (which ranged from $10 per share to $41 per share) and average remaining contractual life of the employee stock options outstanding at December 31, 1997.

Exercise Prices	Options	Average Price	Average Remaining Contractual Life
Under $16..........	116,200	$12.07	6.5 yrs.
$16-$32............	1,059,772	27.29	8.0
Above $32..........	7,189,560	39.18	10.0
Total..............	8,365,532	$37.30	9.5 yrs.

In May 1996, shareholders approved the Board of Directors Stock Option Plan, which authorized the grant of options to acquire up to 700,000 shares of common stock. Options under this plan are exercisable on the date of grant and have ten year terms. The Board approved a Directors' Stock Plan, which, if approved by shareholders, will replace the Board of Directors Stock Option Plan. Under the Directors' Stock Plan, the Board authorized the grant of options to acquire up to 3 million shares of common stock. Options granted under this plan have ten year terms and vest in one-third increments identical to those of the August 1997 executive management options except there is no one year minimum vesting requirement. In the event that the Company's common stock price does not close above the predetermined prices, all outstanding options will vest eight years after the date of grant. This plan is subject to shareholder approval at the Company's 1998 Annual Meeting of Shareholders.

==

The following table summarizes the Board of Directors' Stock Options for the years ended December 31, 1997 and 1996.

	Years ended December 31, 1997 Options	1997 Average Price	1996 Options	1996 Average Price
Outstanding at beginning of year..................................	220,500	$20.86	-	$ -
Granted..	1,638,000	38.96	220,500	20.86
Exercised..	(141,225)	22.34	-	-
Canceled...	(59,500)	24.39	-	-
Outstanding at end of year.......................................	1,657,775	$38.49	220,500	$20.86
Exercisable at end of year.......................................	614,775	$37.05	220,500	$20.86
Weighted-average fair value of options granted during the year................................		$17.79		$ 7.38

==

At December 31, 1997, the outstanding Board of Directors options had a weighted-average remaining contractual life of 9.5 years.

SLM Holding accounts for its stock option plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," which results in no compensation expense for stock options granted under the plans. The following table summarizes pro forma disclosures for the years ended December 31, 1997, 1996 and 1995, as if SLM Holding had accounted for employee and Board of Directors stock options granted subsequent to December 31, 1994 under the fair market value method as set forth in SFAS No. 123, "Accounting for Stock-Based Compensation." The fair value for these options was estimated at the date of grant using the Extended Binomial Options Pricing Model, a variation of the Black-Sholes option pricing model, with the following weighted average assumptions for the years ended December 31, 1997, 1996 and 1995, respectively: risk-free interest rate of 6 percent, 6 percent and 8 percent; volatility factor of the expected market price of SLM Holding's common stock of 31 percent, 29 percent and 29 percent; dividend growth rate of 8 percent; and the time of exercise-expiration date. Vesting for options with vesting periods tied to the Company's stock price is assumed to occur annually in one-third increments.

	Years ended December 31, 1997	1996	1995
Net income	$507,895	$408,716	$355,585
Pro forma net income	$486,052	$402,420	$352,806
Basic earnings per common share	$ 2.80	$ 2.10	$ 1.51
Pro forma basic earnings per common share	$ 2.68	$ 2.07	$ 1.50
Diluted earnings per common share	$ 2.78	$ 2.09	$ 1.51
Pro forma diluted earnings per common share	$ 2.66	$ 2.06	$ 1.49

16. Benefit Plans

Pension Plans
The Company has a qualified noncontributory defined benefit pension plan (the "Plan") covering substantially all employees who meet certain service requirements. The Plan's benefits are based on years of service and the employee's compensation. Effective April 1, 1995, the Company modified the Plan to compute plan benefits on 5-year highest average base salary, a maximum service accrual period of 30 years, and normal retirement age of 62. Prior to these modifications, Plan benefits were computed based on 3-year highest average base salary, a maximum service accrual period of 26.67 years, and a normal retirement age of 60. The Plan is funded annually based on the maximum amount that can be deducted for federal income tax purposes. The assets of the Plan are primarily invested in equities and fixed income securities.

The following table sets forth the Plan's actuarially determined funded status and amounts recognized in the Company's consolidated financial statements.

