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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒	**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
	For the quarterly period ended March 31, 2003 or
o	**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
	For the transition period from ______ to ______.

(Amended by Exch Act Rel No. 312905. eff 4/26/93.)
Commission File Number: 001-13251

SLM CORPORATION

(formerly USA Education, Inc.)
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**52-2013874** (I.R.S. Employer Identification No.)
11600 Sallie Mae Drive, Reston, Virginia (Address of principal executive offices)	**20193** (Zip Code)

(703) 810-3000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No o

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

Class	Outstanding at April 30, 2003
Common Stock, $.20 par value	150,738,883 shares

GLOSSARY

Listed below are definitions of key terms that are used throughout this document.

Consolidation Loans—Under the Federal Family Education Loan Program ("FFELP"), borrowers with eligible student loans may consolidate them into one note with one lender and lock in the current variable interest rate for the life of their loan. The new note is considered a Consolidation Loan. Typically a borrower can consolidate their student loan only once unless the borrower has another eligible loan with which to consolidate with the existing Consolidation Loan. The borrower rate on a Consolidation Loan is fixed for the term of the loan and is set by the weighted-average rate of the loans being consolidated, rounded up to the nearest $1/8^{th}$ of a percent, not to exceed 8.25 percent.

Consolidation Loan Rebate Fee—All holders of Consolidation Loans are required to pay to the U.S. Department of Education ("DOE") an annual 105 basis point Consolidation Loan Rebate Fee on all outstanding principal and accrued interest balances of Consolidation Loans purchased or originated after October 1, 1993, except for loans for which consolidation applications were received between October 1, 1998 and January 31, 1999, when the Consolidation Loan Rebate Fee was 62 basis points.

Embedded Floor Income—Embedded Floor Income is Floor Income that is earned on off-balance sheet student loans that are owned by the securitization trusts that we sponsor. At the time of the securitization, the present value of Fixed Rate Embedded Floor Income is included in the initial calculation of the Residual Interest and the gain or loss on sale of the student loans. Embedded Floor Income is also included in the quarterly fair value adjustments of the Residual Interest.

Fixed Rate Floor Income—We refer to Floor Income associated with student loans whose borrower rate is fixed to term (primarily Consolidation Loans) as Fixed Rate Floor Income.

Floor Income—Our portfolio of FFELP student loans generally earns interest at the higher of a floating rate based on the Special Allowance Payment ("SAP") formula set by the DOE and the borrower rate, which is fixed over a period of time. We generally finance our student loan portfolio with floating rate debt over all interest rate levels. In low interest rate environments, when our student loans are earning at the fixed borrower rate and the interest on our floating rate debt is continuing to decline, we earn additional spread income and refer to it as Floor Income. Depending on the type of the student loan and when it was originated, the borrower rate is either fixed to term or is reset to a market rate each July 1. As a result, for loans where the borrower rate is fixed to term, we may earn Floor Income for an extended period of time, and for those loans where the borrower interest rate is reset annually on July 1, we may earn Floor Income to the next reset date.

Floor Income Contracts—We enter into contracts with counterparties under which, in exchange for an upfront fee representing the present value of the Floor Income that we expect to earn on a notional amount of student loans being hedged, we will pay the counterparties the Floor Income earned on that notional amount of student loans over the life of the Floor Contract. Specifically, we agree to pay the counterparty the difference between the fixed borrower rate less the SAP spread and the average of the applicable interest rate index on that notional amount of student loans for a portion of the estimated life of the student loan. This contract effectively locks in the amount of Floor Income we will earn over the period of the contract. Floor Income Contracts are not considered effective hedges under Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," and we must periodically record the change in fair value of these contracts through income.

GSE—The Student Loan Marketing Association is a federally chartered government sponsored enterprise ("GSE") and wholly-owned subsidiary of SLM Corporation. Under the Student Loan Marketing Association Reorganization Act of 1996, the GSE must dissolve by September 30, 2008. Management expects to effect the dissolution by September 30, 2006 (the "Wind-Down Period" or "Wind-Down" is the period during which we effect the dissolution).

Managed Basis—We generally analyze the performance of our student loan portfolio on a Managed Basis, under which we view both on-balance sheet student loans and off-balance sheet student loans owned by the securitization trusts as a single portfolio and the related on-balance sheet financings are combined with off-balance sheet debt. When the term Managed is capitalized in this document, it is referring to Managed Basis.

Offset Fee—The Company is required to pay to the DOE an annual 30 basis point Offset Fee on the outstanding balance of Stafford and PLUS student loans purchased and held by the GSE after August 10, 1993. The fee does not apply to student loans sold to securitized trusts or to loans held outside of the GSE.

Preferred Channel Originations—Preferred Channel Originations are student loans that are originated or serviced on our proprietary platforms or through an affiliated brand, and are committed to us such that we either own them from inception or we acquire them soon after origination.

Preferred Lender List—To streamline the student loan process, most higher education institutions select a small number of lenders to recommend to their students and parents. This recommended list is referred to as the Preferred Lender List.

Residual Interest—When we securitize student loans, we retain the right to receive cash flows from the student loans sold in excess of amounts needed to pay servicing and other fees and the principal and interest on the bonds backed by the student loans. The Residual Interest is the present value of this excess cash flow, which includes the present value of Fixed Rate Embedded Floor Income described above. We value the Residual Interest at the time of sale and each subsequent quarter.

Retained Interest—In our securitizations the Retained Interest includes the Residual Interest plus reserve and other cash accounts that serve as credit enhancements to asset-backed securities issued in our securitizations.

Risk Sharing—When a FFELP loan defaults, the federal government guarantees only 98 percent of the balance plus accrued interest and the holder of the loan must absorb the two percent not guaranteed as a Risk Sharing loss on the loan. All FFELP student loans acquired after October 1, 1993 are subject to Risk Sharing on loan default claim payments unless the default results from death, disability or bankruptcy.

Special Allowance Payment ("SAP")—FFELP student loans generally earn interest at the greater of the borrower rate or a floating rate determined by reference to the average of the applicable floating rates (91-day Treasury bill rate or commercial paper) in a calendar quarter, plus a fixed spread ("the SAP Spread") that is dependent upon when the loan was originated and the loan's repayment status. If the resulting floating rate exceeds the borrower rate, the DOE pays the difference directly to the Company. This payment is referred to as the Special Allowance Payment or SAP and the formula used to determine the floating rate is the SAP formula. We refer to the fixed spread to the underlying index as the Special Allowance margin.

Variable Rate Floor Income—For student loans whose borrower interest rate resets annually on July 1, we may earn Floor Income or Embedded Floor Income based on a calculation of the difference between the borrower rate and the then current interest rate. We refer to this as Variable Rate Floor Income because we may only earn Floor Income through the next reset date.

SLM CORPORATION
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SLM CORPORATION

CONSOLIDATED BALANCE SHEETS

(Dollars and shares in thousands, except per share amounts)

	March 31, 2003	December 31, 2002
	(Unaudited)	
Assets		
Federally insured student loans (net of allowance for losses of $58,404 and $49,751, respectively)	$ 38,340,112	$ 37,168,276
Private credit student loans (net of allowance for losses of $174,177 and $180,933, respectively)	4,941,225	5,171,399
Academic facilities financings and other loans	1,139,617	1,202,045
Investments		
Trading	174	175
Available-for-sale	3,470,259	3,537,117
Held-to-maturity	17,717	18,651
Other	693,359	675,558
Total investments	4,181,509	4,231,501
Cash and cash equivalents	658,142	758,302
Retained Interest in securitized receivables	2,481,318	2,145,523
Goodwill and acquired intangible assets	579,365	586,127
Other assets	2,012,488	1,911,832
Total assets	$ 54,333,776	$ 53,175,005
Liabilities		
Short-term borrowings	$ 23,825,598	$ 25,618,955
Long-term notes	25,240,729	22,242,115
Other liabilities	3,023,193	3,315,985
Total liabilities	52,089,520	51,177,055
Commitments and contingencies		
Stockholders' equity		
Preferred stock, Series A, par value $.20 per share, 20,000 shares authorized: 3,300 and 3,300 shares issued, respectively, at stated value of $50 per share	165,000	165,000
Common stock, par value $.20 per share, 375,000 shares authorized: 210,094 and 208,184 shares issued, respectively	42,019	41,637

Additional paid-in capital	1,316,511	1,185,847
Accumulated other comprehensive income (net of tax of $321,296 and $319,178, respectively)	596,693	592,760
Retained earnings	3,094,050	2,718,226
Stockholders' equity before treasury stock	5,214,273	4,703,470
Common stock held in treasury at cost: 58,560 and 55,604 shares, respectively	2,970,017	2,705,520
Total stockholders' equity	2,244,256	1,997,950
Total liabilities and stockholders' equity	$ 54,333,776	$ 53,175,005

See accompanying notes to consolidated financial statements.

SLM CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Dollars and shares in thousands, except per share amounts)

	Three months ended March 31,	
	2003	2002
	(Unaudited)	(Unaudited)
Interest income:		
Student loans	$ 436,250	$ 534,251
Academic facilities financings and other loans	20,206	26,316
Investments	28,261	37,410
Total interest income	484,717	597,977
Interest expense:		
Short-term debt	94,857	177,049
Long-term debt	149,232	139,551
Total interest expense	244,089	316,600
Net interest income	240,628	281,377
Less: provision for losses	42,545	20,237
Net interest income after provision for losses	198,083	261,140
Other income:		
Gains on student loan securitizations	305,803	44,260
Servicing and securitization revenue	137,479	194,682
Losses on sales of securities, net	(81,560)	(89,107)
Derivative market value adjustment	114,366	288,351
Guarantor servicing and debt management fees	99,805	78,372
Other	48,630	43,614
Total other income	624,523	560,172
Operating expenses:		
Salaries and benefits	95,819	94,103
Other	83,546	72,698
Total operating expenses	179,365	166,801
Income before income taxes	643,241	654,511
Income taxes	226,692	232,167
Net income	416,549	422,344
Preferred stock dividends	2,875	2,875
Net income attributable to common stock	$ 413,674	$ 419,469

Basic earnings per common share	$ 2.72	$ 2.70
Average common shares outstanding	152,194	155,629
Diluted earnings per common share	$ 2.64	$ 2.63
Average common and common equivalent shares outstanding	156,565	159,683

See accompanying notes to consolidated financial statements.

SLM CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in thousands, except share and per share amounts)

(Unaudited)

	Preferred Stock Shares	Common Stock Shares			Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity
		Issued	Treasury	Outstanding							
Balance at December 31, 2001	3,300,000	202,736,386	(47,240,838)	155,495,548	$ 165,000	$ 40,547	$ 805,804	$ 670,199	$ 2,068,490	$ (2,077,578)	$ 1,672,462
Comprehensive income:											
Net income									422,344		422,344
Other comprehensive income, net of tax:											
Change in unrealized gains (losses) on investments, net of tax								(138,380)			(138,380)
Change in unrealized gains (losses) on derivatives, net of tax								28,329			28,329
Comprehensive income											312,293
Cash dividends:											
Common stock ($.20 per share)									(31,248)		(31,248)
Preferred stock ($.87 per share)									(2,875)		(2,875)
Issuance of common shares		1,620,637	229,602	1,850,239		324	89,392			19,301	109,017
Tax benefit related to employee stock option and purchase plans							20,870				20,870
Premiums on equity forward contracts							(11,120)				(11,120)
Repurchase of common shares:											
Equity forward repurchases			(1,500,000)	(1,500,000)						(69,416)	(69,416)
Benefit plans			(511,011)	(511,011)						(45,897)	(45,897)
Balance at March 31, 2002	3,300,000	204,357,023	(49,022,247)	155,334,776	$ 165,000	$ 40,871	$ 904,946	$ 560,148	$ 2,456,711	$ (2,173,590)	$ 1,954,086
Balance at December 31, 2002	3,300,000	208,183,836	(55,604,240)	152,579,596	$ 165,000	$ 41,637	$ 1,185,847	$ 592,760	$ 2,718,226	$ (2,705,520)	$ 1,997,950
Comprehensive income:											
Net income									416,549		416,549
Other comprehensive income, net of tax:											
Change in unrealized gains (losses) on investments, net of tax								1,774			1,774
Change in unrealized gains (losses) on derivatives, net of tax								3,087			3,087
Minimum pension liability adjustment								(928)			(928)
Comprehensive income											420,482
Cash dividends:											
Common stock ($.25 per share)									(37,850)		(37,850)
Preferred stock ($.87 per share)									(2,875)		(2,875)
Issuance of common shares		1,910,548	25,758	1,936,306		382	133,640			2,725	136,747
Tax benefit related to employee stock option and purchase plans							3,389				3,389
Premiums on equity forward contracts							(6,365)				(6,365)
Repurchase of common shares:											
Open market repurchases			(1,138,430)	(1,138,430)						(122,786)	(122,786)
Equity forward repurchases			(1,520,000)	(1,520,000)						(109,987)	(109,987)
Benefit plans			(322,926)	(322,926)						(34,449)	(34,449)
Balance at March 31, 2003	3,300,000	210,094,384	(58,559,838)	151,534,546	$ 165,000	$ 42,019	$ 1,316,511	$ 596,693	$ 3,094,050	$ (2,970,017)	$ 2,244,256

See accompanying notes to consolidated financial statements.

SLM CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Three months ended March 31, 2003 (Unaudited)	Three months ended March 31, 2002 (Unaudited)
Operating activities		
Net income	$ 416,549	$ 422,344
Adjustments to reconcile net income to net cash provided by operating activities:		
Gains on student loan securitizations	(305,803)	(44,260)
Losses on sales of securities, net	81,560	89,107
Derivative market value adjustment	(114,366)	(288,351)
Provision for losses	42,545	20,237
Decrease (increase) in accrued interest receivable	76,278	(62,417)
Increase in accrued interest payable	36,206	10,993
Decrease (increase) in Retained Interest in securitized receivables, net	76,526	(19,576)
(Increase) in other assets, goodwill and acquired intangible assets	(301,773)	(22,030)
Increase (decrease) in other liabilities	47,359	(208,748)
Total adjustments	(361,468)	(525,045)
Net cash provided by (used in) operating activities	55,081	(102,701)
Investing activities		
Student loans acquired	(5,179,019)	(4,326,164)
Loans acquired through trust consolidation	(1,332,504)	(589,636)
Reduction of student loans:		
Installment payments	1,080,080	1,185,311
Claims and resales	174,641	182,201
Proceeds from securitization of student loans	4,237,815	3,585,713
Proceeds from sales of student loans	—	29,065
Academic facilities financings and other loans made	(99,687)	(272,879)
Academic facilities financings and other loans repayments	158,887	363,314
Purchases of available-for-sale securities	(13,737,419)	(8,034,884)
Proceeds from sales and maturities of available-for-sale securities	13,802,047	8,137,146
Purchases of held-to-maturity and other securities	(109,792)	(93,034)
Proceeds from maturities of held-to-maturity securities and sales and maturities of other securities	92,925	89,172
Purchase of subsidiaries, net of cash acquired	—	(46,392)
Net cash (used in) provided by investing activities	(912,026)	208,933
Financing activities		
Short-term borrowings issued	173,060,575	118,102,346
Short-term borrowings repaid	(173,771,906)	(114,706,957)
Long-term notes issued	5,181,684	4,642,827
Long-term notes repaid	(5,576,723)	(8,234,241)
Long-term notes issued by Variable Interest Entity	2,037,331	—
Common stock issued	140,136	129,887
Premiums on equity forward contracts	(6,365)	(11,120)
Common stock repurchased	(267,222)	(115,313)
Common dividends paid	(37,850)	(31,248)
Preferred dividends paid	(2,875)	(2,875)
Net cash provided by (used in) financing activities	756,785	(226,694)
Net (decrease) in cash and cash equivalents	(100,160)	(120,462)
Cash and cash equivalents at beginning of period	758,302	715,001
Cash and cash equivalents at end of period	$ 658,142	$ 594,539

Cash disbursements made for:		
Interest	$ 281,348	$ 474,560
Income taxes	$ 215,764	$ 231,092

See accompanying notes to consolidated financial statements.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information at March 31, 2003 and for the three months ended

March 31, 2003 and 2002 is unaudited)

(Dollars and shares in thousands, except per share amounts, unless otherwise stated)

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of SLM Corporation (the "Company") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three months ended March 31, 2003 are not necessarily indicative of the results for the year ending December 31, 2003. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in the Company's 2002 Annual Report on Form 10-K.

2. New Accounting Pronouncements

Accounting for Guarantees

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 identifies characteristics of certain guarantee contracts and requires that a liability be recognized at fair value at the inception of such guarantees for the obligations undertaken by the guarantor. Additional disclosures also are prescribed for certain guarantee contracts. The initial recognition and initial measurement provisions of FIN No. 45 are effective for these guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN No. 45 are effective for the Company for its first quarter ending March 31, 2003. The implementation of FIN No. 45 did not have a material impact on the Company's financial statements.

Consolidation of Variable Interest Entities

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties ("Variable Interest Entities"). Variable Interest Entities ("VIEs") are required to be consolidated by their primary beneficiaries if they do not effectively disperse risks among parties involved. The primary beneficiary of a VIE is the party that absorbs a majority of the entity's expected losses, receives a majority of its expected residual returns, or both, as a result of holding variable interests. FIN No. 46 also requires new disclosures about VIEs.

On February 1, 2003, the Company adopted FIN No. 46 for VIEs created in which the Company obtains an interest after January 31, 2003. The Company will adopt FIN No. 46 on October 1, 2003 for VIEs in which it holds a variable interest that it acquired before February 1, 2003. Transactions

associated with these entities include asset-backed securitizations and certain partnerships that are used for marketing the Company's co-branded student loan products. The Company currently consolidates entities in which it has a controlling financial interest in accordance with GAAP. For those entities deemed to be Qualifying Special Purpose Entities ("QSPEs") as defined in Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities—a Replacement of SFAS No. 125," which includes the Company's securitization trusts, the Company does not consolidate those entities. The Company is currently evaluating the impact of the provisions of FIN No. 46 on its consolidated financial statements and is assessing its impact to ensure it is properly integrated into its existing policies, practices and systems. The Company does not believe, at this time, that FIN No. 46 will have a material effect on its consolidated financial statements for transactions completed before February 1, 2003.

3. Allowance for Student Loan Losses

The provision for loan losses represents the periodic expense of maintaining an allowance sufficient to absorb probable losses, net of recoveries, inherent in the portfolio of student loans. The Company separately evaluates the adequacy of the provision for losses on its federally insured portfolio of student loans and its private credit student loan portfolio.

The Company's private credit student loan portfolio has not matured sufficiently to rely on experience factors to predict loan loss patterns. Therefore, the Company relies on a combination of its own historic data, such as recent trends in delinquencies, the credit profile of the borrower and/or co-borrower, loan volume by program, and charge-offs and recoveries. The Company uses this data in internally developed statistical models to estimate the amount of probable net losses that are projected to be incurred.

In calculating the private credit loss allowance, the Company considers various factors such as co-borrowers, repayment, months of repayments, delinquency status and type of program. Defaults are estimated by cohort (loans grouped by the year in which they entered into repayment status) based on the borrower's credit profile, net of an estimate of collections by cohort for both new and previously defaulted loans. Private credit student loans are charged off against the allowance when they are 212 days delinquent. This policy is periodically reconsidered by management as trends develop. Private credit student loans accrue interest until charged off. Recoveries on loans charged off are recorded directly to the allowance.

The following table summarizes changes in the allowance for student loan losses for the three months ended March 31, 2003 and 2002:

	Three months ended March 31,	
	2003	2002
Balance at beginning of period	$ 230,684	$ 251,689
Additions		
Provision for student loan losses	42,861	18,976
Recoveries	3,443	1,384
Deductions		
Reductions for student loan sales and securitizations	(31,736)	(2,466)
Charge-offs	(19,499)	(13,588)
Other	6,828	7,523
Balance at end of period	$ 232,581	$ 263,518

In addition to the provision for student loan losses are provisions for losses on other Company loans of $1.6 million, offset by the reversal of a servicing reserve of $1.9 million.

The table below shows the Company's private credit student loan delinquency trends for the three months ended March 31, 2003 and 2002. Delinquencies have the potential to adversely impact earnings if the account charges off and results in increased servicing and collection costs.

(Dollars in millions)	Three months ended			
	March 31, 2003		March 31, 2002	
Index	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 2,204		$ 1,834	
Loans in forbearance[2]	280		311	
Loans in repayment and percentage of each status:				
Loans current	2,366	90%	2,468	91%
Loans delinquent 30-59 days[3]	123	5	113	4
Loans delinquent 60-89 days	65	2	48	2
Loans delinquent 90 days or greater	77	3	78	3
Total loans in repayment	2,631	100%	2,707	100%
Total private credit student loans	5,115		4,852	
Private credit student loan allowance for losses	(174)		(206)	
Private credit student loans, net	$ 4,941		4,646	
Percentage of private credit student loans in repayment	51.43%		55.78%	
Delinquencies as a percentage of private credit student loans in repayment	10.06%		8.84%	

1 Loans for borrowers who still may be attending school or engaging in other permitted educational activities and are not yet required to make payments on the loans, e.g., residency periods for medical students or a grace period for bar exam preparation. These amounts include loans for borrowers with in-school forbearance that were previously included as loans in forbearance for hardship and other factors. The Company reclassified $68 million and $33 million, respectively, of in-school forbearances at March 31, 2003 and 2002.

2 Loans for borrowers who have temporarily ceased making full payments due to hardship or other factors, consistent with the established loan program servicing procedures and policies.

3 The period of delinquency is based on the number of days scheduled payments are contractually past due and relate to repayment loans, that is, receivables not charged off, and not in school, grace, deferment or forbearance.

The following table summarizes changes in the allowance for student loan losses for private credit student loans for the three months ended March 31, 2003 and 2002.

	Three months ended March 31,	
(Dollars in millions)	2003	2002
Balance at beginning of period	$ 181	$ 193
Provision for private credit student loan losses	28	13
Other	7	11
Charge-offs	(17)	(12)
Recoveries	2	1
Charge-offs, net of recoveries	(15)	(11)
Balance before sale of loans	201	206
Reduction for sale of student loans	(27)	—
Balance at end of period	$ 174	$ 206
Net charge-offs as a percentage of average private credit student loans	1.07%	..97%
Private credit allowance as a percentage of average private credit student loans	3.13%	4.52%
Private credit allowance as a percentage of the ending balance of private credit student loans	3.40%	4.25%
Private credit allowance as a percentage of private credit student loans in repayment	6.62%	7.62%
Average balance of private credit student loans	$ 5,564	$ 4,564
Ending balance of private credit student loans	$ 5,115	$ 4,852

The principal and interest of federally insured loans are guaranteed by the federal government, which limits the Company's loss exposure to two percent of the outstanding balance. The Company has established an allowance for this exposure. The Company also maintains a loss allowance for rejected guarantor claims, caused mainly by servicing defects. At March 31, 2003 and 2002, the combined balance in the allowance for losses on federally insured student loans was $58 million and $57 million, respectively.

The Company defers origination fees and recognizes them over time as a component of interest income. The unamortized balance of deferred origination fee revenue at March 31, 2003 and 2002 was $99 million and $113 million, respectively. At March 31, 2002, the Company reflected the unamortized balance of $113 million as a component of the allowance for student loan losses, which was reclassified to a student loan discount in the second quarter of 2002.

4. Student Loan Securitization

When the Company sells receivables in a securitization of student loans, it retains a Residual Interest and, in some cases, a cash reserve account, all of which are Retained Interests in the securitized receivables. At March 31, 2003 and December 31, 2002, the balance of these assets was $2.5 billion and $2.1 billion, respectively. The gain or loss on the sale of the receivables is based upon the carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the Retained Interests based on their relative fair values at the date of transfer. Quoted market prices are generally not available for the Company's Retained Interests so the Company estimates fair value, both initially and on a quarterly basis, based on the present value of future expected cash flows estimated using management's best estimates of the key assumptions—credit losses, prepayment speeds and discount rates commensurate with the risks involved.

Three months ended March 31,	
2003	2002

	Amount Securitized	Gain %	Amount Securitized	Gain %
FFELP Stafford/PLUS loans	$ 1,256,038	1.60%	$ 3,532,914	1.25%
Consolidation Loans	2,005,060	10.86	—	—
Private credit student loans	1,005,180	6.75	—	—
Total securitization sales	4,266,278	7.17%	3,532,914	1.25%
On-balance sheet securitization of Consolidation Loans	2,055,372		—	
Total loans securitized	$ 6,321,650		$ 3,532,914	

During the first quarter of 2003, the Company completed four securitizations totaling $6.3 billion that continued to accelerate and diversify its asset-backed securitization program. The Company completed one securitization of FFELP Stafford/PLUS loans, one securitization of private credit student loans, and two securitizations of Consolidation Loans. One of the Consolidation Loan securitizations of $2.0 billion did not meet the criteria of being a QSPE and was accounted for on-balance sheet as a VIE. This resulted in the securitized loans remaining on the Company's balance sheet, with certificates sold reflected as debt. During the first quarter of 2002, the Company completed two securitizations, both of which received sale treatment.

The increase in the first quarter 2003 gains as a percentage of the portfolios securitized versus the first quarter of 2002 was due to significantly higher Embedded Floor Income on Consolidation Loan securitizations and higher gains on private credit student loan securitizations completed in the 2003 first quarter compared with securitizations of only FFELP Stafford/PLUS loans completed in the 2002 first quarter. Gains on Consolidation Loan securitizations are mainly driven by the estimate of Embedded Fixed Rate Floor Income from these loans. Gains on the private credit student loan securitizations are higher than gains on FFELP Stafford/PLUS securitizations because the private credit student loans securitized have wider spreads, longer average lives and are less expensive to service than similar sized FFELP Stafford/PLUS student loans, partially offset by higher projected default losses.

For each securitization completed in the three months ended March 31, 2003 and 2002, the Company receives annual servicing fees of 0.9 percent per annum of the outstanding balance of Stafford and PLUS student loans, 0.5 percent per annum of the outstanding balance of Consolidation Loans, and 0.7 percent per annum of the outstanding balance of the private credit student loans. The Company considers this adequate compensation, as defined in SFAS No. 140, and accordingly does not record a servicing right or obligation.

Key economic assumptions used in measuring the fair value of the Retained Interests at the date of securitization resulting from the student loan securitization sale transactions completed during the three months ended March 31, 2003 and 2002 (weighted based on principal amounts securitized) were as follows:

	Three Months Ended March 31, 2003			Three Months Ended March 31, 2002		
	FFELP Stafford/PLUS Loans	Consolidation Loans	Private Credit Loans	FFELP Stafford/PLUS Loans	Consolidation Loans	Private Credit Loans
Prepayment speed	9%	7%	6%	7%	—	—
Weighted-average life (in years)	4.67	8.13	6.47	5.14	—	—
Expected credit losses (% of principal securitized)	.53%	.72%	3.92%	.61%	—	—
Residual cash flows discounted at	12%	12%	12%	12%	—	—

The estimate of the Constant Prepayment Rate ("CPR") affects the average life of the securitized trusts and therefore affects the valuation estimate of the Residual Interest. Prepayments shorten the average life of the trust, and if all other factors remain equal, will reduce the value of the Retained Interest asset and the securitization gain on sale on new securitizations. Student loan prepayments come from three principal sources: actual borrower prepayments, reimbursements of student loan defaults from the guarantor and consolidation of loans from the trust. The Company uses historical statistics on prepayments, borrower defaults, and trends in Consolidation Loans to estimate the amount of prepayments. When a loan is consolidated from the trust either by the Company or a third party, the loan is repurchased from the trust and is treated as a prepayment. In cases where the loan is consolidated by the Company, it will be recorded as an on-balance sheet asset. Due to the historically low interest rate environment, the Company has experienced an increase in Consolidation Loan activity for several quarters. Management believes that this trend will continue for the foreseeable future. As a result, in the second quarter of 2002, the Company increased the estimated CPR from 7 percent to 9 percent per annum for FFELP Stafford/PLUS loan transactions. The change in the CPR assumption reduced the gains on the loan portfolios securitized since the first quarter of 2002.

The following table summarizes the cash flows received from all securitization trusts entered into during the three months ended March 31, 2003 and 2002.

	Three months ended March 31,	
(Dollars in millions)	2003	2002
Net proceeds from new securitizations	$ 6,275	$ 3,556
Servicing fees received	1	—

5. Common Stock

Basic earnings per common share ("Basic EPS") are calculated using the weighted average number of shares of common stock outstanding during each period. Diluted earnings per common share ("Diluted EPS") reflect the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options, warrants, deferred compensation and shares held in the Employee Stock Purchase Plan, determined by the treasury stock method, and equity forwards, determined by the reverse treasury stock method, as follows:

	Net Income Attributable to Common Stock	Average Shares	Earnings per Share
Three months ended March 31, 2003			
Basic EPS	$ 413,674	152,194	$ 2.72
Dilutive effect of stock options, warrants, equity forwards, deferred compensation, ESPP shares and equity forwards	—	4,371	(.08)
Diluted EPS	$ 413,674	156,565	$ 2.64
Three months ended March 31, 2002			
Basic EPS	$ 419,469	155,629	$ 2.70
Dilutive effect of stock options, warrants, equity forwards, deferred compensation, ESPP shares and equity forwards	—	4,054	(.07)
Diluted EPS	$ 419,469	159,683	$ 2.63

6. Stock-Based Compensation

SLM Corporation accounts for its stock option plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations which results in no compensation expense for stock options granted under the plans. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of the grant. The following table summarizes pro-forma disclosures for the three months ended March 31, 2003 and 2002, as if the Company 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."

	Three months ended March 31,	
	2003	2002
Net income attributable to common stock	$ 413,674	$ 419,469
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(26,201)	(37,030)
Pro-forma net income attributable to common stock	$ 387,473	$ 382,439
Basic earnings per common share	$ 2.72	$ 2.70
Pro-forma basic earnings per common share	$ 2.55	$ 2.46
Diluted earnings per common share	$ 2.64	$ 2.63
Pro-forma diluted earnings per common share	$ 2.47	$ 2.39

7. Derivative Financial Instruments

Summary of Derivative Financial Statement Impact

The following tables summarize the fair and notional values of all derivative instruments at March 31, 2003 and December 31, 2002, and their impact on other comprehensive income and earnings for the three months ended March 31, 2003 and 2002. At March 31, 2003 and December 31, 2002, $361 million and $368 million (amortized cost), respectively, of available-for-sale investment securities were pledged as collateral against these derivative instruments.

	Cash Flow		Fair Value		Trading	
	March 31, 2003	December 31, 2002	March 31, 2003	December 31, 2002	March 31, 2003	December 31, 2002
(Dollars in millions)						
Fair Values						
Interest rate swaps	$ —	$ —	$ 19	$ 84	$ (111)	$ (155)
Floor/Cap contracts	—	—	—	—	(1,277)	(1,362)
Futures	(68)	(75)	—	—	(45)	(34)
(Dollars in billions)						
Notional Values						
Interest rate swaps	$ —	$ —	$ 13.9	$ 17.3	$ 62.6	$ 54.8
Floor/Cap contracts	—	—	—	—	24.9	26.7
Futures	8.9	10.9	—	—	22.8	17.2

	Three months ended March 31,					
	Cash Flow		Fair Value		Trading	
	2003	2002	2003	2002	2003	2002
(Dollars in millions)						
Changes to other comprehensive income, net of tax						
Other comprehensive income, net	$ 3	$ 27	$ —	$ —	$ —	$ 1[5]
Earnings Summary						
Recognition of closed futures contracts' gains/losses into interest expense[1]	$ (6)	$ (3)	$ —	$ —	$ —	$ —
Recognition of closed futures contracts' gains/losses into gains/losses on sales of securities, net[2]	(7)	(35)	—	—	(1)	(53)
Recognition of written floor contract losses into gains/losses on sales of securities, net	—	—	—	—	(69)	—
Amortization of transition adjustment[3]	—	—	—	—	—	(1)
Derivative market value adjustment	14	—	34	44	110	284
Total earnings impact	$ (12)	$ (38)	$ 3	$ 4	$ 40	$ 230

1 For hedges where the stated transaction occurs.

2 For discontinued hedges and closed futures contracts accounted for as "trading."

3 Reported as a component of other operating income in the consolidated statements of income.

4 The change in fair value of fair value and cash flow hedges represent amounts related to ineffectiveness.

5 Represents transition adjustment amortization out of other comprehensive income, net.

The following table shows the components of the change in accumulated other comprehensive income, net of tax, for derivatives.

	Three months ended March 31,	
	2003	2002
(Dollars in millions)		
Accumulated Other Comprehensive Income, Net		
Balance at beginning of period	$ (90)	$ (50)
Change in unrealized gains (losses) on derivatives, net:		
Change in fair value of cash flow hedges	(4)	3
Hedge ineffectiveness reclassed to earnings	(1)	—
Amortizations[1]	3	3

Discontinued hedges	5	22
Total change in unrealized gains (losses) on derivatives, net	3	28
Balance at end of period	$ (87)	$ (22)

1 The Company expects to amortize $15 million of after-tax net losses from accumulated other comprehensive income to earnings during the next 12 months related to futures contracts closed as of March 31, 2003. In addition, the Company expects to amortize into earnings portions of the accumulated deferred net losses related to open futures contracts during the next 12 months based on the anticipated issuance of debt.

8. Contingencies

The Company and various affiliates are defendants in a lawsuit brought by College Loan Corporation ("CLC") in the United States District Court for the Eastern District of Virginia. The complaint alleges various breach of contract and common law tort claims in connection with CLC's consolidation loan activities as well as various antitrust claims, including a claim that the Company entered into or attempted to enter into a combination with three credit reporting agencies to boycott CLC by not providing lists of student loan borrowers.

The Complaint seeks compensatory damages of at least $60,000,000.

The breach of contract and common law tort claims were significantly narrowed by the Court's ruling on December 10, 2002, partially granting the Company's motion to dismiss. The Court held that claims based on the Company's interpretation of the single holder rule were barred by the Higher Education Act.

On April 4, 2003, CLC dismissed with prejudice all of the antitrust claims and the Court subsequently entered orders approving dismissal of these claims.

The Company has filed a motion for summary judgment, which will be heard on June 6, 2003. Trial is scheduled to begin June 16, 2003 for all claims not resolved by the summary judgment motion.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Three months ended March 31, 2003 and 2002
(Dollars in millions, except per share amounts, unless otherwise stated)**

OVERVIEW

The Company is the largest private source of funding, delivery and servicing support for education loans in the United States primarily through its participation in the Federal Family Education Loan Program ("FFELP"). The Company provides a wide range of financial services, processing capabilities and information technology to meet the needs of educational institutions, lenders, students and their families, and guarantee agencies. The Company's primary business is to originate and hold student loans, but the Company also provides fee-based student loan related products and services and earns servicing fees for student loan servicing and guarantee processing, and student loan default management and loan collections. SLM Corporation is a holding company that operates through a number of subsidiaries including the Student Loan Marketing Association, a federally chartered government-sponsored enterprise (the "GSE"). References herein to the "Company" refer to SLM Corporation and its subsidiaries.

Our results can be materially affected by changes in:

- applicable laws and regulations, which may change the volume, average term and effective yields of student loans under the FFELP or result in loans being originated or refinanced under non-FFELP programs or may affect the terms upon which banks and others agree to sell FFELP loans to the Company;
- demand for education financing;
- competition for education financing;
- financing preferences of students and their families;
- general interest rate environment and credit spreads;
- funding spreads on our non-GSE financing activities;
- prepayment rates on student loans, including prepayments through loan consolidation;
- securitization market for fixed income securities backed by education loans, either by increasing the costs or limiting the availability of financing; and
- borrower default rates.

We have provided the discussion of the GSE within the context of this "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") because a substantial portion of the Company's operations is conducted through the GSE. MD&A disclosures applicable solely to the GSE are included at the end of this MD&A in the section titled "Student Loan Marketing Association." The discussion that follows regarding our interest income and expenses from on-balance sheet assets and liabilities is applicable to both the Company and the GSE. Likewise, because all of our FFELP securitizations to date have originated from the GSE, the discussion of the securitization gains and securitization revenue from securitizations of FFELP student loans is applicable to both the Company and the GSE. Discussions of private credit student loan securitizations are applicable to the Company only. The discussions of our off-balance sheet loans, our fee-based businesses, and our operations on a Managed Basis, as well as the discussions set forth below under the headings, "Selected

Financial Data," "Other Income," "Federal and State Taxes" and "Alternative Performance Measures" do not address the GSE and relate to the Company on a consolidated basis.

The majority of our student loan purchases and on-balance sheet financing of student loans occurs in the GSE and we finance such purchases through the issuance of GSE debt obligations and through

student loan securitizations. When the GSE securitizes FFELP student loans, student loans are sold by the GSE to a trust that issues bonds backed by the student loans as part of the transaction. Once securitized, the GSE no longer owns the student loans and the bonds issued by the trust are not obligations of the GSE. The GSE retains an interest in the loans securitized which is recognized on the balance sheet as Retained Interest in securitized receivables. All student loans that the Company directly originates are owned by non-GSE subsidiaries from inception. The GSE has no employees, so the management of its operations is provided by a non-GSE subsidiary of the Company under a management services agreement. We also service the majority of the GSE's student loans under a servicing agreement between the GSE and Sallie Mae Servicing, L.P.

During the first quarter of 2003, the GSE transferred $772 million in private credit student loans, including accrued interest receivable, and a $300 million variable interest entity ("VIE") consisting of securitized Consolidation Loans to a non-GSE subsidiary of the Company and recognized gains of $278 million. The GSE also transferred $346 million of insurance and benefit related investments through a non-cash dividend. We will continue to transfer the GSE's assets throughout the Wind-Down Period. All intercompany transactions between the GSE and the Company and its non-GSE subsidiaries have been eliminated in the Company's consolidated financial statements.

As of March 31, 2003, 79 percent of the Company's consolidated on-balance sheet assets were held by the GSE, and 82 percent of the Company's interest income was derived from assets held by and financed by the GSE. In addition, 51 percent of our private credit student loans were held by non-GSE affiliates. For the first quarter ended March 31, 2003, 62 percent of our fee income was generated by non-GSE fee-based businesses.

Financial Highlights for the First Quarter of 2003

Listed below are some of the additional performance measures that management uses to assess the business.

	Three months ended March 31,	
	2003	**2002**
Diluted earnings per share	$ 2.64	$ 2.63
Student loan spread	2.26%	2.58%
Net interest margin	2.00%	2.34%
Servicing and securitization revenue	$ 138	$ 195
Gains on student loan securitizations	306	44
Derivative market value adjustment	114	288
Fee and other income	148	122
Losses on sales of securities, net	(81)	(89)
Operating expenses	179	167
Managed student loan acquisitions	5,348	4,519
Preferred Channel originations	4,922	4,030
Loans securitized	6,322	3,533
Ending on-balance sheet student loans	43,281	40,962
Ending off-balance sheet student loans	37,438	32,494
Managed student loans	80,719	73,456
Managed student loan spread, exclusive of Floor Income	1.93%	1.87%

The main drivers of our earnings are:

- growth in the Managed portfolio of student loans;
- student loan spread including the effect of Floor Income;
- number, size and mix of student loans in securitizations, which influence the level of securitization gains;
- cost effective financing;
- servicing and securitization revenue;
- derivative market value adjustment;
- guarantor servicing fees, default management operations and collections services and other fee income; and
- loan servicing, acquisition, and operating expenses.

For the three months ended March 31, 2003, our net income was $417 million ($2.64 diluted earnings per share), versus net income of $422 million ($2.63 diluted earnings per share) for the three months ended March 31, 2002.

The growth in our Managed student loans benefits net income through the spread earned by student loans on-balance sheet, by gains on securitizing such loans, and by the residual cash flows earned as servicing and securitization revenue from the securitized student loans. The growth in our Managed student loan portfolio is therefore an important driver of future earnings. Our Managed student loan portfolio grew by $7.2 billion from $73.5 billion at March 31, 2002 to $80.7 billion at March 31, 2003. In the first quarter of 2003, the amount of Managed student loans acquired increased by 18 percent from the first quarter of 2002. Also, in the first quarter of 2003, our Preferred Channel originations increased 22 percent over the first quarter of 2002.

During the first quarter of 2003, our Managed student loan spread, exclusive of Floor Income, was 1.93 percent versus 1.87 percent in the year-ago quarter. The increase in our Managed student loan spread was primarily due to the growth in higher yielding private credit student loans and lower premium amortization as a result of a higher percentage of Consolidation Loans, partially offset by higher consolidation lender fees.