	December 31, 1997	1996
Accumulated Benefits:		
Actuarial present value of accumulated benefit obligations:		
Vested	$ 49,247	$ 39,949
Nonvested	5,206	5,099
Total	$ 54,453	$ 45,048
Pension Asset (Liability):		
Actuarial present value of projected benefit obligation for service rendered to date	$(92,885)	$ (75,106)
Plan assets at fair value	101,389	75,587
Plan assets greater than projected benefit obligation	8,504	481
Unrecognized prior service cost	(3,600)	(4,023)
Unrecognized transition obligation	1,072	1,286
Unrecognized gain	(15,461)	(7,149)
Accrued pension cost	$ (9,485)	$ (9,405)

In determining the projected benefit obligation, the weighted-average assumed discount rate used was 7.0 percent in 1997, 7.5 percent in 1996 and 7.0 percent in 1995, while the assumed average rate of compensation increase was 6.0 percent in 1997, 1996 and 1995. The expected long-term rate of return on Plan assets used in determining net periodic pension cost was 8.0 percent in 1997, 1996 and 1995.

Net periodic pension cost included the following components:

Years ended December 31,

	1997	1996	1995
Service cost -- benefits earned during the period	$ 8,453	$ 8,369	$ 8,867
Interest cost on projected benefit obligations....	5,617	5,055	3,659
Actual return on plan assets	(19,203)	(13,009)	(11,736)
Net amortization and deferral...........	12,431	8,429	8,327
Net periodic pension cost...	$ 7,298	$ 8,844	$ 9,117

The Company also maintains a non-qualified pension plan for certain key employees as designated by the Board of Directors and a nonqualified pension plan for its Board of Directors. Total pension expense for these plans in 1997, 1996 and 1995 was $11.8 million, $11.9 million and $11.2 million, respectively.

401(k) Plans

The Company's 401(k) Plan ("the Plan") is a defined contribution plan that is intended to qualify under section 401(k) of the Internal Revenue Code. The Plan covers substantially all employees who have been employed by the Company for one or more years and have completed at least a thousand hours of service. Participating employees may contribute up to 6 percent of base salary and these contributions are matched 100 percent by the Company.

The Company also maintains a non-qualified Plan to ensure that designated participants receive the full amount of benefits to which they would have been entitled under the 401(k) Plan but for limits on compensation and contribution levels imposed by the Internal Revenue Code.

Total expenses related to the 401(k) Plan were $5.2 million, $5.0 million and $4.9 million in 1997, 1996 and 1995, respectively.

17. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 1997 and 1996 under the liability method are as follows:

	December 31, 1997	December 31, 1996
Deferred tax liabilities:		
Leases........................	$352,046	$351,093
Unrealized investment gains...	203,935	188,050
Securitization transactions...	39,735	-
Other.........................	34,500	32,669
	630,216	571,812
Deferred tax assets:		
ExportSS operating costs......	46,643	68,874
Student loan reserves.........	51,188	47,004
In-substance defeasance transactions................	30,520	30,788
Asset valuation allowances....	24,490	24,842
Securitization transactions...	-	13,076
Other.........................	49,904	31,211
	202,745	215,795
Net deferred tax liabilities.....	$427,471	$356,017

The GSE is exempt from all state, local and District of Columbia taxes except for real property taxes. SLM Holding and its other subsidiaries are subject to state and local taxes which were immaterial in 1997 and 1996. Deferred tax assets on in-substance defeasance transactions resulted from premiums on the debt extinguished. These premiums are capitalized and amortized over the life of the defeasance trust for tax purposes.

Reconciliations of the statutory United States federal income tax rates to the Company's effective tax rate follow:

	Years ended December 31,		
	1997	1996	1995
Statutory rate..............	35.0%	35.0%	35.0%
Tax exempt interest and dividends received deduction................	(3.0)	(3.8)	(6.4)
Other, net..................	(.3)	(1.1)	(1.2)
Effective tax rate..........	31.7%	30.1%	27.4%