On a Managed Basis, in the first quarter of 2003, we earned $73 million of Floor Income, net of payments under Floor Income Contracts, a decrease of $109 million or 60 percent from the first quarter of 2002. This decrease was largely driven by floor interest rates on variable rate loans that reset each July declining less over the nine month period ended March 31, 2003 than the corresponding year-ago period.

The $57 million decrease in servicing and securitization revenue for the first quarter of 2003 versus the first quarter of 2002 was mainly due to lower Embedded Floor Income, partially offset by the increase in the average balance of securitized loans.

Under Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" some of our derivatives, primarily Floor Income Contracts and basis swaps, are not considered effective hedges because they do not extend to the full term of the hedged item and are therefore required to be valued at fair value while the hedged item is not. The gains from the derivative market value adjustment in the first quarter of 2003 were mainly due to the reclassification of certain expired Floor Income Contracts that had $69 million of unrealized losses that were previously recognized in the derivative market value adjustment. These realized losses were recognized in losses on sales of securities in the first quarter of 2003. The gains in the derivative market value adjustment in the first quarter of 2002 were due to increasing interest rates since the preceding quarter, that caused the market value of the Floor Income Contracts to increase.

We continue to expand our fee-based businesses, primarily guarantor servicing and debt management services. In the first quarter of 2003, the guarantor servicing and debt management

businesses generated revenue of $100 million, an increase of 27 percent over the year-ago quarter. This increase was mainly due to the growth in debt management services and origination processing fees that were deferred from the third quarter to the subsequent two quarters.

Operating expenses were $179 million in the first quarter of 2003 versus $167 million in the year-ago quarter. The increase in operating expenses can mainly be attributed to a $9 million charge for a servicing adjustment for an under-billing error.

In the first quarter of 2003, we repurchased 2.7 million common shares in connection with our common stock repurchase program. This was accomplished through equity forward contract settlements and through open market purchases. The share repurchases netted against the 1.6 million common share issuances related to benefit plans reduced common stock outstanding by 1.1 million shares. In recent years, the pace of our share repurchases has decelerated as we build capital in connection with the GSE Wind-Down.

SELECTED FINANCIAL DATA

Condensed Statements of Income

	Three months ended March 31,		Increase (decrease)	
	2003	2002	$	%
Net interest income	$ 241	$ 281	$ (40)	(14)%
Less: provision for losses	43	20	23	110
Net interest income after provision for losses	198	261	(63)	(24)
Gains on student loan securitizations	306	44	262	591
Servicing and securitization revenue	138	195	(57)	(29)
Losses on sales of securities, net	(81)	(89)	8	8
Derivative market value adjustment	114	288	(174)	(60)
Guarantor servicing and debt management fees	100	78	22	27
Other income	48	44	4	12
Operating expenses	179	167	12	8
Income taxes	227	232	(5)	(2)
Net income	417	422	(5)	(1)
Preferred stock dividends	3	3	—	—
Net income attributable to common stock	$ 414	$ 419	$ (5)	(1)%
Basic earnings per common share	$ 2.72	$ 2.70	$ ..02	1%
Diluted earnings per common share	$ 2.64	$ 2.63	$ .01	1%
Dividends per common share	$ .25	$ .20	$ .05	25%

Condensed Balance Sheets

	March 31, 2003	December 31, 2002	Increase (decrease)	
			$	%
Assets				
Federally insured student loans, net	$ 38,340	$ 37,168	$ 1,172	3%
Private credit student loans, net	4,941	5,171	(230)	(4)
Academic facilities financings and other loans	1,140	1,202	(62)	(5)
Cash and investments	4,840	4,990	(150)	(3)
Retained Interest in securitized receivables	2,481	2,146	335	16
Goodwill and acquired intangible assets	579	586	(7)	(1)
Other assets	2,013	1,912	101	5
Total assets	$ 54,334	$ 53,175	$ 1,159	2%
Liabilities and Stockholders' Equity				
Short-term borrowings	$ 23,826	$ 25,619	$ (1,793)	(7)%
Long-term notes	25,241	22,242	2,999	13
Other liabilities	3,023	3,316	(293)	(9)
Total liabilities	52,090	51,177	913	2
Stockholders' equity before treasury stock	5,214	4,703	511	11
Common stock held in treasury at cost	2,970	2,705	265	10
Total stockholders' equity	2,244	1,998	246	12
Total liabilities and stockholders' equity	$ 54,334	$ 53,175	$ 1,159	2%

RESULTS OF OPERATIONS

NET INTEREST INCOME

Net interest income is derived largely from the Company's portfolio of student loans that remain on-balance sheet. The "Taxable Equivalent Net Interest Income" analysis set forth below is designed to facilitate a comparison of non-taxable asset yields to taxable yields on a similar basis. Taxable equivalent net interest income for the three months ended March 31, 2003 versus the three months ended March 31, 2002 decreased by $41 million while the net interest margin decreased by 34 basis points. The decrease in taxable equivalent net interest income for the first quarter of 2003 was principally due to the decrease in Floor Income versus the year-ago quarter, partially offset by the increase in the average balance of student loans as a percentage of total average earning assets. The decrease in the net interest margin for the first quarter of 2003 versus the first quarter of 2002 was reflective of the decrease in Floor Income and other fluctuations in the student loan spread discussed below.

Taxable Equivalent Net Interest Income

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

	Three months ended March 31,		Increase (decrease)	
	2003	2002	$	%
Interest income				
Student loans	$ 436	$ 534	$ (98)	(18)%
Academic facilities financings and other loans	20	26	(6)	(23)
Investments	28	38	(10)	(24)
Taxable equivalent adjustment	4	4	—	—
Total taxable equivalent interest income	488	602	(114)	(19)
Interest expense	244	317	(73)	(23)
Taxable equivalent net interest income	$ 244	$ 285	$ (41)	(14)%

Average Balance Sheets

The following table reflects the taxable equivalent rates earned on earning assets and paid on liabilities for the three months ended March 31, 2003 and 2002.

	Three months ended March 31,			
	2003		2002	
	Balance	Rate	Balance	Rate
Average Assets				
Student loans	$ 44,159	4.01%	$ 42,357	5.12%
Academic facilities financings and other loans	1,164	7.59	1,946	6.01
Investments	4,227	2.88	5,142	3.04
Total interest earning assets	49,550	3.99%	49,445	4.94%
Non-interest earning assets	5,215		4,916	
Total assets	$ 54,765		$ 54,361	
Average Liabilities and Stockholders' Equity				
Six month floating rate notes	$ 2,887	1.27%	$ 3,084	1.94%
Other short-term borrowings	22,881	1.52	29,635	2.22
Long-term notes	24,081	2.51	17,294	3.27
Total interest bearing liabilities	49,849	1.99%	50,013	2.57%
Non-interest bearing liabilities	2,832		2,543	
Stockholders' equity	2,084		1,805	
Total liabilities and stockholders' equity	$ 54,765		$ 54,361	
Net interest margin		2.00%		2.34%

Rate/Volume Analysis

The Rate/Volume Analysis below shows the relative contribution of changes in interest rates and asset volumes. The amounts in this table are adjusted for the impact of certain tax-exempt and tax-advantaged investments based on the marginal federal corporate tax rate of 35 percent.

	Taxable equivalent increase (decrease)	Increase (decrease) attributable to change in	
		Rate	Volume
Three months ended March 31, 2003 vs. three months ended March 31, 2002			
Taxable equivalent interest income	$ (114)	$ (118)	$ 4
Interest expense	(73)	(90)	17
Taxable equivalent net interest income	$ (41)	$ (28)	$ (13)

Student Loans

Student Loan Spread Analysis

The following table analyzes the reported earnings from student loans both on-balance sheet and those off-balance sheet in securitization trusts. For student loans off-balance sheet, the Company will continue to earn securitization and servicing fee revenues over the life of the securitized student loan

portfolios. The off-balance sheet information presented in "Securitization Program—Servicing and Securitization Revenue" analyzes the on-going servicing revenue and Residual Interest earned on the securitized portfolios of student loans. For an analysis of the Company's student loan spread for the entire portfolio of Managed student loans on a similar basis to the on-balance sheet analysis, see "Student Loan Spread Analysis—Managed Basis."

	Three months ended March 31,	
	2003	2002
On-Balance Sheet		
Student loan yields, before Floor Income	4.47%	5.17%
Floor Income	.29	.73

Consolidation Loan Rebate Fees	(.50)	(.35)
Offset Fees	(.07)	(.11)
Borrower benefits	(.08)	(.07)
Premium and origination fee amortization	(.10)	(.25)
Student loan net yield	4.01	5.12
Student loan cost of funds	(1.75)	(2.54)
Student loan spread	2.26%	2.58%
Off-Balance Sheet		
Servicing and securitization revenue, before Floor Income	1.35%	1.25%
Floor Income on securitized loans	.23	1.35
Servicing and securitization revenue	1.58%	2.60%
Average Balances		
On-balance sheet student loans	$ 44,159	$ 42,357
Securitized student loans	35,228	30,391
Managed student loans	$ 79,387	$ 72,748

The decrease in the student loan spread in the first quarter of 2003 versus the first quarter of 2002 was mainly due to the fluctuations in the amount of Floor Income discussed below. The increase in the student loan spread, exclusive of Floor Income, is due primarily to lower student loan premium amortization and to the increase in the percentage of private credit student loans in the on-balance sheet student loan portfolio, partially offset by higher Consolidation Loan Rebate Fees. The lower premium amortization is driven by the higher percentage of Consolidation Loans, which have a significantly longer average life and from the amortization of the loan discount in private credit student loans. The first quarter 2003 spread also benefited from the increase in on-balance sheet private credit student loans of 5 percent over the first quarter of 2002. These loans are subject to much higher credit risk than federally guaranteed student loans and therefore earn higher spreads, which in the first quarter of 2003 was 4.96 percent.

Floor Income and Student Loan Floor Income Contracts

Due to lower average interest rates, in the first quarter of 2003, we earned $32 million of Floor Income from on-balance sheet student loans, net of payments under Floor Income Contracts, of which $19 million was Fixed Rate Floor Income and $13 million was Variable Rate Floor Income. In comparison, in the first quarter of 2002, we earned $76 million of Floor Income from on-balance sheet student loans, net of payments under Floor Income Contracts, of which $22 million was Fixed Rate Floor Income and $54 million was Variable Rate Floor Income. At March 31, 2003, the notional

amount of student loan Floor Income Contracts totaled $23.4 billion of which $7.7 billion are contracts that commence in 2004.

The following table analyzes the ability of the FFELP student loans in the Company's Managed student loan portfolio to earn Floor Income at March 31, 2003 and 2002, based on the last Treasury bill auctions applicable to those periods (1.12 percent and 1.85 percent, respectively). Commercial paper rate loans are based on the last commercial paper rate applicable to those periods (1.23 percent and 1.83 percent, respectively).

	March 31, 2003			March 31, 2002		
(Dollars in billions)	**Fixed Borrower Rate**	**Annually Reset Borrower Rate**	**Total**	**Fixed Borrower Rate**	**Annually Reset Borrower Rate**	**Total**
Student loans eligible to earn Floor Income						
On-balance sheet student loans	$ 21.0	$ 11.1	$ 32.1	$ 16.3	$ 13.0	$ 29.3
Off-balance sheet student loans	6.4	26.4	32.8	3.0	26.4	29.4
Managed student loans eligible to earn Floor Income	27.4	37.5	64.9	19.3	39.4	58.7
Less notional amount of Floor Income Contracts	(15.2)	—	(15.2)	(13.2)	(5.0)	(18.2)
Net Managed student loans eligible to earn Floor Income	$ 12.2	$ 37.5	$ 49.7	$ 6.1	$ 34.4	$ 40.5
Net Managed student loans earning Floor Income	$ 11.1	$ 37.5	$ 48.6	$ 6.1	$ 34.4	$ 40.5

Activity in the Allowance for Student Loan Losses

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

An analysis of our allowance for only the private credit student loans losses is presented in the following table for the quarters ended March 31, 2003 and 2002.

	Three months ended March 31, 2003	Three months ended March 31, 2002
Balance at beginning of period	$ 181	$ 193
Provision for private credit student loan losses	28	13
Other	7	11
Charge-offs	(17)	(12)
Recoveries	2	1
Charge-offs, net of recoveries	(15)	(11)
Balance before sale of loans	201	206
Reduction for sale of loans	(27)	—
Balance at end of period	$ 174	$ 206
Net charge-offs as a percentage of average private credit student loans	1.07%	..97%
Private credit allowance as a percentage of average private credit student loans	3.13%	4.52%
Private credit allowance as a percentage of the ending balance of private credit student loans	3.40%	4.25%
Private credit allowance as a percentage of private credit student loans in repayment	6.62%	7.62%
Average balance of private credit student loans	$ 5,564	$ 4,564
Ending balance of private credit student loans	$ 5,115	$ 4,852

For the quarter ended March 31, 2003, the provision for private credit student loans increased by $15 million or 115 percent versus the year-ago quarter. The increase in the provision is due to the 37 percent increase in the private credit student loan acquisitions, the aging of the private credit student loan portfolio and the change in presentation for student loan discounts instituted in the second quarter of 2002. For the three months ended March 31, 2003, private credit student loan charge-offs increased by $5 million over the year-ago period, which is due primarily to the growth and aging of the private credit student loan portfolio.

We defer origination fees and recognize them over time as a component of interest income. The unamortized balance of deferred origination fee revenue at March 31, 2003 and 2002 was $99 million and $113 million, respectively. At March 31, 2002, the Company reflected the unamortized balance of $113 million as a component of the allowance for student loan losses, which was reclassified to a student loan discount in the second quarter of 2002.

Delinquencies

The table below shows our private credit student loan delinquency trends for the quarters ended March 31, 2003 and 2002. Delinquencies have the potential to adversely impact earnings if the account charges off and results in increased servicing and collection costs.

	Three months ended			
	March 31, 2003		March 31, 2002	
Index	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 2,204		$ 1,834	
Loans in forbearance[2]	280		311	
Loans in repayment and percentage of each status:				
Loans current	2,366	90%	2,468	91%
Loans delinquent 30-59 days[3]	123	5	113	4
Loans delinquent 60-89 days	65	2	48	2
Loans delinquent 90 days or greater	77	3	78	3
Total loans in repayment	2,631	100%	2,707	100%
Total private credit student loans	5,115		4,852	
Private credit student loan allowance for losses	(174)		(206)	

Private credit student loans, net	$ 4,941	4,646
Percentage of private credit student loans in repayment	51.43%	55.78%
Delinquencies as a percentage of private credit student loans in repayment	10.06%	8.84%

1 Loans for borrowers who still may be attending school or engaging in other permitted educational activities and are not yet required to make payments on the loans, e.g., residency periods for medical students or a grace period for bar exam preparation. These amounts include loans for borrowers with in-school forbearance that were previously included as loans in forbearance for hardship and other factors. We reclassified $68 million and $33 million, respectively, of in-school forbearances at March 31, 2003 and 2002.

2 Loans for borrowers who have temporarily ceased making full payments due to hardship or other factors, consistent with the established loan program servicing procedures and policies.

3 The period of delinquency is based on the number of days scheduled payments are contractually past due and relate to repayment loans, that is, receivables not charged-off, and not in school, grace, deferment or forbearance.

The principal and interest on federally insured loans is guaranteed by the federal government, which limits our loss exposure to two percent of the outstanding balance, and we have established an allowance for this exposure. We also maintain a loss allowance for rejected guarantor claims, caused mainly by servicing defects. At March 31, 2003 and 2002, the combined balance in the allowance for losses on federally insured student loans was $58 million and $57 million, respectively.

On-Balance Sheet Funding Costs

Our borrowings are generally variable-rate indexed principally to the 91-day Treasury or the commercial paper rate. The following table summarizes the average balance of on-balance sheet debt (by index, after giving effect to the impact of interest rate swaps) for the three months ended March 31, 2003 and 2002.

	Three months ended March 31,			
	2003		2002	
Index	Average Balance	Average Rate	Average Balance	Average Rate
Treasury bill, principally 91-day	$ 17,599	1.64%	$ 26,507	2.22%
Commercial paper	12,483	1.24	6,667	1.76
LIBOR	5,137	1.58	1,620	2.26
Discount notes	6,398	1.39	6,648	2.06
Fixed	6,316	4.96	6,746	5.07
Auction rate securities	828	1.57	1,101	1.90
Zero coupon	229	11.14	205	11.14
Other	859	2.28	519	1.47
Total	$ 49,849	1.99%	$ 50,013	2.57%

The shift in financing from Treasury bill indexed debt to commercial paper indexed debt since the first quarter 2002 reflects the increase in commercial paper indexed FFELP student loans as all new FFELP student loans originated since January 1, 2000 have interest rates indexed to the commercial paper rate.

OTHER INCOME

Securitization Program

During the first quarter of 2003, we completed four securitizations totaling $6.3 billion that continued to accelerate and diversify our asset-backed securitization program. We completed one securitization of FFELP Stafford/PLUS loans, one securitization of private credit student loans, and two securitizations of Consolidation Loans. One of the Consolidation Loan securitizations totaling $2.0 billion did not meet the criteria of being a Qualifying Special Purpose Entity ("QSPE") and was accounted for on-balance sheet as a Variable Interest Entity ("VIE"). As a result, no gain or loss was recorded on this transaction. During the first quarter of 2002, we completed two securitizations, both of which received sale treatment. The following table summarizes securitization activity for the quarters ended March 31, 2003 and 2002.

	Three months ended March 31,			
	2003		2002	
	Amount Securitized	Gain %	Amount Securitized	Gain %
FFELP Stafford/PLUS loans	$ 1,256	1.60%	$ 3,533	1.25%
Consolidation Loans	2,005	10.86	—	—

Private credit student loans	1,005	6.75	—	—
Total securitization sales	4,266	7.17%	3,533	1.25%
On-balance sheet securitization of Consolidation Loans	2,056		—	
Total loans securitized	$ 6,322		$ 3,533	

The increase in the first quarter 2003 gains as a percentage of the portfolios securitized versus the first quarter of 2002 was due to significantly higher Embedded Floor Income on Consolidation Loan securitizations and higher gains on private credit student loan securitizations completed in the 2003 first quarter compared with securitizations of only FFELP Stafford/PLUS loans completed in the 2002 first quarter. Gains on Consolidation Loan securitizations are mainly driven by the estimate of Embedded Fixed Rate Floor Income from these loans. Gains on the private credit student loan securitizations are higher than gains on FFELP Stafford/PLUS securitizations because the private credit student loans securitized have wider spreads, longer average lives and are less expensive to service than similar sized FFELP Stafford/PLUS student loans, partially offset by higher projected default losses.

Embedded Floor Income

Included in the gain on student loan securitizations is an estimate of the Fixed Rate Embedded Floor Income from the loans securitized. Depending on interest rate levels, the ongoing estimate of Fixed Rate Embedded Floor Income can cause volatility in the fair value of the Retained Interest asset.

The fair value of the Fixed Rate Embedded Floor Income included in the Retained Interest asset as of March 31, 2003 and December 31, 2002 was $849 million and $629 million, respectively. The fair value of the Variable Rate Embedded Floor Income included in the Retained Interest asset as of March 31, 2003 and December 31, 2002 was $41 million and $75 million, respectively.

Servicing and Securitization Revenue

Servicing and securitization revenue, the ongoing revenue from securitized loan pools, includes the interest earned on the Residual Interest asset, the revenue we receive for servicing the loans in the securitization trusts, and Embedded Floor Income on securitized student loans not captured in the gain on sale calculation.

The following table summarizes the components of servicing and securitization revenue:

	Three months ended March 31,	
	2003	**2002**
Servicing revenue	$ 75	$ 66
Securitization revenue, before Embedded Floor Income	43	28
Servicing and securitization revenue, before Embedded Floor Income	118	94
Embedded Floor Income	20	101
Total servicing and securitization revenue	$ 138	$ 195
Average off-balance sheet student loans	$ 35,228	$ 30,391

Servicing and securitization revenue totaled $138 million or 1.58 percent of the average balance of securitized loans in the first quarter of 2003 versus $195 million or 2.60 percent in the corresponding year-ago quarter. The increase in servicing and securitization revenue before Embedded Floor Income is due to the increase in the average balance of off-balance sheet student loans.

Losses on Sales of Securities, Net

For the three months ended March 31, 2003 and 2002, we recognized losses on sales of securities of $82 million and $89 million, respectively. These losses included losses on terminated or expired Eurodollar future contracts of $1 million and $53 million for the three months ended March 31, 2003 and 2002, respectively, that were economically hedging Floor Income, but did not meet the hedge

effectiveness tests under SFAS No. 133. Unrealized gains and losses on these contracts that were previously recorded through the derivative market value adjustment were reversed. In addition, we terminated a written Floor Income Contract resulting in a loss of $69 million during the three months ended March 31, 2003. There were no similar transactions in the three months ended March 31, 2002.

Also in the three months ended March 31, 2003 and 2002, we refinanced certain debt obligations with longer term debt obligations that had lower interest rates. In connection with these refinancings, we closed out certain derivatives that were matched with the extinguished debt instruments prior to their maturity and

recognized losses on sales of securities of $12 million and $36 million, respectively.

Guarantor Servicing Fees, Debt Management Fees and Other Income

The following table summarizes the components of guarantor servicing fees, debt management fees and other income for the quarters ended March 31, 2003 and 2002.

	Three months ended March 31,	
	2003	2002
Guarantor servicing and debt management fees:		
Guarantor servicing fees	$ 41	$ 30
Debt management fees	59	48
Total guarantor servicing and debt management fees	$ 100	$ 78
Other income:		
Late fees	$ 16	$ 15
Third party servicing fees	14	15
Other	18	14
Total other income	$ 48	$ 44

The $22 million increase in guarantor servicing and debt management fees in the first quarter of 2003 versus the year-ago quarter is due to the growth in the debt management services business.

EFFECTS OF SFAS NO. 133—DERIVATIVE ACCOUNTING

SFAS No. 133 requires that changes in the fair value of derivative instruments be recognized currently in earnings unless specific hedge accounting criteria as specified by SFAS No. 133 are met. We believe that our derivatives are effective economic hedges and they are a critical element of our interest rate risk management strategy. However, under SFAS No. 133, some of our derivatives, primarily basis swaps, Eurodollar futures contracts and Floor Income Contracts, are considered ineffective hedges because they hedge only a portion of the term of the underlying risk or are hedging an off-balance sheet financial instrument. In these instances the derivatives are classified as "trading" securities and the change in their fair value is recorded through the derivative market value adjustment. No consideration is made in the consolidated statements of income for the price fluctuation of the student loans or the Retained Interest that these derivatives are hedging.

Floor Income Contracts are not considered effective hedges because the terms of the Floor Income Contracts are shorter than the average life of the student loans and/or the Floor Income Contracts are hedging off-balance sheet securitized student loans. We believe that the Floor Income Contracts effectively fix the amount of Floor Income the Company will earn over the contract period, thus eliminating the timing and uncertainty associated with Floor Income for that period.

Basis swaps are used to convert the floating rate debt from one interest rate index to another to match the interest rate characteristics of the assets. We primarily use basis swaps to change the index of

our LIBOR-based debt, to better match the cash flows of our student loan assets. SFAS No. 133 requires that the change in the cash flows of the hedge effectively offset both the change in the cash flows of the asset and the change in the cash flows of the liability. Because student loans can earn at either a variable or a fixed interest rate depending on market interest rates or if the basis swap is economically hedging off-balance sheet instruments, the SFAS No. 133 effectiveness test cannot be met. As a result, these swaps are recorded at fair value with subsequent changes in fair value recorded through the derivative market value adjustment in the income statement.

The table below quantifies the impact of SFAS No. 133 derivative accounting on our net income for the three months ended March 31, 2003 and 2002 when compared with the accounting principles employed in all years prior to the SFAS No. 133 implementation. Gains and losses on certain closed derivative positions that previously qualified as hedges were capitalized and amortized over the term of the hedged item. Under SFAS No. 133, these amounts are recorded immediately. Similarly, we previously accounted for Floor Income Contracts as hedges and amortized the upfront cash compensation ratably over the lives of the contracts. Under SFAS No. 133, the upfront payment is deemed a liability and changes in fair value are recorded through income throughout the life of the contract.

	Three months ended March 31,	
	2003	2002
Net Impact of Derivative Accounting:		
Derivative market value adjustment in other income	$ 114	$ 288
Amortization of derivative items included in other comprehensive income at transition	—	(1)
Amortization of premiums on Floor Income Contracts and cap hedges in net interest income	(41)	(32)
Amortization of Floor Income Contracts de-designated as effective hedges on December 31, 2000 in net interest income	(1)	(3)

Impact of Eurodollar futures contracts in net interest income	4	9
Impact of Eurodollar futures contracts in loss on sales of securities	(9)	(2)
Total net impact of derivative accounting	$ 67	$ 259

The derivative market value adjustment is principally caused by interest rate volatility and changing spreads between indices during the period and the notional volume and term of derivatives not receiving hedge accounting treatment. The reduction in the derivative market value loss in the first quarter of 2003 was mainly due to the termination of certain Floor Income Contracts whereby $69 million of unrealized losses that were previously recognized in the derivative market value adjustment were reclassified to losses on sales of securities in the first quarter of 2003. The reduction in the derivative market value loss in the first quarter of 2002 was due to increasing interest rates since the preceding quarter, that caused the market value of the Floor Income Contracts, which is carried as a liability, to decrease. The decrease in the market value of the Floor Income Contracts is economically offset by the decrease in value of the student loan portfolio earning Floor Income, but that offsetting change in value is not recognized under SFAS No. 133.

OPERATING EXPENSES

The following table summarizes the components of operating expenses:

	Three months ended March 31,	
	2003	2002
Servicing and acquisition expenses	$ 120	$ 104
General and administrative expenses	59	63
Total operating expenses	$ 179	$ 167

In the first quarter of 2003, operating expenses were $179 million versus $167 million in the year-ago quarter. The increase in operating expenses in the first quarter of 2003 versus the year-ago quarter is primarily due to a $9 million charge for servicing adjustments for an under-billing error. Exclusive of this charge, servicing expenses increased by $7 million consistent with the growth in the number of accounts serviced.

STUDENT LOAN ACQUISITIONS

The following tables summarize the components of our student loan acquisition activity for the quarters ended March 31, 2003 and 2002.

	Three months ended March 31, 2003		
	FFELP	Private	Total
Preferred Channel	$ 3,315	$ 842	$ 4,157
Other commitment clients	56	—	56
Spot purchases	53	—	53
Consolidations from third parties	631	—	631
Consolidations from securitized trusts	1,333	—	1,333
Capitalized interest and other	264	18	282
Total on-balance sheet student loan acquisitions	5,652	860	6,512
Consolidations to SLM Corporation from securitized trusts	(1,333)	—	(1,333)
Capitalized interest and other	159	10	169
Total Managed student loan acquisitions	$ 4,478	$ 870	$ 5,348

	Three months ended March 31, 2002		
	FFELP	Private	Total
Preferred Channel	$ 2,805	$ 604	$ 3,409
Other commitment clients	53	—	53
Spot purchases	155	4	159
Consolidations from third parties	417	—	417
Consolidations from securitized trusts	590	—	590
Capitalized interest and other	262	26	288
Total on-balance sheet student loan acquisitions	4,282	634	4,916
Consolidations to SLM Corporation from securitized trusts	(590)	—	(590)
Capitalized interest and other	193	—	193

Total Managed student loan acquisitions	$ 3,885	$ 634	$ 4,519

In the first quarter of 2003, our Preferred Channel originations totaled $4.9 billion versus $4.0 billion in the year-ago quarter. The pipeline of loans currently serviced and committed for purchase by us was $6.2 billion at March 31, 2003 versus $5.6 billion at March 31, 2002.

LEVERAGED LEASES

At March 31, 2003, we had investments in leveraged leases, net of impairments, totaling $198 million that are general obligations of three commercial airlines and Federal Express Corporation. The aircraft financing business continues to be adversely affected by the slowdown in the commercial aircraft industry that began in early 2001 and was exacerbated by the terrorist attacks of September 11, 2001 and most recently, the war in Iraq. The continuing reduction in aircraft passenger volume has resulted in the grounding of a significant number of aircraft. In 2002, we recognized after-tax impairment charges of $57 million, or $.36 per share to reflect the impairment of certain aircraft leased to United Airlines, which declared bankruptcy in December 2002. We had no such impairments in the first quarter of 2003, but we are constantly monitoring these investments given the continued uncertainty surrounding the airline industry. Based on an analysis of the expected losses on certain leveraged leases plus the increase in incremental tax obligations related to forgiveness of debt obligations and/or the taxable gain on the sale of the aircraft, our remaining exposure to the airline industry is $125 million, after-tax.

FEDERAL AND STATE TAXES

The Company is subject to federal and state taxes, while 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. Our effective tax rate for the three months ended March 31, 2003 and 2002 was 35 percent and 35 percent, respectively.

ALTERNATIVE PERFORMANCE MEASURES

In addition to evaluating our GAAP-based data, management, credit rating agencies, lenders and analysts also evaluate us on certain non-GAAP-based performance measures, which we refer to as "core cash" measures. Under these non-GAAP-based performance measures, management analyzes the student loan portfolio on a Managed Basis and treats securitization transactions as financings versus sales. As such, the securitization gain on sale and subsequent servicing and securitization revenue is eliminated from income, and net interest income from securitized loans is recognized. These non-GAAP-based performance measures also eliminate the benefit of Floor Income and use pre-SFAS No. 133 accounting for our derivative transactions, treating all of them as effective hedges. We also exclude certain transactions that management does not consider part of our core business, such as gains or losses on certain sales of securities and derivative contracts and the amortization of acquired intangible assets.

For the three months ended March 31, 2003 and 2002, the effect of these non-GAAP performance measures on pre-tax GAAP earnings are as follows:

	Three months ended March 31,	
	2003	2002
Non-GAAP Performance Measures:		
Treatment of securitizations as financings versus sales	$ 267	$ 39
Floor Income on Managed loans	73	182
Net impact of derivative accounting	67	259
Losses on sales of securities	(72)	(86)
Amortization of acquired intangibles	(7)	(6)
Total non-GAAP performance measures	$ 328	$ 388

Management believes this information provides additional insight into the financial performance of the Company's core business activities.

Student Loan Spread Analysis—Managed Basis

The following table analyzes the reported earnings from our portfolio of Managed student loans, which includes loans both on-balance sheet and off-balance sheet in securitization trusts and excludes Floor Income.

	Three months ended March 31,	
	2003	2002
Managed Basis student loan yields	4.44%	5.19%
Consolidation Loan Rebate Fees	(.34)	(.24)
Offset Fees	(.04)	(.07)
Borrower benefits	(.11)	(.12)
Premium and origination fee amortization	(.16)	(.27)
Managed Basis student loan net yield	3.79	4.49
Managed Basis student loan cost of funds	(1.86)	(2.62)

Managed Basis student loan spread	1.93%	1.87%
Average Balances		
Managed student loans	$ 79,387	$ 72,748

The increase in the Managed Basis student loan spread in the first quarter of 2003 versus the first quarter of 2002 was due primarily to lower student loan premium amortization and to the increase in the percentage of private credit student loans in the Managed student loan portfolio, partially offset by higher Consolidation Loan Rebate Fees. The lower premium amortization is driven by the higher percentage of Consolidation Loans, which have a significantly longer average life, and from the amortization of the loan discount in private credit student loans. The first quarter Managed Basis student loan spread also benefited from the increase in private credit student loans of 38 percent over the first quarter of 2002. These loans are subject to much higher credit risk than federally guaranteed student loans and therefore earn higher spreads, which in the first quarter of 2003 was 4.96 percent. The first quarter Managed Basis student loan spread also benefited from higher amortization of upfront payments under Floor Income Contracts.

Allowance for Private Credit Student Loan Losses—Managed Basis

An analysis of our Managed allowance for loan losses for private credit student loans for the quarters ended March 31, 2003 and 2002 is presented in the following table.

	Three months ended March 31,	
	2003	2002
Balance at beginning of period	$ 194	$ 193
Provision for Managed private credit student loan losses	32	13
Other	7	11
Charge-offs	(17)	(12)
Recoveries	2	1
Charge-offs, net of recoveries	(15)	(11)
Balance at end of period	$ 218	$ 206
Net charge-offs as a percentage of average Managed private credit student loans	..93%	..97%
Private credit allowance as a percentage of average Managed private credit student loans	3.38%	4.52%
Private credit allowance as a percentage of the ending balance of Managed private credit student loans	3.24%	4.25%
Private credit allowance as a percentage of Managed private credit student loans in repayment	6.39%	7.62%
Average balance of Managed private credit student loans	$ 6,433	$ 4,564
Ending balance of Managed private credit student loans	$ 6,716	$ 4,852

For the quarter ended March 31, 2003, the provision for Managed private credit student loans increased by $19 million versus the year-ago quarter. The 146 percent increase in the first quarter 2003 provision reflects a 37 percent increase in the private credit student loan acquisitions versus the first quarter of 2002 and the aging of the private credit student loan portfolio.

We defer origination fees and recognize them over time as a component of interest income. The unamortized balance of deferred origination fee revenue at March 31, 2003 and 2002 was $120 million and $113 million, respectively. At March 31, 2002, the Company reflected the unamortized balance of $113 million as a component of the allowance for student loan losses, which was reclassified to a student loan discount in the second quarter of 2002.

Delinquencies—Managed Basis

The table below shows our private credit student loan delinquency trends for the quarters ended March 31, 2003 and 2002 on a Managed Basis. Delinquencies have the potential to adversely impact earnings if the account charges off and results in increased servicing and collection costs.

	Three months ended March 31,			
	2003		2002	
Index	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 2,893		$ 1,834	

Loans in forbearance[2]	413		311	
Loans in repayment and percentage of each status:				
Loans current	3,118	91%	2,468	91%
Loans delinquent 30-59 days[3]	136	4	113	4
Loans delinquent 60-89 days	72	2	48	2
Loans delinquent 90 days or greater	84	3	78	3
Total Managed loans in repayment	3,410	100%	2,707	100%
Total Managed private credit student loans	6,716		4,852	
Managed private credit student loan allowance for losses	(218)		(206)	
Managed private credit student loans, net	$ 6,498		$ 4,646	
Percentage of Managed private credit student loans in repayment	50.77%		55.78%	
Delinquencies as a percentage of private credit student loans in repayment	8.56%		8.84%	

1 Loans for borrowers who still may be attending school or engaging in other permitted educational activities and are not yet required to make payments on the loans, e.g., residency periods for medical students or a grace period for bar exam preparation. These amounts include loans for borrowers with in-school forbearance that were previously included as loans in forbearance for hardship and other factors. We reclassified $107 million and $33 million, respectively, of in-school forbearances at March 31, 2003 and 2002.

2 Loans for borrowers who have temporarily ceased making full payments due to hardship or other factors, consistent with the established loan program servicing procedures and policies.

3 The period of delinquency is based on the number of days scheduled payments are contractually past due and relate to repayment loans, that is, receivables not charged-off, and not in school, grace, deferment or forbearance.

LIQUIDITY AND CAPITAL RESOURCES

A primary funding objective is to maintain our student loan spread by continuing to match the interest rate characteristics of our assets and liabilities. To accomplish this we must broaden our already diverse funding sources to ensure that we have sufficient liquidity to refinance the GSE debt to meet our September 2006 target date for the GSE Wind-Down. Currently our primary sources of liquidity are through debt issuances by the GSE, off-balance sheet financings through securitizations, borrowings under our commercial paper and medium term note programs, other senior note issuances, and cash generated by our subsidiaries and distributed through dividends to the Company. Our Managed borrowings along with the average interest rate for the three months ended March 31, 2003 and 2002 are broken down as follows:

	Three months ended March 31,			
	2003		2002	
	Average Balance	Average Rate	Average Balance	Average Rate
GSE	$ 42,155	1.87%	$ 47,091	2.59%
Non-GSE	7,691	2.56	2,922	2.27
Securitizations (off-balance sheet)	35,785	2.00	30,258	2.95
Total	$ 85,631	1.99%	$ 80,271	2.71%

GSE Financing Activities

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. The GSE's debt securities are currently rated at the highest credit rating level by both Moody's and S&P. Historically, the 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.

The GSE's unsecured financing requirements are driven by the following factors: refinancing of existing liabilities as they mature; financing of the net growth in the student loan portfolio; the level of securitization activity; and the transfer and refinancing of GSE assets by non-GSE entities of the Company.

Securitization Activities

Since the establishment of our program in 1995, securitization of student loans has been the principal source of non-GSE long-term funding for our Managed portfolio of student loans. In the first quarter of 2003, the Company completed four securitization transactions totaling $6.3 billion, one of which did not achieve sale accounting under the requirements of SFAS No. 140, versus two transactions totaling $3.5 billion in student loans in the first quarter of 2002. At March 31, 2003, $37.4 billion or 46 percent of our Managed student loans outstanding were in off-balance sheet securitized trusts.

In first quarter of 2003, we continued to accelerate the volume, and diversify our securitization program as we completed two Consolidation Loan securitizations and one Private Loan securitization. These transactions continued to build market acceptance for these two asset classes that were first securitized in the fourth quarter of 2002. We expect to accelerate and diversify our securitization activity as we refinance long-term GSE debt in anticipation of the GSE Wind-Down.

Our asset-backed securities generally have a higher net cost to fund our student loans than our GSE on-balance sheet financing because the asset-backed securities are term match-funded to the assets securitized and do not benefit from the federal government's implicit guarantee of GSE debt. The GSE's funding advantage over our securitizations is somewhat mitigated by the absence of Offset Fees on securitized loans. Our securitizations to date have been structured to achieve a triple "A" credit rating on over 96 percent of the asset-backed securities sold. Securities issued in our typical FFELP student loan securitizations are indexed to LIBOR while the index on our securitized loans are either indexed to the 91-day or 52-week Treasury bill, commercial paper or the Prime rate. We manage this off-balance sheet basis risk through on-balance sheet financing activities, principally through basis swaps.

Non-GSE Unsecured On-Balance Sheet Financing Activities

While the securitization market is the core of our long-term financing strategy, it is supplemented by commercial paper, bank lines of credit, underwritten long-term debt, and global and medium-term note programs. The following table shows the senior unsecured credit ratings on our non-GSE debt from the major rating agencies.

	S&P	Moody's	Fitch
Short-term unsecured debt	A-1	P-1	F-1+
Long-term unsecured debt	A	A-2	A+

The table below presents our non-GSE unsecured on-balance sheet funding by funding source for the three months ended March 31, 2003 and 2002:

	Debt Issued for the Quarters Ended March 31,		Outstanding at March 31,	
(Dollars in millions)	2003	2002	2003	2002
Commercial paper	$ 7,494	$ 11,436	$ 44	$ 247
EdNotes	78	—	78	—
Global notes	2,246	—	3,948	—
Medium term notes	—	765	4,142	2,882

We maintain $2 billion in revolving credit facilities to provide liquidity support for our commercial paper program that were renewed and expanded in 2002. They include a $1 billion 364-day revolving credit facility maturing October 2003 and a $1 billion 5-year revolving credit facility maturing October 2007. We have never drawn on these facilities. Interest on these facilities is based on LIBOR plus a spread that is determined by the amount of the facility utilized and the Company's credit rating.

Cash Flows

During the first quarter of 2003, the Company used the proceeds from student loan securitizations of $4.3 billion, and repayments and claim payments on student loans of $1.3 billion to acquire student loans either through purchase or origination ($5.2 billion) or through consolidating loans ($1.3 billion) from our securitized trusts and to repurchase $267 million of the Company's common stock.

Operating activities provided net cash inflows of $55 million in the first quarter of 2003, an increase of $158 million from the net cash outflows of $103 million in the first quarter 2002. Operating cash flow is driven by net income adjusted for various non-cash items such as gains and losses on sales of student loans and securities, the derivative market value adjustment and the provision for loan losses. Operating cash flow is also affected by the timing of the receipt or payment of cash for other assets and liabilities and by the amount of Floor Income earned in the quarter.

During the first quarter of 2003, the Company issued $7.2 billion of long-term notes, of which $4.9 billion was issued by the GSE and $2.3 billion was issued by SLM Corporation, to refund maturing debt obligations and finance the acquisition of student loans. At March 31, 2003, the Company had $25.2 billion of long-term debt, of which $15.2 billion is an obligation of the GSE and $10.0 billion is an obligation of SLM Corporation, including bonds in the VIE totaling $2.0 billion. $3.6 billion of the GSE's long-term debt had stated maturities that could be accelerated through call provisions and $43 million of SLM Corporation's long-term debt had stated maturities that could be accelerated through call provisions.

At March 31, 2003, the GSE was in compliance with its regulatory capital requirements, and had a statutory capital adequacy ratio of 5.49 percent versus a minimum requirement of 2.25 percent.