18. Quarterly Financial Information (unaudited)

	1997			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net interest income	$199,026	$207,461	$170,342	$180,849
Other income	75,940	78,055	222,174	124,703
Operating expenses	101,559	115,283	172,945	103,980
Federal income taxes	54,570	51,069	72,040	65,242
Minority interest in net earnings of subsidiary	2,674	2,673	2,674	2,673
Income before premiums on debt extinguished	116,163	116,491	144,857	133,657
Premiums on debt extinguished, net of tax	-	-	(2,264)	(1,009)
Net income	$116,163	$116,491	$142,593	$132,648
Basic earnings per common share	$ .62	$ .63	$ .79	$ .76
Diluted earnings per common share	$ .62	$ .63	$ .78	$ .75

	1996			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net interest income	$232,679	$219,561	$208,988	$205,208
Other income	21,754	27,899	35,211	62,052
Operating expenses	98,773	100,145	100,075	106,659
Federal income taxes	47,968	44,340	42,877	48,313
Minority interest in net earnings of subsidiary	2,673	2,674	2,673	2,674
Income before premiums on debt extinguished	105,019	100,301	98,574	109,614
Premiums on debt extinguished, net of tax	(4,792)	-	-	-
Net income	$100,227	$100,301	$ 98,574	$109,614
Basic earnings per common share	$ .50	$ .51	$ .51	$ .58
Diluted earnings per common share	$ .50	$ .51	$ .51	$ .57

19. College Construction Loan Insurance Association

On November 12, 1997, in connection with a merger agreement between AMBAC Assurance Corporation ("AMBAC") and College Construction Loan Insurance Association ("Connie Lee"), the Company agreed to sell its investment in Connie Lee for $44 million which approximated the carrying value of the Company's investment in Connie Lee. At the time of the merger, the Company, through its ownership of preferred and common stock and through agreements with other shareholders, effectively controlled 42 percent of Connie Lee's outstanding voting stock. The merger was approved at a special shareholders' meeting with the total purchase price being approximately $106 million in cash. In connection with this transaction, on December 18, 1997 AMBAC repaid the $18 million lent to Connie Lee by the GSE.

Report of Independent Public Accountants
To the Board of Directors and Stockholders of SLM Holding Corporation:

We have audited the accompanying consolidated balance sheet of SLM Holding Corporation and subsidiaries as of December 31, 1997 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of SLM Holding Corporation as of December 31, 1996 and 1995, were audited by other auditors whose report dated January 13, 1997, included an explanatory paragraph with respect to a change in the method of accounting for student loan income, discussed in Note 2 to the previously issued financial statements, and expressed an unqualified opinion.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SLM Holding Corporation and subsidiaries as of December 31, 1997 and the consolidated results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Washington, DC
January 13, 1998

Average Balance Sheets and
Related Income/Expense 1993-1997
Dollars in millions

	1997			1996		
	Balance	*Income/ Expense	Rate	Balance	*Income/ Expense	Rate
ASSETS						
Student loans, net	$31,949	$2,461.7	7.70%	$33,273	$2,606.7	7.83%
Warehousing advances	2,518	151.1	6.00	3,206	193.8	6.04
Academic facilities financings	1,436	123.0	8.57	1,500	126.4	8.43
Investments	9,592	583.6	6.08	9,444	558.5	5.91
Total interest earning assets	45,495	3,319.4	7.30%	47,423	3,485.4	7.35%
Non-interest earning assets	1,983			1,858		
Total assets	$47,478			$49,281		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Short-term borrowings	$26,548	1,462.0	5.51%	$20,978	1,138.3	5.43%
Long-term notes	18,677	1,064.2	5.70	26,024	1,444.6	5.55
Total interest bearing liabilities	45,225	2,526.2	5.59%	47,002	2,582.9	5.50%
Non-interest bearing liabilities	1,473			1,464		
Stockholders' equity	780			815		
Total liabilities and stockholders' equity	$47,478			$49,281		
Tax equivalent net interest income and margin		$ 793.2	1.74%		$ 902.5	1.90%
Average 91-day Treasury bill rate			5.21%			5.16%

* To compare nontaxable asset yields to taxable yields on a similar basis, income in the above table includes the impact of certain tax-exempt and tax-advantaged investments based on the marginal corporate tax rate of 35%, which represents tax equivalent income.

As part of the GSE's privatization, SLM Holding became the parent company of the GSE on August 7, 1997. As a result, the GSE's preferred stock (totaling $214 million) is now reflected as a minority interest in the consolidated financial statements. The financial statements for prior periods have been restated to reflect this change.