Interest Rate Risk Management

Interest Rate Gap Analysis

We manage our interest rate risk on a Managed Basis and as a result we use on-balance sheet derivatives to hedge the basis risk in our securitization trusts as the trusts typically issue asset-backed securities indexed to LIBOR to fund student loans indexed to either the 91-day Treasury bill, commercial paper or in the case of private credit loans, the Prime rate. At March 31, 2003, there were approximately $30.0 billion of asset-backed securities issued by our securitization

trusts that were indexed to LIBOR, $8.8 billion of securities indexed to the 91-day Treasury bill, $500 million of securities indexed to commercial paper, $1.1 billion of securities indexed to EURIBOR that were converted to LIBOR through a basis swap in the trust and $1.2 billion of auction rate securities. There were also $3.2 billion of PLUS student loans in the trusts that are funded by asset-backed securities indexed to LIBOR or the 91-day Treasury bill. We hedge our off-balance sheet basis risk through on-balance sheet derivatives, the effect of which is included in the gap analysis table below as the impact of securitized student loans.

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 March 31, 2003 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	$ 40,399	$ 2,433	$ 449	$ —	$ —	$ —
Academic facilities financings and other loans	352	100	197	76	97	318
Cash and investments	3,302	2	5	21	712	798
Other assets	1,242	46	92	287	618	2,788
Total assets	45,295	2,581	743	384	1,427	3,904
Liabilities and Stockholders' Equity						
Short-term borrowings	19,219	1,702	2,905	—	—	—
Long-term notes	9,642	—	—	8,857	4,189	2,553
Other liabilities	1,682	—	—	—	—	1,341
Stockholders' equity	—	—	—	—	—	2,244
Total liabilities and stockholders' equity	30,543	1,702	2,905	8,857	4,189	6,138
Period gap before adjustments	14,752	879	(2,162)	(8,473)	(2,762)	(2,234)
Adjustments for Derivatives and Other Financial Instruments						
Interest rate derivatives	(9,378)	(465)	2,355	6,297	66	1,125
Impact of securitized loans	(3,199)	3,199	—	—	—	—
Total derivatives and other financial instruments	(12,577)	2,734	2,355	6,297	66	1,125
Period gap	$ 2,175	$ 3,613	$ 193	$ (2,176)	$ (2,696)	$ (1,109)
Cumulative gap	$ 2,175	$ 5,788	$ 5,981	$ 3,805	$ 1,109	$ —
Ratio of interest-sensitive assets to interest-sensitive liabilities	152.6%	148.9%	22.4%	1.1%	19.3%	43.7%
Ratio of cumulative gap to total assets	4.0%	10.7%	11.0%	7.0%	2.0%	—%

Average Terms to Maturity

The following table reflects the average terms to maturity for the Company's Managed earning assets and liabilities at March 31, 2003 (in years):

	On-Balance Sheet	Off-Balance Sheet	Managed
Earning assets			
Student loans	7.4	6.6	7.0
Academic facilities financings and other loans	6.8	—	6.8

Cash and investments	3.7	—	3.7
Total earning assets	7.1	6.6	6.9
Borrowings			
Short-term borrowings	.3	—	.3
Long-term borrowings	4.6	6.6	5.9
Total borrowings	2.3	6.6	4.2

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 3.7 years. As student loans are securitized, the need for long-term on-balance sheet financing will decrease.

Common Stock

The Company repurchased 2.7 million shares during the first quarter of 2003 through open market purchases and equity forward settlements and issued a net 1.6 million shares as a result of benefit plans. At March 31, 2003, the total common shares that could potentially be acquired over the next three years under outstanding equity forward contracts was 10.4 million shares at an average price of $91.93 per share. The Company has remaining authority to enter into additional share repurchases and equity forward contracts for 13.2 million shares.

The following table summarizes the Company's common share repurchase and equity forward activity for the three months ended March 31, 2003 and 2002. (Common shares in millions.)

	Three months ended March 31,	
	2003	2002
Common shares repurchased:		
Open market	1.2	—
Equity forwards	1.5	1.5
Total shares repurchased	2.7	1.5
Average purchase price per share	$ 87.56	$ 46.28
Equity forward contracts:		
Outstanding at beginning of first quarter	9.5	11.2
New contracts	2.4	—
Exercises	(1.5)	(1.5)
Outstanding at end of period	10.4	9.7
Remaining repurchase authority at end of period	13.2	12.3

As of March 31, 2003, the expiration dates and range of purchase prices for outstanding equity forward contracts are as follows (common shares in millions):

(Contracts in millions)

Year of Maturity	Outstanding Contracts	Range of Market Prices
2004	4.5	$ 74.38 - $103.30
2005	2.5	82.40 - 91.77
2006	3.4	101.47 - 111.36
	10.4	

The FASB has tentatively reached a conclusion on new rules governing the accounting for equity forward contracts. Under the proposed rules, for those contracts that allow a net settlement option either in cash or the Company's stock, we would account for the equity forward contract under SFAS No. 133 and periodically record the change in fair value of these contracts through income. For those contracts that require physical settlement only, we would recognize a liability and contra equity. Our contracts typically allow net settlement, so if the rules were effective, based on a closing share price at March 31, 2003, we would have recognized an asset of $197 million from recognizing the equity forward contracts at fair value.

STUDENT LOAN MARKETING ASSOCIATION

Privatization Act—GSE Wind-Down

Under the Privatization Act, the GSE must wind down its operations and dissolve on or before September 30, 2008, and until the GSE is dissolved, the Privatization Act places a number of limitations on the GSE. Management, however, plans to accelerate the Wind-Down of the GSE to no later than

September 2006. This plan was approved by the GSE's board of directors in January 2002. Any GSE debt obligations outstanding at the date of such dissolution are required to be defeased through creation of a fully collateralized trust, consisting of cash or financial instruments backed by the full faith and credit of the U.S. government with cash flows that match the interest and principal obligations of the defeased debt. The Privatization Act requires that on the dissolution date, the GSE shall repurchase or redeem, or make proper provisions for repurchase or redemption of any outstanding preferred stock. The GSE redeemed its Series A, Adjustable Rate Cumulative Preferred Stock, its only outstanding preferred stock, in the fourth quarter of 2001. 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 the GSE's stockholders' equity to total assets plus 50 percent of the credit equivalent amount of certain off-balance sheet items) of at least 2.25 percent or be subject to certain "safety and soundness" requirements designed to restore such statutory ratio. While the GSE may not finance or guarantee the activities of its non-GSE affiliates, it may, subject to its minimum capital requirements, dividend retained earnings and surplus capital to SLM Corporation, which in turn may contribute such amounts to its non-GSE subsidiaries. At March 31, 2003, the GSE's statutory capital adequacy ratio was 5.49 percent.

The GSE has also received guidance from the U.S. Department of the Treasury's Office of Sallie Mae Oversight regarding safety and soundness considerations affecting its Wind-Down. As a result, in connection with any dividend declarations, the GSE will supplement the statutory minimum capital ratio requirement with a risk-based capital measurement formula. Management does not expect the capital levels of our consolidated balance sheet to change as a result of this supplemental formula.

The Privatization Act imposes certain restrictions on intercompany relations between the GSE and its affiliates during the Wind-Down Period. The GSE may, however, continue to issue new debt

obligations maturing on or before September 30, 2008 although, because of the accelerated Wind-Down described above, the Company does not intend to issue any new GSE debt with maturities beyond September 30, 2006. The legislation further provides that the legal status and attributes of the GSE's debt obligations, including the exemptions from Securities and Exchange Commission registration and state taxes, 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 of the GSE into the current holding company structure.

In connection with the Wind-Down of the GSE, we must either securitize, sell, transfer or defease the GSE's assets by the Wind-Down date and retire or defease the GSE's debt obligations. The following table summarizes the GSE's asset sales (including accrued interest) and transfers for the three months ended March 31, 2003 and 2002:

	Three months ended March 31,	
(Dollars in millions)	**2003**	**2002**
FFELP student loan securitizations	$ 3,330	$ 3,585
Sale of on-balance sheet Variable Interest Entity consisting of Consolidation Loans securitized, net[1]	300	—
Private credit student loan sales[2]	772	—
Non-cash dividend of insurance and benefit plan related investments[3]	346	—

1 The GSE recognized a gain of $245 million on this sale.

2 The private credit student loans were sold by the GSE to a subsidiary of the Company at fair market value and the GSE recognized gains on these sales of $33 million.

3 In the first quarter of 2003, the GSE transferred $346 million of insurance and benefit plan related investments through a non-cash dividend to SLM Corporation.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity Analysis

The effect of short-term movements in interest rates on our results of operations and financial position has been limited through our interest rate risk management. The following tables summarize the effect on earnings for the three months ended March 31, 2003 and 2002 and the effect on fair values at March 31, 2003 and December 31, 2002, based upon a sensitivity analysis performed by us assuming a hypothetical increase in market interest rates of 100 basis points and 300 basis points while funding spreads remain constant. We have chosen to show the effects of a hypothetical increase to interest rates, as an increase gives rise to a larger absolute value change to the financial statements. The effect on earnings was performed on our variable rate assets, liabilities and hedging instruments while the effect on fair values was performed on our fixed rate assets, liabilities and hedging instruments.

	Three months ended March 31, 2003		Three months ended March 31, 2002	
	Interest Rates:		Interest Rates:	
(Dollars in millions, except per share amounts)	**Change from increase of 100 basis points**	**Change from increase of 300 basis points**	**Change from increase of 100 basis points**	**Change from increase of 300 basis points**

	$	%	$	%	$	%	$	%
Effect on Earnings								
Increase/(decrease) in pre-tax net income before SFAS No. 133	$ (57)	(11)%	$ (66)	(12)%	$ (30)	(8)%	$ 28	8%
SFAS No. 133 change in fair value	345	301	825	721	336	117	787	273
Increase in net income before taxes	$ 288	45%	$ 759	118%	$ 306	47%	$ 815	124%
Increase in diluted earnings per share	$ 1.19	45%	$ 3.15	119%	$ 1.25	47%	$ 3.32	126%

	At March 31, 2003				
		Interest Rates:			
		Change from increase of 100 basis points		Change from increase of 300 basis points	
(Dollars in millions)	Fair Value	$	%	$	%
Effect on Fair Values					
Assets					
Student loans	$ 45,494	$ (560)	(1)%	$ (1,230)	(3)%
Other earning assets	6,034	(97)	(2)	(251)	(4)
Other assets	5,073	(421)	(8)	(806)	(16)
Total assets	$ 56,601	$ (1,078)	(2)%	$ (2,287)	(4)%
Liabilities					
Interest bearing liabilities	$ 49,614	$ (173)	—%	$ (500)	(1)%
Other liabilities	3,023	(531)	(18)	(1,189)	(39)
Total liabilities	$ 52,637	$ (704)	(1)%	$ (1,689)	(3)%

	At December 31, 2002				
		Interest Rates:			
		Change from increase of 100 basis points		Change from increase of 300 basis points	
(Dollars in millions)	Fair Value	$	%	$	%
Effect on Fair Values					
Assets					
Student loans	$ 44,718	$ (497)	(1)%	$ (1,100)	(2)%
Other earning assets	6,248	(104)	(2)	(279)	(4)
Other assets	4,643	(391)	(8)	(693)	(15)
Total assets	$ 55,609	$ (992)	(2)%	$ (2,072)	(4)%
Liabilities					
Interest bearing liabilities	$ 48,721	$ (186)	—%	$ (539)	(1)%
Other liabilities	3,316	(558)	(17)	(1,270)	(38)
Total liabilities	$ 52,037	$ (744)	(1)%	$ (1,809)	(3)%

The Company follows a policy to minimize its sensitivity to changing interest rates by generally funding its floating rate student loan portfolio with floating rate debt. However, as discussed under "Student Loans-Floor Income," in the current low interest rate environment, the FFELP student loan portfolio is earning Floor Income from the reduction in the variable rate liabilities funding student loans at the fixed borrower rate. Therefore, absent other hedges, in a low interest rate environment the hypothetical rise in interest rates in the above table has a greater adverse effect on earnings and fair values due to the reduction in potential Floor Income than in higher interest rate environments where the interest rate formula rises above the borrower rate and the student loans become a floating rate asset that is matched with floating rate debt.

During the three months ended March 31, 2003, certain FFELP student loans were earning Floor Income and we locked-in a portion of that Floor Income through the use of futures and swap contracts. The result of these hedging transactions was to convert a portion of floating rate debt into fixed rate debt, matching the fixed rate nature of the student loans and fixing the relative spread between the student loan asset rate and the converted fixed rate liability.

In low interest rate environments when certain student loans are earning Floor Income, under the scenario where interest rates increase 100 basis points, the decrease in pre-tax net income before SFAS No. 133 reflects lower Floor Income on the unhedged portion of our student loan portfolio. Under the scenario where interest rates increase 300 basis points, the change in pre-tax net income before SFAS No. 133 is not proportional to the change under the scenario where interest rates increase 100 basis points because of the additional spread earned on loans hedged with futures and swaps mentioned above and the greater proportion of loans earning at a floating rate under a 300 basis point increase in rates.

Item 4. Controls and Procedures

Within 90 days prior to the filing date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer, Executive Vice President, Finance and Executive Vice President, Accounting and Risk Management, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Securities Exchange Act of 1934 (the "Exchange Act") Rule 13a-14.

Disclosure controls and procedures include internal controls and other procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report, is properly recorded, processed, summarized and reported within the time periods required by the Securities and Exchange Commission's (the "SEC") rules and forms. Management does not expect that its disclosure controls and procedures will prevent all errors and fraud. A control system, irrespective of how well it is designed and operated, can only provide reasonable assurance—and cannot guarantee—that it will succeed in its stated objectives.

We monitor our disclosure controls and procedures and our internal controls and make modifications as necessary. By monitoring our control systems, we intend that they be maintained as dynamic systems that change as conditions warrant. The evaluation of our disclosure controls and procedures is performed on a quarterly basis so that the conclusions of management (including the Chief Executive Officer, Executive Vice President, Finance and Executive Vice President, Accounting and Risk Management) concerning controls effectiveness can be reported in our Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K. In addition, our disclosure controls and procedures are evaluated on an ongoing basis by our internal auditors and by our Corporate Finance and Corporate Accounting Departments. As a result of such ongoing evaluations, we periodically make changes to our disclosure controls and procedures to improve the quality of our financial statements and related disclosures, including corrective actions to respond to identified reportable conditions.

Based upon their evaluation, the Chief Executive Officer, Executive Vice President, Finance and Executive Vice President, Accounting and Risk Management, concluded that our disclosure controls and procedures are effective in timely alerting them to material information and in providing reasonable assurance that our financial statements are fairly presented in conformity with generally accepted accounting principles. In addition, there were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company and various affiliates are defendants in a lawsuit brought by College Loan Corporation ("CLC") in the United States District Court for the Eastern District of Virginia. The complaint alleges various breach of contract and common law tort claims in connection with CLC's consolidation loan activities as well as various antitrust claims, including a claim that the Company entered into or attempted to enter into a combination with three credit reporting agencies to boycott CLC by not providing lists of student loan borrowers.

The Complaint seeks compensatory damages of at least $60,000,000.

The breach of contract and common law tort claims were significantly narrowed by the Court's ruling on December 10, 2002, partially granting the Company's motion to dismiss. The Court held that claims based on the Company's interpretation of the single holder rule were barred by the Higher Education Act.

On April 4, 2003, CLC dismissed with prejudice all of the antitrust claims and the Court subsequently entered orders approving dismissal of these claims.

The Company has filed a motion for summary judgment, which will be heard on June 6, 2003. Trial is scheduled to begin June 16, 2003 for all claims not resolved by the summary judgment motion.

Item 2. Changes in Securities

Nothing to report.

Item 3. Defaults Upon Senior Securities

Nothing to report.

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

Nothing to report.

Item 5. Other Information

Nothing to report.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1	Employment Agreement between the Registrant and C.E. Andrews, Executive Vice President, Accounting and Risk Management, dated as of February 24, 2003.
99.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

The Company furnished one Current Report on Form 8-K with the Commission during the quarter ended March 31, 2003 or thereafter. It was furnished on April 17, 2003 in connection with the Company's press release announcing its earnings for the first quarter ended March 31, 2003 and its supplemental financial information for the same period.

SIGNATURES

Pursuant to the requirements 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.

SLM CORPORATION
(Registrant)

By: /s/ C.E. ANDREWS

C.E. Andrews
Executive Vice President, Accounting and Risk Management
(Principal Accounting Officer and Duly Authorized Officer)

Date: May 13, 2003

CERTIFICATIONS

I, Albert L. Lord, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ ALBERT L. LORD

Albert L. Lord
Vice Chairman and Chief Executive Officer
May 13, 2003

I, John F. Remondi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ JOHN F. REMONDI

John F. Remondi
Executive Vice President, Finance
May 13, 2003

I, C.E. Andrews, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ C.E. ANDREWS

C.E. Andrews
Executive Vice President, Accounting and Risk Management
May 13, 2003

APPENDIX A

STUDENT LOAN MARKETING ASSOCIATION
CONSOLIDATED FINANCIAL STATEMENTS

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STUDENT LOAN MARKETING ASSOCIATION
CONSOLIDATED BALANCE SHEETS
(Dollars and shares in thousands, except per share amounts)

	March 31, 2003	December 31, 2002
	(Unaudited)	
Assets		
Federally insured student loans (net of allowance for losses of $48,493 and $45,133, respectively)	$ 32,672,596	$ 34,185,418
Private credit student loans (net of allowance for losses of $51,374 and $64,011, respectively)	2,568,896	2,633,466
Academic facilities financings and other loans	828,892	895,582
Investments		
Trading	174	175
Available-for-sale	3,104,453	3,331,670
Other	130,750	452,095
Total investments	3,235,377	3,783,940
Cash and cash equivalents	367,751	410,503
Retained Interest in securitized receivables	2,313,286	2,068,076
Other assets	1,023,268	1,688,803
Total assets	$ 43,010,066	$ 45,665,788
Liabilities		
Short-term borrowings	$ 23,639,497	$ 24,404,636
Long-term notes	15,188,890	16,446,818
Other liabilities	1,732,096	2,528,563
Total liabilities	40,560,483	43,380,017
Commitments and contingencies		
Stockholders' equity		
Common stock, par value $.20 per share, 250,000 shares authorized: 6,001 shares issued and outstanding	1,200	1,200
Additional paid-in capital	298,788	298,788
Accumulated other comprehensive income (net of tax of $352,640 and $355,949, respectively)	654,903	661,049
Retained earnings	1,494,692	1,324,734
Total stockholders' equity	2,449,583	2,285,771
Total liabilities and stockholders' equity	$ 43,010,066	$ 45,665,788

See accompanying notes to consolidated financial statements.

STUDENT LOAN MARKETING ASSOCIATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except share and per share amounts)
(Unaudited)

	Three months ended March 31,	
	2003	2002
Interest income:		
Student loans	$ 357,202	$ 508,257
Academic facilities financings and other loans	11,549	18,915
Investments	26,347	38,068
Total interest income	395,098	565,240
Interest expense:		

Short-term debt	89,797	169,456
Long-term debt	105,033	131,048
Total interest expense	194,830	300,504
Net interest income	200,268	264,736
Less: provision for losses	13,260	18,036
Net interest income after provision for losses	187,008	246,700
Other income:		
Gains on student loan securitizations	236,637	44,260
Securitization revenue	62,171	129,773
Gains on sales of student loans to SLM Corporation	278,434	—
Losses on sales of securities, net	(69,017)	(89,100)
Derivative market value adjustment	140,626	288,351
Other	18,378	30,954
Total other income	667,229	404,238
Operating expenses:		
Related party agreements	66,082	42,401
Other	616	11,679
Total operating expenses	66,698	54,080
Income before income taxes	787,539	596,858
Income taxes	271,318	208,714
Net income attributable to common stock	$ 516,221	$ 388,144
Basic and diluted earnings per common share	$ 86	$ 65
Average common shares outstanding and common equivalent shares outstanding	6,001,000	6,001,000

See accompanying notes to consolidated financial statements.

STUDENT LOAN MARKETING ASSOCIATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

	Common Stock Shares						
	Issued	**Outstanding**	**Common Stock**	**Additional Paid-In Capital**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings**	**Total Stockholders' Equity**
Balance at December 31, 2001	6,001,000	6,001,000	$ 1,200	$ 298,800	$ 670,416	$ 545,037	$ 1,515,453
Comprehensive income:							
Net income						388,144	388,144
Other comprehensive income, net of tax:							
Change in unrealized gains (losses) on investments, net of tax					(138,437)		(138,437)
Change in unrealized gains (losses) on derivatives, net of tax					28,652		28,652
Comprehensive income							278,359
Redemption of preferred stock				(12)			(12)
Balance at March 31, 2002	6,001,000	6,001,000	$ 1,200	$ 298,788	$ 560,631	$ 933,181	$ 1,793,800
Balance at December 31, 2002	6,001,000	6,001,000	$ 1,200	$ 298,788	$ 661,049	$ 1,324,734	$ 2,285,771
Comprehensive income:							
Net income						516,221	516,221
Other comprehensive income, net of tax:							
Change in unrealized gains (losses) on investments, net of tax					(7,385)		(7,385)
Change in unrealized gains (losses) on derivatives, net of tax					1,239		1,239

Comprehensive income							510,075
Dividend:							
Common stock						(346,263)	(346,263)
Balance at March 31, 2003	6,001,000	6,001,000	$ 1,200	$ 298,788	$ 654,903	$ 1,494,692	$ 2,449,583

See accompanying notes to consolidated financial statements.

STUDENT LOAN MARKETING ASSOCIATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Three months ended March 31,	
	2003	**2002**
Operating activities		
Net income	$ 516,221	$ 388,144
Adjustments to reconcile net income to net cash provided by operating activities:		
Gains on student loan securitizations	(236,637)	(44,260)
Gains on sales of student loans to SLM Corporation	(278,434)	—
Losses on sales of securities, net	69,017	89,100
Derivative market value adjustment	(140,626)	(288,351)
Provision for losses	13,260	18,036
Decrease (increase) in accrued interest receivable	94,668	(58,580)
Increase in accrued interest payable	6,826	8,603
Decrease (increase) in Retained Interest in securitized receivables	68,330	(21,488)
Decrease (increase) in other assets	415,105	(52,719)
(Decrease) in other liabilities	(445,937)	(33,254)
Total adjustments	(434,428)	(382,913)
Net cash provided by operating activities	81,793	5,231
Investing activities		
Student loans acquired	(4,197,972)	(3,826,309)
Loans acquired through trust consolidation	(1,332,504)	(589,636)
Reduction of student loans:		
Installment payments	860,479	1,102,918
Claims and resales	165,331	178,873
Proceeds from securitization of student loans	3,248,255	3,585,713
Proceeds from sales of student loans	—	29,065
Proceeds from sales of student loans to SLM Corporation	793,727	—
Academic facilities financings and other loans made	(95,425)	(272,057)
Academic facilities financings and other loans repayments	158,887	357,457
Purchases of available-for-sale securities	(954,562)	(979,893)
Proceeds from sales and maturities of available-for-sale securities	1,174,508	1,104,453
Purchases of other securities	(116,396)	(91,487)
Proceeds from sales and maturities of other securities	91,477	72,396
Net cash (used in) provided by investing activities	(204,195)	671,493
Financing activities		
Short-term borrowings issued	165,555,718	106,626,324
Short-term borrowings repaid	(166,053,750)	(103,068,208)
Long-term notes issued	2,864,839	3,917,520
Long-term notes repaid	(4,611,723)	(8,234,241)
Long-term notes issued by Variable Interest Entity	2,037,331	—
Sale of Trust to SLM Corporation, net of cash	287,235	—
Redemption of preferred stock	—	(12)
Net cash provided by (used in) financing activities	79,650	(758,617)
Net (decrease) in cash and cash equivalents	(42,752)	(81,893)
Cash and cash equivalents at beginning of period	410,503	434,366
Cash and cash equivalents at end of period	$ 367,751	$ 352,473
Cash disbursements made for:		
Interest	$ 256,207	$ 463,056
Income taxes	$ 215,000	$ 230,000

See accompanying notes to consolidated financial statements.

STUDENT LOAN MARKETING ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information at March 31, 2003 and for the three months ended March 31, 2003 and 2002 is unaudited)
(Dollars in thousands, unless otherwise stated)

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Student Loan Marketing Association ("SLMA" or the "GSE") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP in the United States of America for complete consolidated financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair statement have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three months ended March 31, 2003 may not necessarily be indicative of the results for the year ending December 31, 2003. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in the Company's 2002 Annual Report on Form 10-K.

2. New Accounting Pronouncements

Accounting for Guarantees

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 identifies characteristics of certain guarantee contracts and requires that a liability be recognized at fair value at the inception of such guarantees for the obligations undertaken by the guarantor. Additional disclosures also are prescribed for certain guarantee contracts. The initial recognition and initial measurement provisions of FIN No. 45 are effective for these guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN No. 45 are effective for SLMA for its first quarter ending March 31, 2003. The implementation of FIN No. 45 did not have a material impact on SLMA's financial statements.

Consolidation of Variable Interest Entities

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties ("Variable Interest Entities"). Variable Interest Entities ("VIEs") are required to be consolidated by their primary beneficiaries if they do not effectively disperse risks among parties involved. The primary beneficiary of a VIE is the party that absorbs a majority of the entity's expected losses, receives a majority of its expected residual returns, or both, as a result of holding variable interests. FIN No. 46 also requires new disclosures about VIEs.

On February 1, 2003, SLMA adopted FIN No. 46 for VIEs created in which SLMA obtains an interest after January 31, 2003. SLMA will adopt FIN No. 46 on October 1, 2003 for VIEs in which it holds a variable interest that it acquired before February 1, 2003. Transactions associated with these entities include asset-backed securitizations and certain partnerships that are used for marketing

SLMA's co-branded student loan products. SLMA currently consolidates entities in which it has a controlling financial interest in accordance with GAAP. For those entities deemed to be Qualifying Special Purpose Entities ("QSPEs") as defined in Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities—a Replacement of SFAS No. 125," which includes SLMA's securitization trusts, SLMA does not consolidate those entities. SLMA is currently evaluating the impact of the provisions of FIN No. 46 on its consolidated financial statements and is assessing its impact to ensure it is properly integrated into its existing policies, practices and systems. SLMA does not believe, at this time, that FIN No. 46 will have a material effect on its consolidated financial statements for transactions completed before February 1, 2003.

3. Student Loans

SLMA purchases student loans from originating lenders. SLMA'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"). SLMA also purchases private credit student loans.

The following table reflects the distribution of SLMA's student loan portfolio by program as of March 31, 2003 and 2002:

	March 31,	
(Dollars in millions)	**2003**	**2002**
FFELP—Stafford	$ 10,824	$ 15,713
FFELP—PLUS/SLS	1,463	1,672
FFELP—Consolidation loans	19,065	15,239

HEAL	1,369	1,690
Private credit	2,620	4,852
Subtotal	35,341	39,166
Allowance for loan losses	(100)	(190)
Total student loans, net	$ 35,241	$ 38,976

At March 31, 2003 and 2002, 7 percent and 12 percent, respectively, of SLMA's total student loan portfolio was private credit.

4. Allowance for Student Loan Losses

The provision for loan losses represents the periodic expense of maintaining an allowance sufficient to absorb probable losses, net of recoveries, inherent in the portfolio of student loans. SLMA separately evaluates the adequacy of the provision for losses on its federally insured portfolio of student loans and its private credit portfolio.

SLMA's private credit student loan portfolio has not matured sufficiently to rely on experience factors to predict loan loss patterns. Therefore, SLMA relies on a combination of its own historic data,

such as recent trends in delinquencies, the credit profile of the borrower and/or co-borrower, loan volume by program, and charge-offs and recoveries. SLMA uses this data in internally developed statistical models to estimate the amount of probable net losses that are projected to be incurred.

In calculating the private credit loss allowance, SLMA considers various factors such as co-borrowers, repayment, months of repayments, delinquency status and type of program. Defaults are estimated by cohort (loans grouped by the year in which they entered into repayment status) based on the borrower's credit profile, net of an estimate of collections by cohort for both new and previously defaulted loans. Private credit student loans are charged off against the allowance when they are 212 days delinquent. This policy is periodically reconsidered by management as trends develop. Private credit student loans accrue interest until charged off. Recoveries on loans charged off are booked directly to the allowance.

The following table summarizes changes in the allowance for student loan losses for the three months ended March 31, 2003 and 2002:

	Three months ended March 31,	
	2003	**2002**
Balance at beginning of period	$ 109,144	$ 175,959
Additions		
Provision for student loan losses	13,260	18,036
Recoveries	1,407	813
Deductions		
Reductions for student loan sales and securitizations	(20,297)	(2,466)
Charge-offs	(3,647)	(9,939)
Other	—	7,210
Balance at end of period	$ 99,867	$ 189,613

SLMA defers origination fees and recognizes them over time as a component of interest income. The unamortized balance of deferred origination fee revenue at March 31, 2003 and 2002 was $46 million and $113 million, respectively. At March 31, 2002, SLMA reflected the unamortized balance of $113 million as a component of the allowance for student loan losses, which was reclassified to a student loan discount in the second quarter of 2002.

The table below shows SLMA's private credit student loan delinquency trends for the three months ended March 31, 2003 and 2002. Delinquencies have the potential to adversely impact earnings if the account charges off and results in increased servicing and collection costs.

(Dollars in millions)	Three months ended March 31,			
	2003		**2002**	
Index	**Balance**	**%**	**Balance**	**%**
Loans in-school/grace/deferment[1]	$ 1,625		$ 1,834	
Loans in forbearance[2]	199		311	
Loans in repayment and percentage of each status:				
Loans current	685	86%	2,468	91%

Loans delinquent 30-59 days[3]	38	5	113	4
Loans delinquent 60-89 days	29	4	48	2
Loans delinquent 90 days or greater	44	5	78	3
Total loans in repayment	796	100%	2,707	100%
Total private credit student loans	2,620		4,852	
Private credit student loan allowance for losses	(51)		(136)	
Private credit student loans, net	$ 2,569		4,716	
Percentage of private credit student loans in repayment	30.39%		55.78%	
Delinquencies as a percentage of private credit student loans in repayment	13.97%		8.84%	

1 Loans for borrowers who still may be attending school or engaging in other permitted educational activities and are not yet required to make payments on the loans, e.g., residency periods for medical students or a grace period for bar exam preparation. These amounts include loans for borrowers with in-school forbearance that were previously included as loans in forbearance for hardship and other factors. SLMA reclassified $64 million and $33 million, respectively, of in-school forbearances at March 31, 2003 and 2002.

2 Loans for borrowers who have temporarily ceased making full payments due to hardship or other factors, consistent with the established loan program servicing procedures and policies.

3 The period of delinquency is based on the number of days scheduled payments are contractually past due and relate to repayment loans, that is, receivables not charged off, and not in school, grace, deferment or forbearance.

5. Student Loan Securitization

When SLMA sells receivables in a securitization of student loans, it retains a Residual Interest and, in some cases, a cash reserve account, all of which are Retained Interests in the securitized receivables. At March 31, 2003 and December 31, 2002, the balance of these assets was $2.3 billion and

$2.1 billion, respectively. The gain or loss on the sale of the receivables is based upon the carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the Retained Interests based on their relative fair values at the date of transfer. Quoted market prices are generally not available for SLMA's Retained Interests so SLMA estimates fair value, both initially and on a quarterly basis, based on the present value of future expected cash flows estimated using management's best estimates of the key assumptions—credit losses, prepayment speeds and discount rates commensurate with the risks involved.

	Three months ended March 31,			
	2003		2002	
(Dollars in millions)	Amount Securitized	Gain %	Amount Securitized	Gain %
FFELP Stafford/PLUS loans	$ 1,256	1.60%	$ 3,533	1.25%
Consolidation Loans	2,005	10.86	—	—
Total securitization sales	3,261	7.30%	3,533	1.25%
On-balance sheet securitization of Consolidation Loans	2,056		—	
Total loans securitized	$ 5,317		$ 3,533	

During the first quarter of 2003, SLMA completed three securitizations totaling $5.3 billion that continued to accelerate and diversify its asset-backed securitization program. SLMA completed one securitization of FFELP Stafford/PLUS loans and two securitizations of Consolidation Loans. One of the Consolidation Loan securitizations did not meet the criteria of being a QSPE and was accounted for on-balance sheet as a VIE. The on-balance sheet VIE was subsequently sold by the GSE to a non-GSE subsidiary of SLM Corporation, and the GSE recorded a gain on sales of student loans of $245 million. During the first quarter of 2002, SLMA completed two securitizations, both of which received sale treatment.

Sallie Mae Servicing L.P., an affiliate, enters into a servicing agreement with each securitization trust and earns annual servicing fees from the trusts of 0.9 percent per annum of the outstanding balance of Stafford and PLUS student loans and 0.5 percent per annum of the outstanding balance of Consolidation Loans in the securitization trusts.

Key economic assumptions used in measuring the fair value of the retained interests at the date of securitization resulting from the student loan securitization sale transactions completed during the three

months ended March 31, 2003 and 2002 (weighted based on principal amounts securitized) were as follows:

	Three months ended March 31,			
	2003		2002	
	FFELP Stafford/PLUS Loans	Consolidation Loans	FFELP Stafford/PLUS Loans	Consolidation Loans
Prepayment speed	9%	7%	7%	—
Weighted-average life (in years)	4.67	8.13	5.14	—
Expected credit losses (% of principal securitized)	.53%	.72%	.61%	—
Residual cash flows discounted at	12%	12%	12%	—

The estimate of the Constant Prepayment Rate ("CPR") affects the average life of the securitized trusts and therefore affects the valuation estimate of the Residual Interest. Prepayments shorten the average life of the trust, and if all other factors remain equal, will reduce the value of the Retained Interest asset and the securitization gain on sale. Student loan prepayments come from three principal sources: actual borrower prepayments, reimbursements of student loan defaults from the guarantor and consolidation of loans from the trust. SLMA uses historical statistics on prepayments, borrower defaults, and trends in Consolidation Loans to estimate the amount of prepayments. When a loan is consolidated from the trust either by SLMA or a third party, the loan is repurchased from the trust and is treated as a prepayment. In cases where the loan is consolidated by SLMA, it will be recorded as an on-balance sheet asset. Due to the historically low interest rate environment, SLMA has experienced an increase in Consolidation Loan activity for several quarters. Management believes that this trend will continue for the foreseeable future. As a result, in the second quarter of 2002, SLMA increased the estimated CPR from 7 percent to 9 percent per annum for FFELP Stafford/PLUS loan transactions. The change in the CPR assumption reduced the gains on the loan portfolios securitized since the first quarter of 2002.

The following table summarizes the cash flows received from all securitization trusts entered into during the three months ended March 31, 2003 and 2002.

(Dollars in millions)	Three months ended March 31, 2003	Three months ended March 31, 2002
Net proceeds from new securitizations	$ 5,286	$ 3,556
Servicing fees received	1	—

6. Derivative Financial Instruments

Summary of Derivative Financial Statement Impact

The following tables summarize the fair and notional values of all derivative instruments at March 31, 2003 and December 31, 2002, and their impact on other comprehensive income and earnings for the three months ended March 31, 2003 and 2002. At March 31, 2003 and December 31, 2002, $354 million and $338 million (amortized cost), respectively, of available-for-sale investment securities were pledged as collateral against these derivative instruments.

	Cash Flow		Fair Value		Trading	
	March 31, 2003	December 31, 2002	March 31, 2003	December 31, 2002	March 31, 2003	December 31, 2002
(Dollars in millions)						
Fair Values						
Interest rate swaps	$ —	$ —	$ (43)	$ 30	$ (95)	$ (147)
Floor/Cap contracts	—	—	—	—	(929)	(1,082)
Futures	(3)	(6)	—	—	(45)	(34)
(Dollars in billions)						
Notional Values						
Interest rate swaps	$ —	$ —	$ 11.7	$ 15.6	$ 47.0	$ 48.1
Floor/Cap contracts	—	—	—	—	17.8	19.5
Futures	.9	1.0	—	—	22.0	16.9

	Three months ended March 31,					
	Cash Flow		Fair Value		Trading	
	2003	2002	2003	2002	2003	2002
(Dollars in millions)						
Changes to other comprehensive income, net of tax						

Other comprehensive income, net	$ 1	$ 27	$ —	$ —	$ —	$ 1[5]
Earnings Summary						
Recognition of closed futures contracts' gains/losses into interest expense[1]	$ (3)	$ (3)	$ —	$ —	$ —	$ —
Recognition of closed futures contracts' gains/losses into gains/losses on sales of securities, net[2]	—	(35)	—	—	(1)	(53)
Recognition of written floor contract losses into gains/losses on sales of securities	—	—	—	—	(69)	—
Amortization of transition adjustment[3]	—	—	—	—	—	(1)
Derivative market value adjustment	14	—	34	44	137	284
Total earnings impact	$ (2)	$ (38)	$ 3	$ 4	$ 67	$ 230

1 For hedges where the stated transaction occurs.

2 For discontinued hedges and closed futures contracts accounted for as "trading."

3 Reported as a component of other income in the consolidated statements of income.

4 The change in fair value of fair value and cash flow hedges represent amounts related to ineffectiveness.

5 Represents transition adjustment amortization out of other comprehensive income, net.

The following table shows the components of the change in accumulated other comprehensive income, net of tax, for derivatives.

	Three months ended March 31,	
(Dollars in millions)	**2003**	**2002**
Accumulated Other Comprehensive Income, Net		
Balance at beginning of period	$ (18)	$ (50)
Change in unrealized gains (losses) on derivatives, net:		
Change in fair value of cash flow hedges	—	3
Amortizations[1]	1	3
Discontinued hedges	—	22
Total change in unrealized gains (losses) on derivatives, net	1	28
Balance at end of period	$ (17)	$ (22)

1 SLMA expects to amortize $8 million of after-tax net losses from accumulated other comprehensive income to earnings during the next 12 months related to futures contracts closed as of March 31, 2003. In addition, SLMA expects to amortize into earnings portions of the accumulated deferred net losses related to open futures contracts during the next 12 months based on the anticipated issuance of debt.

7. Related Parties

SLMA is a member of a group of affiliated companies and has significant transactions with members of the group. Accordingly, the terms of such transactions may not necessarily be indicative of transactions amongst wholly unrelated companies.

In connection with the transfer of employees from SLMA to SLM Corporation and its non-GSE subsidiaries, SLMA and SLM Corporation and various of its non-GSE subsidiaries entered into Management Services Agreements ("MSAs") whereby all management and administrative support would be provided to SLMA for a monthly fee. Intercompany expenses under the MSAs for the three months ended March 31, 2003 and 2002 totaled $21 million and $10 million, respectively. Effective January 1, 2003, only third party loan acquisition costs are being booked directly to SLMA and are included in other operating expenses.

Intercompany expenses under the servicing contract between SLMA and Sallie Mae Servicing, L.P., a wholly owned subsidiary of SLM Corporation, for the three months ended March 31, 2003 and 2002 totaled $45 million and $32 million, respectively.

At March 31, 2003 and December 31, 2002, SLMA had net intercompany liabilities of $59 million and $54 million, respectively, due to SLM Corporation and various of its non-GSE subsidiaries, incurred in the normal course of business. At March 31, 2002, SLMA had a $37 million investment in a non-GSE subsidiary of SLM Corporation which was accounted for using the equity method. During the

second quarter of 2002, SLMA transferred this investment for $37 million in cash to SLM Education Loan Corporation, another wholly-owned subsidiary of SLM Corporation.

SLMA purchases insurance for its private credit student loan portfolio from HICA. SLMA pays HICA insurance premiums in return for HICA's guarantee of payment of principal and interest on private credit student loans. In connection with this arrangement, HICA invests its insurance reserves related to the GSE's HICA insured loans in a Master Promissory Note of the GSE to HICA. At March 31, 2003 and December 31, 2002, the GSE owed HICA $69 million under this note, which is included in the net intercompany liabilities discussed above.

In connection with the Wind-Down of the GSE, SLM Corporation must either securitize, sell, transfer or defease the GSE's assets by the Wind-Down date and retire or defease the GSE's debt obligations. The following table summarizes the GSE's asset sales (including accrued interest) and transfers for the three months ended March 31, 2003 and 2002:

(Dollars in millions)	Three months ended March 31, 2003	2002
FFELP student loan securitization	$ 3,330	$ 3,585
Sale of on-balance sheet Variable Interest Entity consisting of Consolidation Loans securitized, net[1]	300	—
Private credit student loan sales[2]	772	—
Non-cash dividend of insurance and benefit plan related investments[3]	346	—

1 The GSE recognized a gain of $245 million on this sale.

2 The private credit student loans were sold by the GSE to a subsidiary of SLM Corporation at fair market value and the GSE recognized gains on these sales of $33 million.