	1995			1994		
	Balance	*Income/ Expense	Rate	Balance	*Income/ Expense	Rate
ASSETS						
Student loans, net	$32,758	$2,708.1	8.27%	$28,642	$2,189.0	7.64%
Warehousing advances	6,342	408.0	6.43	6,981	336.8	4.82
Academic facilities financings	1,527	136.2	8.92	1,489	128.3	8.62
Investments	11,154	720.6	6.46	11,283	524.2	4.65
Total interest earning assets	51,781	3,972.9	7.67%	48,395	3,178.3	6.57%
Non-interest earning assets	1,673			1,240		
Total assets	$53,454			$49,635		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Short-term borrowings	$15,411	905.9	5.88%	$16,577	737.8	4.45%
Long-term notes	35,373	2,114.7	5.98	30,397	1,404.7	4.62
Total interest bearing liabilities	50,784	3,020.6	5.95%	46,974	2,142.5	4.56%
Non-interest bearing liabilities	1,451			1,191		
Stockholders' equity	1,219			1,470		
Total liabilities and stockholders' equity	$53,454			$49,635		
Tax equivalent net interest income and margin		$ 952.3	1.84%		$1,035.8	2.14%
Average 91-day Treasury bill rate			5.68%			4.38%

	1993		
	Balance	*Income/ Expense	Rate
ASSETS			
Student loans, net	$25,385	$1,899.2	7.48%
Warehousing advances	7,669	306.7	4.00
Academic facilities financings	1,258	90.5	7.20
Investments	10,359	406.6	3.93
Total interest earning assets	44,671	2,703.0	6.05%
Non-interest earning assets	1,183		
Total assets	$45,854		
LIABILITIES AND STOCKHOLDERS' EQUITY			
Short-term borrowings	$13,272	$ 449.0	3.38%
Long-term notes	30,374	1,031.7	3.40
Total interest bearing liabilities	43,646	1,480.7	3.39%
Non-interest bearing liabilities	1,061		
Stockholders' equity	1,147		

Total liabilities and stockholders' equity....	$45,854		
	=======		
Tax equivalent net interest income and margin....................................		$1,222.3	2.74%
		========	====
Average 91-day Treasury bill rate.............			3.08%
			====

Selected Financial Data 1993-1997
Dollars in millions, except per share amounts)

The following table sets forth selected financial and other operating information of SLM Holding. The selected financial data in the table is derived from the consolidated financial statements of SLM Holding. The data should be read in conjunction with the consolidated financial statements, related notes, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

	1997(2)	1996(2)	1995(1)(2)	1994(1)(2)	1993(1)(2)
OPERATING DATA:					
Net interest income	$ 758	$ 866	$ 901	$ 982	$ 1,169
Net income	508	409	356	410	432
Basic earnings per common share(3)	2.80	2.10	1.51	1.47	1.42
Diluted earnings per common share(3)	2.78	2.09	1.51	1.47	1.42
Dividends per common share	0.52	0.47	0.43	0.41	0.36
Return on common shareholders' equity	65.14%	50.13%	29.17%	27.85%	37.68%
Net interest margin	1.74	1.90	1.84	2.14	2.74
Return on assets	1.12	.86	.69	.85	.97
Dividend payout ratio	18.73	22.40	28.64	27.66	25.10
Average equity/average assets	1.64	1.65	2.28	2.96	2.50
BALANCE SHEET DATA:					
Student loans purchased	$27,593	$32,308	$34,336	$30,571	$26,978
Student loan participations	1,928	1,446	-	-	-
Warehousing advances	1,869	2,789	3,865	7,032	7,034
Academic facilities financings	1,375	1,473	1,312	1,548	1,359
Total assets	39,909	47,630	50,002	53,161	46,682
Long-term notes	14,541	22,606	30,083	34,319	30,925
Total borrowings	37,717	45,124	47,530	50,335	44,544
Stockholders' equity	675(4)	834(4)	867(4)	1,388(4)	1,179(4)
Book value per common share(3)	3.89	4.44	4.29	5.39	4.01
OTHER DATA:					
Securitized student loans outstanding	$14,104	$ 6,263	$ 954	$ -	$ -
Core earnings(5)	487	381	350	345	388
Premiums on debt extinguished	5	7	8	14	211

(1) Previously reported results for the years ended December 31, 1995, 1994, and 1993 have been restated to retroactively reflect the recognition of student loan income as earned (see Note 2 to the Consolidated Financial Statements). This restatement resulted in the elimination of the previously reported 1995 cumulative effect of the change in accounting method of $130 million (.55 per common share) and an increase to previously reported net income of $17 million (.06 per common share), and $13 million (.04 per common share), for the years ended December 31, 1994 and 1993, respectively.