3 SLMA transferred $346 million of insurance and benefit plan related investments through a non-cash dividend to SLM Corporation.

8. Contingencies

SLMA and various affiliates are defendants in a lawsuit brought by College Loan Corporation ("CLC") in the United States District Court for the Eastern District of Virginia. The complaint alleges various breach of contract and common law tort claims in connection with CLC's consolidation loan activities as well as various antitrust claims, including a claim that SLMA entered into or attempted to enter into a combination with three credit reporting agencies to boycott CLC by not providing lists of student loan borrowers.

The Complaint seeks compensatory damages of at least $60,000,000.

The breach of contract and common law tort claims were significantly narrowed by the Court's ruling on December 10, 2002, partially granting SLMA's motion to dismiss. The Court held that claims based on SLMA's interpretation of the single holder rule were barred by the Higher Education Act.

On April 4, 2003, CLC dismissed with prejudice all of the antitrust claims and the Court subsequently entered orders approving dismissal of these claims.

SLMA has filed a motion for summary judgment, which will be heard on June 6, 2003. Trial is scheduled to begin June 16, 2003 for all claims not resolved by the summary judgment motion.

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Exhibit 10.1A

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is entered into by and between Charles Elliott (C.E.) Andrews, a resident of the Commonwealth of Virginia ("Executive"), and SLM Corporation, a corporation organized and existing under the laws of the State of Delaware ("Company").

WHEREAS, the Company wishes to retain Executive and obtain his commitment to serve as Executive Vice President of the Company on the terms set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, and intending to be legally bound, the parties, subject to the terms and conditions set forth herein, agree as follows:

1. Employment and Term. Executive hereby agrees to be employed as Executive Vice President of the Company, and Company hereby agrees to retain Executive as Executive Vice President ("Executive Vice President"). To the extent required by law, Executive's employment under this Agreement shall be maintained through Sallie Mae, Inc. ("Sallie Mae") or another wholly owned subsidiary of Company used to employ Company executives, and in such case any reference in this Agreement to employment or termination of employment with Company shall be deemed to include employment or termination of employment with Sallie Mae or such other subsidiary. The term of Executive's employment under this Agreement (the "Term") shall be the period commencing on February 24, 2003 and ending on February 23, 2006. If Executive's employment continues after the end of the Term, his status shall be that of an "at-will" employee, but the Sections identified in Section 14 of this Agreement will remain in effect for as long as the Company employs Executive.

2. Duties. During the Term, Executive will have the title of Executive Vice President. Executive shall report to and receive instructions from Company's Chief Executive Officer and shall assume such duties and responsibilities as may be reasonably assigned to Executive from time to time by the Chief Executive Officer.

3. Other Business Activities. Executive shall serve Company faithfully and to the best of his ability and shall devote his full time, attention, skill and efforts to the performance of the duties required by or appropriate for his position as Executive Vice President. In furtherance of the foregoing, and not by way of limitation, for so long as he remains an Executive of Company, Executive shall not directly or indirectly engage in any other business activities or pursuits, except for (a) with prior notice to the Chief Executive Officer, activities in connection with (i) service as a volunteer, officer or director or in a similar capacity of any charitable or civic organization, (ii) managing personal investments, and (iii) serving as a director, executor, trustee or in another similar fiduciary capacity for a non-commercial entity; provided, however, that any such activities do not materially interfere with Executive's performance of his responsibilities and obligations pursuant to this Agreement. Notwithstanding the foregoing, Company agrees that Executive may continue in his role as a member of the board of directors of the entities that Executive has given prior notice to the Vice Chairman and Chief Executive Officer prior to execution of this Agreement, provided, however, that any such activities may not materially interfere with Executive's performance of his responsibilities and obligations pursuant to this Agreement.

4. Base Salary. The Company shall pay Executive a salary at the annual rate of $300,000 (the "Base Salary"). The Base Salary shall be inclusive of all applicable income, Social Security and other taxes and charges which are required by law or requested to be withheld by Executive and which shall be withheld and paid in accordance with Company's normal payroll practice for its similarly situated executives as in effect from time to time. The Compensation and Personnel Committee of the Board of Directors of the Company (the "Compensation Committee"), in consultation with the Chief Executive

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Officer, in its discretion may review Executive's Base Salary during the Term, but shall have no obligation to increase the amount of Executive's Base Salary based upon any such review.

5. Annual Incentive Compensation. Executive shall participate in Company's annual incentive compensation program(s) for executive officers as provided in the Management Incentive Plan ("MIP"), subject to the limitations and conditions set forth therein or in any successor plan. During the term of the Agreement, Executive shall have a maximum bonus opportunity of 275% of Base Salary (which would consider both corporate and individual performance under the terms of the MIP), provided however, that in calendar year 2003, any bonus shall be further prorated by the number of months Executive is a Company employee during calendar year 2003.

6. Stock Options. Executive shall be granted stock options to purchase up to 200,000 shares of common stock of the Company under the terms and conditions set forth in Schedule B and this Agreement.

7. Restricted Stock. Executive shall be granted 10,000 shares of restricted common stock of the Company under the terms specified under Schedule C and this Agreement.

8. Pension Plans. Executive shall be entitled to participate in the tax-qualified and non-tax-qualified pension plans maintained or contributed to by Company or for the benefit of its senior executives (Executive Vice President level), including without limitation, the Sallie Mae Cash Account Retirement Plan and the Sallie Mae Supplemental Cash Account Retirement Plan (collectively, the "Company Pension Plans"), in accordance with the terms of such Company Pension Plans as they may be amended from time to time in the discretion of the Company; provided however, that upon Executive's termination of employment for any reason other than termination by Company for Cause as defined in Section 12.4, Executive shall be entitled to a supplemental retirement benefit equal to the amount, if any, by which (i) the Target Benefit Amount (as such term is defined below), exceeds (ii) the actuarial equivalent life annuity benefit, if any, that would be payable following such termination event under the Company Pension Plans, determined in accordance with the actuarial assumptions then used on such termination event under the Company Pension Plans to calculate the equivalent life annuity and assuming that Executive commenced benefit distributions under the Company Pension Plans at the same date. For purposes of this Agreement, the "Target Benefit Amount" equals a single life annuity of $135,000 payable to Executive at age 61 following continuous service with the Company from the date of this Agreement through age 61, except that: (1) if Executive's employment terminates Without Cause or For Good Reason (as defined in Section 12.2) the Target Benefit Amount shall be as provided in Section 12.2(c) or if Executive's employment otherwise terminates before or after age 61, the Target Benefit Amount shall be adjusted as provided for in the schedule attached hereto as Schedule A; and (2) if Executive's employment terminates by the Company For Cause as provided in Section 12.4(a), Executive shall forfeit the supplemental

retirement benefit described in this Section 8. Executive's Target Benefit Amount will accrue during a year on a straight-line basis, upon the last day worked in each month. The Target Benefit Amount is payable at the same time and in the same manner as Executive elects under the Sallie Mae Supplemental Cash Account Retirement Plan.

9. Medical Insurance and Other Benefits.

(a) Medical Insurance. During the Term of this Agreement and for as long as Executive remains Executive Vice President, Executive shall be entitled to participate in any medical and dental insurance plans generally available to the senior management of Company, as such plans may be in effect from time to time. For twelve (12) months after termination of Executive's employment with Company, other than on account of termination by Company for Cause or by Executive Without Good Reason (as such terms are defined in Section 12.4), Executive and his eligible dependents or survivors shall be entitled to continue to participate in such plans on the terms generally applied to actively employed senior management of Company, including any

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employee cost-sharing provisions. The aforesaid twelve (12) months shall be considered as continuing coverage under COBRA and pursuant to federal regulations, Executive may continue remaining COBRA medical and dental coverage for a maximum period of 18 months from the last day of the month following termination of employment (last six (6) months at Executive's sole expense and first twelve (12) months as described above). To the extent the terms and conditions of the aforesaid plans do not permit participation by Executive, his dependents, or his survivors, during the first twelve months after termination of his employment with the Company, Company shall arrange to provide Executive, his dependents, or his survivors with the after-tax economic equivalent of such continued coverage. After the termination of his employment with Company, Executive shall cease to be covered under the foregoing medical and/or dental insurance plans if he obtains coverage under other medical and/or dental insurance plans.

(b) Other Benefit Plans. Executive shall be entitled to receive or participate in such further savings, deferred compensation, health or welfare benefit plans offered to Company's senior management generally, in accordance with the terms of such plans as they may be amended from time to time in the discretion of the Company.

(c) Perquisites; Expenses. The Company agrees to reimburse Executive for all reasonable, ordinary and necessary business expenses incurred by Executive in performing his duties pursuant to this Agreement, in accordance with Company's reimbursement policies generally applicable to management personnel.

10. Nondisclosure of Confidential Information.

(a) Executive and Company acknowledge that Executive will, in the course of his employment, come into possession of confidential, proprietary business and technical information, and trade secrets of Company and its Affiliates, as defined in Section 11(b) (the "Proprietary Information"). Proprietary Information includes, but is not limited to, the following:

- Business Procedures, Financial Information, Accounting Information, Credit Information. All information concerning or relating to the way Company and its Affiliates conduct their business, which is not generally known to the public or within the industry or trade in which Company or its Affiliates compete (such as Company contracts, internal business procedures, controls, plans, licensing techniques and practices, supplier, subcontractor and prime contractor names and contacts and other vendor information, computer system passwords and other computer security controls, financial information, distributor information, and employee data) and the physical embodiments of such information (such as check lists, samples, service and operational manuals, contracts, proposals, printouts, correspondence, forms, listings, ledgers, financial statements, financial reports, financial and operational analyses, financial and operational studies, management reports of every kind, databases, employment or personnel records, and any other written or machine-readable expression of such information as are filed in any tangible media).

- Marketing Plans and Customer Lists. All information not generally known to the public or within the industry or trade in which Company or its Affiliates compete pertaining to Company's and its Affiliates' marketing plans and strategies; forecasts and projections; marketing practices, procedures and policies; goals and objectives; quoting practices, procedures and policies; and customer data including the customer list, contracts, representatives, requirements and needs, specifications, data provided by or about prospective customers, and the physical embodiments of such information.

- Business Ventures: All information not generally known to the public or within the industry or trade in which Company or its Affiliates operate concerning new product development, negotiations for new business ventures, future business plans, and similar information and the physical embodiments of such information.

- Software. All information relating to Company's and its Affiliates' software or hardware in operation or various stages of research and development, which are not generally known to the public or within the industry or trade in which Company or its Affiliates compete and the physical embodiments of such information.

- Litigation. Information which is not a public record and is not generally known to the public or within the industry or trade in which Company or its Affiliates compete regarding litigation and potential litigation matters and the physical embodiments of such information.

- Policy Information. Information not of a public nature regarding the policies and positions that have been or will be advocated by Company and its Affiliates with government officials, the views of government officials toward such policies and positions, and the status of any communications that Company or its Affiliates may have with any government officials.

- Information Not Generally Known. Any information which (a) is not generally known to the public or within the industry or trade in which Company or its Affiliates compete, (b) gives Company or its Affiliates an advantage over its or their competitors, or (c) has significant economic value or potentially significant economic value to Company or its Affiliates, including the physical embodiments of such information.

(b) Executive acknowledges that the Proprietary Information is a valuable and unique asset of Company and its Affiliates. Executive agrees that he will not, at any time during his employment or after the termination of his employment with Company, without the prior written consent of Company or its Affiliates, as applicable, either directly or indirectly divulge any Proprietary Information for his own benefit or for any purpose other than the exclusive benefit of Company and/or its Affiliates.

11. Agreement Not to Compete.

(a) Executive agrees that he shall not compete with Company or its Affiliates for the Restricted Period, which is defined as the longer of two years after the termination of Executive's employment with Company for any reason, or six months after he no longer holds any unexercised Stock Options (whether or not then vested or exercisable).

(b) For the purposes of this Section 11, "compete" shall mean directly or indirectly through one or more intermediaries (i) working or serving as a director, officer, employee, consultant, agent, representative, or in any other capacity, with or without compensation, on behalf of one or more entities engaged in the Company's Business (as defined below) in the United States, Canada, or any other country where Company (including any Affiliate) either engages in the Company's Business at the time of Executive's termination or where Company, at the time of Executive's termination, has developed a business plan or taken affirmative steps to engage in the Company's Business; (ii) soliciting any employees, customers, or business partners of Company, inducing any customer or business partner of the Company to breach a contract with the Company or any principal for whom the Company acts as agent to terminate such agency relationship; and/or (iii) making statements about Company or its management reasonably determined by the Company to be disparaging. For purposes of this provision, the term "the Company's Business" shall mean any business activity or line of business similar to the type of business conducted by Company, Sallie Mae, and/or their Affiliates at the time of Executive's termination of employment or which Company, Sallie Mae and/or their Affiliates at the time of Executive's termination of employment or within one year prior thereto have planned to enter into or conduct. Given his role as Executive Vice President, Executive expressly agrees that the markets served by Company, Sallie Mae and their Affiliates extend nationally and to Canada and are not dependent on the geographic location of the executive personnel or the businesses by which they are employed and that the restrictions set forth in this Section 11 are reasonable and are no greater than are required for the protection

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of Company, Sallie Mae, and its Affiliates. For purposes of this Agreement, the term "Affiliate" shall be deemed to refer to Company, and any entity (whether or not existing on the date hereof) controlling, controlled by or under common control with Company.

(c) In the event the Company reasonably determines that Executive has violated any provision of this Section 11, and Executive has not cured such violation within five (5) days of the date of receipt of written notice thereof by Executive, Executive shall (i) forfeit the Stock Options granted under this Agreement and Schedule B, regardless of whether then vested, unvested, exercisable or unexercisable, and (ii) repay to Company any gross profits realized from the exercise of the Stock Options since the earlier of one year prior to the date of such violation and the termination of Executive's employment with Company (whichever date occurred the longest period of time before the date of any such option exercise).

12. Termination. Executive's employment hereunder may be terminated during the Term upon the occurrence of any one of the events described in this Section 12. Upon termination, Executive shall be entitled only to such compensation and benefits as described in this Section 12.

12.1. Disability and Death.

(a) Disability. If Executive becomes physically or mentally disabled to such an extent that he is not able to perform the duties set forth in Section 2 of this Agreement, with or without a reasonable accommodation, for a period of more than 180 days, either consecutively or within any 365-day period ("Disability"). If the employment of Executive terminates during the Term due to the Disability of Executive, Company shall provide to Executive (i) whatever benefits are available to him under any disability benefit plan(s) applicable to him at the time of such termination to the extent Executive satisfies the requirements of such plan(s), and (ii) the payments set forth in Section 12.1(c).

(b) Death. If Executive dies during the Term, Company shall pay to Executive's executors, legal representatives or administrators the payments set forth in Section 12.1(c). Except as specifically set forth in this Section 12.1 or under applicable laws, Company shall have no liability or obligation hereunder to Executive's executors, legal representatives, administrators, heirs or assigns or any other person claiming under or through him by reason of Executive's death, except that Executive's executors, legal representatives or administrators will be entitled to receive any death benefit payable to them as beneficiaries under any insurance policy or other benefits plans in which Executive participates as an employee of Company and to exercise any rights afforded them under any benefit plan then in effect.

(c) Payment Upon Disability or Death. Upon termination of the employment of Executive due to death or Disability during the Term, Company shall pay an amount equal to all accrued but unpaid Base Salary through the date of termination of employment, plus a MIP bonus pro-rated for the year through the date of termination, plus an amount equal to the following: three (3) times Base Pay less the amount of Base Salary received since February 24, 2003 (under no circumstances shall such number be less than zero). In addition, upon such termination of employment, Executive and Executive's eligible dependents or survivors shall be entitled to medical and dental insurance benefits as provided in Section 9(a) and to the supplemental retirement benefit described in Section 8 accrued as of the date of termination and payable immediately.

12.2. Termination By Company Without Cause; Termination By Executive For Good Reason.

(a) Termination By Company Without Cause. The Company may terminate Executive's employment hereunder at any time for any reason other than Cause upon written notice to Executive ("Termination Without Cause").

(b) Termination By Executive For Good Reason. Executive may terminate his employment hereunder at any time For Good Reason ("Termination For Good Reason"). For purposes of this Agreement, Good Reason shall mean (i) a material reduction in the position of Executive, provided that a

Change in Control (including the fact that the Company's stock is not publicly held or is held or controlled by a single stockholder as a result of a Change in Control) shall not be deemed a material reduction in the position or responsibilities of Executive; (ii) a reduction in Executive's Base Salary or a material reduction in Executive's compensation arrangements or benefits; (iii) a substantial failure of Company to perform any material provision of this Agreement; or (iv) a relocation of Company's executive offices to a distance of more than seventy-five (75) miles from its location as of the date of this Agreement, unless such relocation results in Company's executive offices being closer to Executive's then primary residence or does not substantially increase the average commuting time of Executive. For purposes of this Agreement, Good Reason shall not include notice to Executive that Executive's employment will terminate upon expiration of the Term of this Agreement.

(c) In the event of a Termination Without Cause or a Termination For Good Reason, and provided Executive signs a release of claims against the Company, Company shall pay to Executive within forty-five (45) days after termination an amount equal to all accrued but unpaid Base Salary through the date of termination of employment, plus a MIP bonus pro-rated for the year through the date of termination, plus an amount equal to the following: three (3) times Base Pay less the amount of Base Salary received since February 24, 2003 (under no circumstances shall such number be less than zero). Further, upon and following Executive's Termination Without Cause or Termination For Good Reason, Executive and Executive's eligible dependents or survivors shall be entitled to medical and dental insurance benefits as provided in Section 9(a) and shall be entitled to receive the supplemental retirement benefit described in Section 8 accrued as of the date of termination provided that for purposes of calculating the supplemental retirement benefit, the Target Benefit Amount shall be no less than the Target Benefit Amount that otherwise would have accrued upon February 23, 2006.

12.3 Change in Control.

(a) For purposes of this Agreement, "Change in Control" shall mean an occurrence of one or more of the following events:

(i) an acquisition (other than directly from Company) of any voting securities of Company (the "Voting Securities") by any "person" or "group" (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934) other than an employee benefit plan of Company, immediately after which such person or group has "Beneficial Ownership" (within the meaning of Rule 13d-3 under the Exchange Act) of more than fifty percent (50%) of the combined voting power of Company's then outstanding Voting Securities; or

(ii) within any 12-month period, the individuals who were directors of the Company as of the date the Board of Directors approved this Agreement (the "Incumbent Directors") ceasing for any reason other than death, disability or retirement to constitute at least a majority of the Board of Directors, provided that any director who was not a director as of the date the Board of Directors approved this Agreement shall be deemed to be an Incumbent Director if such director was appointed or nominated for election to the Board of Directors by, or on the recommendation or approval of, at least a majority of directors who then qualified as Incumbent Directors, provided further that any director appointed or nominated to the Board of Directors to avoid or settle a threatened or actual proxy contest shall in no event be deemed to be an Incumbent Director; or

(iii) satisfaction of all conditions to a merger, consolidation, or reorganization involving Company that results in the stockholders of Company immediately before such merger, consolidation or reorganization owning, directly or indirectly, immediately following such merger, consolidation or reorganization, less than fifty percent (50%) of the combined voting power of the corporation which survives such transaction as the ultimate parent entity, unless such merger, consolidation or reorganization is not thereafter consummated; or

(iv) a sale of all or substantially all of the assets of Company.

(b) If, as a result of payments provided for under or pursuant to this Agreement together with all other payments in the nature of compensation provided to or for the benefit of Executive under any other agreement in connection with a Change in Control, Executive becomes subject to taxes of any state, local or federal taxing authority that would not have been imposed on such payments but for the occurrence of a Change in Control, including any excise tax under Section 4999 of the Code and any successor or comparable provision, then, in addition to any other benefits provided under or pursuant to this Agreement or otherwise, Company (including any successor to Company) shall pay to Executive at the time any such payments are made under or pursuant to this or the other agreements, an amount equal to the amount of any such taxes imposed or to be imposed on Executive (the amount of any such payment, the "Parachute Tax Reimbursement"). In addition, Company (including any successor to Company) shall "gross up" such Parachute Tax Reimbursement by paying to Executive at the same time an additional amount equal to the aggregate amount of any additional taxes (whether income taxes, excise taxes, special taxes, employment taxes or otherwise) that are or will be payable by Executive as a result of the Parachute Tax Reimbursement being paid or payable to Executive and/or as a result of the additional amounts paid or payable to Executive pursuant to this sentence, such that after payment of such additional taxes Executive shall have been paid on a net after-tax basis an amount equal to the Parachute Tax Reimbursement. The amount of any Parachute Tax Reimbursement and of any such gross-up amounts shall be determined by Company's independent auditing firm, whose determination, absent manifest error, shall be treated as conclusive and binding absent a binding determination by a governmental taxing authority that a greater amount of taxes is payable by Executive.