(2) As part of the GSE's privatization, SLM Holding became the parent company of the GSE on August 7, 1997. As a result, the GSE's preferred stock (totaling $214 million) is now reflected as a minority interest in the consolidated financial statements. The financial statements for prior periods have been restated to reflect this change.

(3) In November 1997, the Company announced that it would effect a 7-for-2 stock split through a stock dividend of an additional five shares for every two already outstanding effective January 2, 1998 for shareholders of record on December 12, 1997. All share and per share amounts, for all periods presented, reflect payment of that dividend.

(4) At December 31, 1997, 1996, 1995, and 1994, stockholders' equity reflects the addition to stockholders' equity of $379 million, $349 million, $371 million, and $300 million, respectively, net of tax, of unrealized gains on certain investments recognized pursuant to FAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

(5) Core earnings is defined as the Company's net income less the after-tax effect of floor revenues and other one time charges. Management believes that these measures, which are not measures under generally accepted accounting principles (GAAP), are important because they depict the Company's earnings before the effects of one time events such as floor revenues which are largely outside of the Company's control. Management believes that core earnings as defined while not necessarily comparable to other companies' use of similar terminology, provide for meaningful period to period comparisons as a basis for analyzing trends in the Company's student loan operations.

Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements of SLM Holding Corporation and in the related Prospectuses of our report dated January 13, 1997, except as to the eighteenth and nineteenth paragraphs of Note 2, which is as of April 7, 1997, with respect to the consolidated financial statements of SLM Holding Corporation incorporated by reference in the Annual Report (Form 10-K) for the year ended December 31, 1997:

Registration Statement Number	Description
333-44425	Form S-8, pertaining to the SLM Holding Corporation Employee Stock Option Plan and SLM Holding Corporation Directors Stock Plan.
333-33577	Form S-8, pertaining to SLM Holding Corporation's - Sallie Mae Employees' Thrift & Savings Plan.
333-33575	Form S-8 and Post-Effective Amendment No. 8 on Form S-8 to Form S-4, pertaining to SLM Holding Corporation's - Sallie Mae 1993 - 1998 Stock Option Plan; Sallie Mae Board of Directors' Stock Option Plan; Sallie Mae Incentive Performance Plan; Sallie Mae Board of Directors' Restricted Stock Plan; Sallie Mae Employees' Stock Purchase Plan; Sallie Mae Directors Deferred Compensation Plan; and Sallie Mae Stock Compensation Plan.

Washington, D.C.   /s/ Ernst & Young LLP
March 27, 1998

Exhibit 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Form 10-K and into SLM Holding Corporation's previously filed Registration Statement No. 333-33577, Registration Statement No. 333-33575, and Registration Statement No. 333-44425, of our report dated January 13, 1998 included in the SLM Holding Corporation's 1997 Annual Report to Shareholders. It should be noted that we have not audited any financial statements of the company subsequent to December 31, 1997 or performed any audit procedures subsequent to the date of our report.

/s/ Arthur Andersen LLP
Washington, D.C.
March 30, 1998

9
0001032033
SLM HOLDING CORPORATION
1
U.S. Dollars

12-MOS
DEC-31-1997
JAN-01-1997
DEC-31-1997
1.000
54,022
0
0
0
5,410,302
525,996
0
31,903,955
87,660
39,908,797
0
23,175,509
1,517,400
14,541,316
0
0
36,726
637,846
39,908,797
2,655,946
627,888
0
3,283,834
0
2,526,156
757,678
21,717
21,086
493,767
764,783
511,168
(3,273)
0
507,895
2.80
2.78
1.74
0
900,000
0
0
84,063
25,671
7,551
87,660
87,660
0
0