12.4 Termination For Cause; Termination By Executive Without Good Reason.

(a) Termination for Cause. The Company may terminate the employment of Executive for Cause at any time during the Term. For purposes of this Agreement, Cause shall mean a determination by the Company that there has been a willful and continuing failure of Executive to perform substantially his obligations under this Agreement (other than as a result of Executive's death or Disability) and, if in the judgment of the Company such willful and continuing failure may be cured by Executive, that such failure has not been cured by Executive within ten (10) business days after written notice of such was given to Executive by the Company, or that Executive has committed an act of Misconduct (as defined below). For purposes of this Agreement, "Misconduct" shall mean: (i) embezzlement, fraud, commission of a felony, breach of fiduciary duty or deliberate disregard of material Company rules, including, but not limited to Sallie Mae's Code of Business Conduct, as modified from time to time; (ii) personal dishonesty of Executive materially injurious to Company; (iii) an unauthorized disclosure of any Proprietary Information; or (iv) competing with the Company while employed by the Company or during the Restricted Period, in contravention of Section 11.

(b) Termination By Executive Without Good Reason. Executive may terminate his employment hereunder at any time without Good Reason (as defined in Section 12.2(b)) ("Termination Without Good Reason").

(c) In the event Executive's employment with Company is terminated by Company for Cause or by Executive Without Good Reason, Executive shall receive all accrued but unpaid Base Salary, and benefits as of the effective date of termination. If Executive's employment is terminated by Company for Cause, Executive shall forfeit the supplemental retirement benefit described in Section 8. If Executive terminates his employment Without Good Reason, Executive shall be entitled to receive the supplemental retirement benefit described in Section 8 accrued as of the date of termination.

13. Other Agreements. Executive represents and warrants to Company that:

(a) There are no restrictions, agreements or understandings whatsoever to which Executive is a party or by which he is bound that would prevent or make unlawful Executive's execution of this Agreement or Executive's employment hereunder, or which are or would be inconsistent or in conflict with this Agreement or Executive's employment hereunder, or which would prevent, limit or impair in any way the performance by Executive of his obligations hereunder.

(b) Executive shall disclose the existence and terms of the restrictive covenants set forth in this Agreement to any employer by whom Executive may be employed during the Term (which employment is not hereby authorized) or during the Restricted Period as defined in the Agreement Not to Compete by and between Executive and Company set forth in Section 11 hereof.

14. Survival of Provisions. The provisions of this Agreement, including without limitation those set forth in Sections 3, 8, 9, 10, 11, 13, 14, 15, 17, 18, 25 and 26 hereof, shall survive the termination of Executive's employment hereunder and the payment of all amounts payable and delivery of all post-termination compensation and benefits pursuant to this Agreement incident to any such termination of employment.

15. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon Company and its successors or permitted assigns and Executive and his executors, administrators or heirs. The Company shall require any successor or successors expressly to assume the obligations of Company under this Agreement. For purposes of this Agreement, the term "successor" shall include the ultimate parent corporation of any corporation involved in a merger, consolidation, or reorganization with or including the Company that results in the stockholders of Company immediately before such merger, consolidation or reorganization owning, directly or indirectly, immediately following such merger, consolidation or reorganization, securities of another corporation, regardless of whether any such merger, consolidation or reorganization is deemed to constitute a Change in Control for purposes of this Agreement. Executive may not assign any obligations or responsibilities under this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of Company. At any time prior to a Change in Control, the Company may provide, without the prior written consent of Executive, that Executive shall be employed pursuant to this Agreement by any of its Affiliates instead of or in addition to Sallie Mae or Company, and in such case all references herein to the "Company" shall be deemed to include any such entity, provided that (i) such action shall not relieve Company of its obligation to make or cause an Affiliate to make or provide for any payment to or on behalf of Executive pursuant to this Agreement, and (ii) Executive's duties and responsibilities shall not be significantly diminished as a result thereof. The Board of Directors may assign any or all of its responsibilities hereunder to any committee of the Board of Directors, in which case references to Board of Directors shall be deemed to refer to such committee.

16. Executive Benefits. This Agreement shall not be construed to be in lieu of or to the exclusion of any other rights, benefits and privileges to which Executive may be entitled as an executive of Company under any retirement, pension, profit-sharing, insurance, hospitalization or other plans or benefits which may now be in effect or which may hereafter be adopted.

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17. Litigation Concerning Prior Employer. If Executive is named as a Defendant or receives a notice of a deposition or subpoena concerning his prior employer (since 1980), Executive shall provide reasonable notice of such events and copy of such legal notices to the General Counsel of the Company.

18. Notices. All notices required to be given to any of the parties of this Agreement shall be in writing and shall be deemed to have been sufficiently given, subject to the further provisions of this Section 18, for all purposes when presented personally to such party, or sent by facsimile transmission, any national overnight delivery service, or certified or registered mail, to such party at its address set forth below:

(a) If to Executive:

Mr. C. E. Andrews
2020 Spring Branch Drive
Vienna, VA 22181

(b) If to Company:

SLM Corporation
Sallie Mae, Inc.
11600 Sallie Mae Drive
Reston, VA 20193
Attention: General Counsel
Fax No. (703) 810-7695

Such notice shall be deemed to be received when delivered if delivered personally, upon electronic or other confirmation of receipt if delivered by facsimile transmission, the next business day after the date sent if sent by a national overnight delivery service, or three (3) business days after the date mailed if mailed by certified or registered mail. Any notice of any change in such address shall also be given in the manner set forth above. Whenever the giving of notice is required, the giving of such notice may be waived in writing by the party entitled to receive such notice.

19. Entire Agreement; Amendments. This Agreement and any other documents, instruments or other writings delivered or to be delivered in connection with this Agreement as specified herein constitute the entire agreement among the parties with respect to the subject matter of this Agreement and supersede all prior and contemporaneous agreements, understandings, and negotiations, whether written or oral, with respect to the terms of Executive's employment by Company. This Agreement may be amended or modified only by a written instrument signed by all parties hereto.

20. Waiver. The waiver of the breach of any term or provision of this Agreement shall not operate as or be construed to be a waiver of any other or subsequent breach of this Agreement.

21. Governing Law. This Agreement shall be governed and construed as to its validity, interpretation and effect by the laws of the Commonwealth of Virginia.

22. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or such provisions, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

23. Section Headings. The section headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation.

24. Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute one and the same instrument.

25. Specific Enforcement; Extension of Period. Executive acknowledges that the restrictions contained in Sections 10 and 11 hereof are reasonable and necessary to protect the legitimate interests of Company and its Affiliates and that Company would not have entered into this Agreement in the absence of such restrictions. Executive also acknowledges that any breach by him of Sections 10 or 11 hereof will cause continuing and irreparable injury to Company for which monetary damages would not be an adequate remedy. Executive shall not, in any action or proceeding by Company to enforce Sections 10 or 11 of this Agreement, assert the claim or defense that an adequate remedy at law exists. In the event of such breach by Executive, Company shall have the right to enforce the provisions of Sections 10 and 11 of this Agreement by seeking injunctive or other relief in any court, and this Agreement shall not in any way limit remedies at law or in equity otherwise available to Company. In the event that the provisions of Sections 10 or 11 hereof should ever be adjudicated to exceed the time, geographic, or other limitations permitted by applicable law in any applicable jurisdiction, then such provisions shall be deemed reformed in such jurisdiction to the maximum time, geographic, or other limitations permitted by applicable law.

26. Arbitration. Any dispute or claim, other than those referred to in Section 25, arising out of or relating to this Agreement or otherwise relating to the employment relationship between Executive and Company (including but not limited to any claims under Title VII of the Civil Rights Act of 1964, as amended; the Americans with Disabilities Act; the Age Discrimination in Employment Act; the Family and Medical Leave Act; and the Employee Income Retirement Security Act) shall be submitted to Arbitration, in Fairfax County, Virginia, and except as otherwise provided in this Agreement shall be conducted in accordance with the rules of, but not under the auspices of, the American Arbitration Association. The arbitration shall be conducted before an arbitration tribunal comprised of three individuals, one selected by Company, one selected by Executive, and the third selected by the first two. The parties and the arbitrators selected by them shall use their best efforts to reach agreement on the identity of the tribunal within ten (10) business days of either party to this Agreement submitting to the other party a written demand for arbitration. The proceedings before the tribunal shall take place within twenty (20) business days of the selection thereof. Executive and Company agree that such arbitration will be confidential and no details, descriptions, settlements or other facts concerning such arbitration shall be disclosed or released to any third party without the specific written consent of the other party, unless required by law or court order or in connection with enforcement of any decision in such arbitration. Any damages awarded in such arbitration shall be limited to the contract measure of damages, and shall not include punitive damages. The parties shall equally divide the costs of the arbitrators, and each party shall bear his or its attorneys' fees and other costs, except that the arbitrators may specifically direct one party to bear the entire cost of the arbitration, including all attorneys' fees, if the arbitrators determine that such party acted in bad faith.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed the day and year first written above.

SLM Corporation

By: /s/ Marianne M. Keler

Title: General Counsel

/s/ C. E. Andrews

C.E. Andrews

Schedule A

NONQUALIFIED TARGET PENSION PLAN BENEFIT
FOR C.E. ANDREWS

Target Pension Plan Benefit: An annual target pension plan benefit at age 61 of $135,000 offset by the sum of the single life annuity-equivalent benefits accrued under the Cash Account Retirement Plan, nonqualified Supplemental Cash Account Retirement Plan.

			Total Annual Target (Before Benefit Offsets)	
Year	**Date**	**Age**	**Life Annuity**	**Lump Sum**
1	12/31/2003	52	$ 7,000	$ 107,000
2	12/31/2004	53	$ 15,000	$ 227,000
3	12/31/2005	54	$ 24,000	$ 357,000
4	12/31/2006	55	$ 35,000	$ 512,000
5	12/31/2007	56	$ 46,000	$ 662,000

6	12/31/2008	57	$	60,000	$	847,000
7	12/31/2009	58	$	75,000	$	1,039,000
8	12/31/2010	59	$	93,000	$	1,263,000
9	12/31/2011	60	$	112,000	$	1,490,000
10	12/31/2012	61	**$**	**135,000**	$	1,757,000
11	12/31/2013	62	$	161,000	$	2,049,000

The total annual target pension plan benefits shown reflect adjustments to the age 61 benefit for years of service and payment commencement dates before and after age 61. The benefit offsets at any given date are the single life annuity-equivalent amounts accrued under the respective plans, as if they were payable at the same date.

Payment Options. The target pension plan benefit is payable as a life annuity, actuarially equivalent joint and survivor annuity or as a lump sum, based on the actuarial conversion rates in the Cash Account Retirement Plan, as of the date payment(s) begin. Lump sums shown above are for illustration only and are based on the rates for fourth quarter 2002, including an interest rate of 4.96%. The actual lump sum could vary significantly—higher or lower—depending on rates.

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EMPLOYMENT AGREEMENT

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Exhibit 10.1B

Management Incentive Plan
Restricted Stock—Terms Sheet

Pursuant to the terms and conditions of the SLM Corporation Management Incentive Plan ("MIP"), the Committee hereby grants to C.E. Andrews (the "Executive") 10,000 shares of common stock ("Restricted Stock") of the Corporation (the "Company") upon his initial date of employment ("Start Date") subject to the following terms and conditions:

- One-third of the Restricted Stock will vest upon the later of the first anniversary of the Start Date and the date that the Company announces its 2003 fiscal year results; provided that the Company has positive "core cash basis" net income for the 2003 fiscal year; one-third will vest upon the later of the second anniversary of the Start Date and the date that the Company announces its 2004 fiscal year results; provided that the Company has positive "core cash basis" net income for the 2004 fiscal; and one-third will vest upon the later of the third anniversary of the Start Date and the date that the Company announces its 2005 fiscal year results; provided that the Company has positive "core cash basis" net income for the 2005 fiscal year. Except as provided below, if Executive ceases to be an employee of the Company (or one of its subsidiaries) for any reason, he shall forfeit any shares of Restricted Stock that have not vested as of the date of such termination of employment.

- Unless previously vested pursuant to the foregoing provisions, the Restricted Stock will vest upon Executive's death, Disability, Termination By Executive For Good Reason, Termination By Company Without Cause or Change in Control, all as those terms are defined in the employment agreement between Executive and the Company effective as of February 24, 2003.

- During the period that any portion of the Restricted Stock remains unvested, an amount equivalent to any dividend payments made on SLM common stock will be paid on such unvested Restricted Stock to Executive as wages, payable through the Company's payroll system.

- Executive may at any time elect to have a sufficient number of shares of the Company's stock withheld by the Company to satisfy his income and employment tax withholding requirements that accrue upon the Restricted Stock becoming vested and transferable, and approves the transfer of such shares to the Company for purposes of SEC Rule 16b-3.

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Management Incentive Plan Restricted Stock—Terms Sheet

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Exhibit 10.1C

CONFIDENTIAL

Stock Option Agreement
SLM Corporation
Management Incentive Plan
Replacement, Price-Vested Options–2003

A. Option Grant. Stock Options (the "Options") for a total of **200,000** shares of Common Stock, par value $.20, of SLM Corporation (the "Company") are hereby granted, to **C.E. Andrews** (the "Executive"), subject in all respects to the terms and provisions of the employment agreement between Executive and the Company for the period beginning February 24, 2003, (the "Employment Agreement"), the SLM Corporation Management Incentive Plan (the "Plan"), which are incorporated herein by reference, and this Stock Option Agreement (the "Agreement"). The Options shall not qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended.

B. Option Price. The purchase price per share is $106.87 dollars (the"Option Price").

C. Grant Date. The date of grant of these Options is **February 24, 2003** (the "Grant Date").

D. Vesting; Exercisability. The Options are not vested as of the Grant Date: (A) One-third of the Options will vest upon the later of (i) the Company's common stock price reaching a closing price of at least 120% of the Option Price for five days ("first vesting target price") or (ii) the date which is one year from the Grant Date; (B) one-third of the Options will vest upon the later of (i) the Company's common stock price reaching a closing price of at least 120% of the "first vesting target price" for five days ("second vesting target price") and (ii) one year from the Grant Date; and (C) one-third of the Options will vest upon the later of (i) the Company's common stock price reaching a closing price of 120% of the "second vesting target price" for five days or (ii) the date which is one year from the Grant Date, provided that in any case all Options will vest upon the earlier of Executive's death, Disability, Termination By Executive For Good Reason, Termination By Company Without Cause, Change in Control or the eighth (8th) anniversary of the Grant Date.

- Upon termination of employment for any reason, other than the reasons listed above, any unvested Options will not vest and will be canceled.
- Upon termination of employment as a Termination for Cause, any Options, vested or unvested, are forfeited.
- Upon termination for death or Disability, Options are exercisable until the earlier of (1) the Expiration Date or (2) one year from the date of termination.
- Upon termination for all reasons except death or Disability, vested Options are exercisable until the earlier of (1) the Expiration Date or (2) three months from the date of termination.

E. Expiration. These Options expire ten years from the Grant Date (the "Expiration Date"), subject to the provisions of the Plan and this Agreement, which may provide for earlier expiration in certain instances, including Executive's termination of employment.

F. Replacement Options. Executive shall receive replacement options, subject to the terms and conditions of the Company's replacement option program, for the same number of shares of Common Stock as are used to pay the Option Price upon exercise of these Options using shares previously owned by the Executive for at least six months.

G. Non-Transferable; Binding Effect. These Options may not be transferred except as provided for in the Plan, and may be exercised during the lifetime of the Executive only by him or her. The terms of these Options shall be binding upon the executors, administrators, heirs, and successors of the Executive.

H. Exercise; Payment of Option Price; Taxes. These Options shall be exercised only in accordance with the terms of the Plan and this Agreement. Each exercise shall be for no fewer than fifty (50) shares, other than an exercise for all remaining Option shares. Upon exercise of all or part of these Options, the Executive shall pay the Option Price to the Company only in the following manner: either (i) by cash or certified or cashier's check, (ii) by arrangement with a broker approved by the Company where payment is made pursuant to an irrevocable direction to the broker to sell sufficient Option shares and pay the entire Option Price to the Company in cash, (iii) by delivery of shares of Common Stock of the Company that have been owned by Executive for at least six months. The value of any such shares delivered as payment of the Option Price shall be such shares' fair market value as indicated by the current price per share of the Company's common stock at the time of exercise. In addition, as a condition to the issuance of shares of Common Stock of the Company pursuant to these Options, the Executive agrees to remit to the Company at the time of any exercise of these Options any taxes required to be withheld by the Company under federal, state, or local law as a result of the exercise of these Options or as a result of disposing of ISO shares before the expiration of the necessary holding period (disqualifying disposition).

I. Board Interpretation. The Executive hereby agrees to accept as binding, conclusive, and final all decisions and interpretations of the Board of Directors of the Company and, where applicable, the Compensation and Personnel Committee of the Board of Directors (the "Committee") concerning any questions arising under this Agreement or the Plan.

J. Amendments for Accounting Charges: The Committee reserves the right to unilaterally amend this agreement to reflect any changes in applicable law or financial accounting standards.

K. Definitions. Capitalized terms used herein shall have the meanings given to them in the Plan or herein as defined in the sections of the Employment Agreement between the Company **C.E. Andrews** dated February 24, 2003 as follows:

- "Disability", section 12.1(a).
- "Termination By Company Without Cause", section 12.2(a).
- "Termination By Executive For Good Reason", section 12.2(b).
- "Change in Control", section 12.3.
- "Termination for Cause", section in 12.4(a).

L. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if personally delivered, telefaxed or telecopied to, or, if mailed, when received by, the other party at the following addresses:

If to the Company to:

Director, Stock Plans
Sallie Mae, V1264
11600 Sallie Mae Drive
Reston, VA 20193
Fax: (703) 810-7170

If to the Executive, to (i) the last address maintained in the Company's Human Resources files for the Executive or (ii) the Executive's mail delivery code or place of work at the Company.

M. Miscellaneous. In the event that any provision of this Agreement is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of this Agreement shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision. The headings in this Agreement are solely for convenience of reference, and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect. This Option grant is conditioned upon the Executive and his or her heirs, beneficiaries, successors and assigns agreeing to be bound by this Agreement. The Executive shall cooperate and take such actions as may be reasonably requested by the Company in order to carry out the provisions and purposes of the Agreement. The Executive is responsible for complying with all laws applicable to Executive, including federal and state securities reporting laws.

The Executive hereby accepts these Options subject to all the terms and provisions set forth herein and in the Plan.

SLM CORPORATION

By: /s/ Albert L. Lord

Albert L. Lord,
Vice Chairman and Chief Executive Officer

EXECUTIVE:

Signature: /s/ C.E.Andrews
Name: C.E. Andrews

Date signed: 2/24/03

Copies of the Plan Document and Prospectus are available on the Sallie Mae Stock Options Intranet site located at http://salliemaecentral.com/legal/esop/plandocs.htm. Paper copies of these documents can be obtained by contacting the Plan Administrator by sending an email to stock.options@slma.com, or to request by fax to (703) 810-7170.

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Stock Option Agreement SLM Corporation Management Incentive Plan Replacement, Price-Vested Options–2003

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Exhibit 99.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SLM Corporation (the Company) on Form 10-Q for the period ending March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Albert L. Lord, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Albert L. Lord

Albert L. Lord
Chief Executive Officer
May 13, 2003

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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Exhibit 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SLM Corporation (the Company) on Form 10-Q for the period ending March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, John F. Remondi, Executive Vice President, Finance of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John F. Remondi

John F. Remondi
Executive Vice President, Finance
May 13, 2003

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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Exhibit 99.3

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SLM Corporation (the Company) on Form 10-Q for the period ending March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, C.E. Andrews, Executive Vice President, Accounting and Risk Management of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ C.E. Andrews

C.E. Andrews
Executive Vice President, Accounting and Risk Management
May 13, 2003

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002