UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): January 17, 2002

USA EDUCATION, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	52-2013874
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11600 SALLIE MAE DRIVE, RESTON, VIRGINIA	20193
(Address of principal executive offices)	(Zip Code)

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

ITEM 5. OTHER EVENTS.

On January 17, 2002, the Registrant issued a press release announcing its earnings for the fourth quarter ending December 31, 2001. On January 17, 2002, the Registrant also issued copies of its supplemental financial information for the fiscal quarter ending December 31, 2001.

Copies of the press release and supplemental financial information issued by the Registrant are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and are incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS, PROFORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) Exhibits.

99.1 Press Release of the Registrant, dated January 17, 2002, announcing the Registrant's fourth quarter earnings.

99.2 Supplemental Financial Information of the Registrant for the fiscal quarter ending December 31, 2001.

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.

USA EDUCATION, INC.
(Registrant)

By: /s/ John F. Remondi

John F. Remondi
EXECUTIVE VICE PRESIDENT &
CHIEF FINANCIAL OFFICER
(Principal Financial and Accounting Officer
and Duly Authorized Officer)

February 19, 2002

EXHIBIT INDEX

Exhibit Number	Description of Document
99.1	Press Release of the Registrant, dated January 17, 2002, announcing the Registrant's fourth quarter earnings.
99.2	Supplemental Financial Information of the Registrant for the fiscal quarter ending December 31, 2001.

SALLIEMAE NEWS RELEASE

FOR IMMEDIATE RELEASE

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USA EDUCATION, INC. (NYSE: SLM) REPORTS FOURTH-QUARTER `CORE CASH BASIS' EARNINGS PER DILUTED SHARE OF $1.03 COMPANY ACHIEVES MILESTONE OF $10 BILLION IN ANNUAL, PREFERRED-CHANNEL ORIGINATIONS

RESTON, VA., JAN. 17, 2002 - USA Education, Inc., commonly known as Sallie Mae (NYSE: SLM), today announced that its fourth-quarter 2001 "core cash basis" earnings were $163 million, an 18-percent increase over the year-ago quarter of $138 million. "Core cash basis" earnings per share, which measure the recurring earnings of the company, were $1.03 per diluted share, a 29-percent increase over $.80 in the year-ago quarter. For the year ended Dec. 31, 2001, "core cash basis" earnings were a record $624 million or $3.75 per diluted share, a 27-percent increase over $492 million or $2.93 per diluted share in 2000.

A principal driver of Sallie Mae's continued strong performance is its preferred-channel loan originations activity, which consists of the company's own loans as well as those from its affiliated and partner brands. The volume of these preferred-channel originations totaled $2.4 billion during the fourth quarter of 2001, a 21-percent increase from the $2.0 billion of originations made during the year-ago period. Loan originations are a key measure of the company's market share success, and serve as an indicator of future loan volume. During the 2001 calendar year, the company originated a record $10.1 billion through its preferred channel, compared to $7.3 billion in the year-ago period, a 38-percent increase. This increase in preferred-channel originations includes the growth attributed to the purchases of USA Group and Student Loan Funding Resources in July 2000.

"Generating $10 billion in preferred-channel volume is a significant milestone for us," said Albert L. Lord, vice chairman and chief executive officer, Sallie Mae. "This steep ramp-up in volume demonstrates the success of our campus-based sales efforts. Our sales force, now numbering well over 200, has responded to our school customers' needs, as our origination results demonstrate."

"Core cash basis" net interest income totaled $341 million for the quarter, a 25-percent increase from $273 million in the year-ago quarter. For the year ended Dec. 31, 2001, "core cash basis" net interest income totaled $1.3 billion, a 22-percent increase from the $1.0 billion generated in 2000. The growth in net interest income is attributed to a 17-percent, year-over-year increase in the average balance of managed student loans and a significant increase in the student loan spread. The "core cash basis" student loan spread equaled 1.81 percent for the year ended 2001 and 1.70 percent for the year ended 2000.

(MORE)

"Core cash basis" other income totaled $111 million for the quarter, compared to $131 million in the prior quarter and $119 million in the year-ago quarter. The 2001 fourth-quarter figure was down from both the prior and year-ago quarters, principally due to seasonal factors associated with the guarantor services operation, and income related to the USA Group and Student Loan Funding Resources transactions, respectively.

"With our recently announced acquisitions of two of the most highly respected student loan default-collection agencies -- Pioneer Credit Recovery and General Revenue Corporation -- we are well-positioned to add significantly to this area of fee-based revenue in 2002," said Thomas J. Fitzpatrick, president and chief operating officer, Sallie Mae. "At the same time, we are making good on our promise to hold the line on operating expenses and, in fact, decreased our total `core cash basis' operating expenses for the fourth quarter to $170 million, compared to $173 million in the previous quarter."

Under "core cash basis" results, securitizations are treated as financings, not sales. Accordingly, no gains on sales or subsequent servicing or securitization revenues are recognized. The following items are excluded from "core cash basis" results: the amortization and changes in market value of goodwill and intangible assets; non-recurring items such as floor income, gains and losses on the sales of investment securities and student loans; the one-time integration charge of the USA Group acquisition; and the effects of Statement of Financial Accounting Standards No.133 ("SFAS 133").

Sallie Mae reported fourth-quarter 2001 GAAP net income of $266 million or $1.69 per diluted share, compared to $99 million or $.56 per diluted share in the year-ago period. Under SFAS 133, the company was required to record a non-cash, mark-to-market, after-tax gain of $45 million or $.29 per diluted share, resulting principally from floor contracts the company sells to lock in its long-term spreads on student loans. Excluding the effects of SFAS 133, Sallie Mae reported GAAP net income of $221 million or $1.40 per diluted share for the fourth quarter of 2001.

The company will host its regular earnings conference call at noon today. Sallie Mae executives will discuss various highlights of the quarter and answer questions related to the company's performance. Individuals interested in participating should call the following number today, Jan. 17, 2002, starting at 11:45 a.m. EST: (877) 777-1971 (USA and Canada) or (612) 333-4911 (International). The conference call will be replayed continuously beginning Thursday, Jan. 17, at 3:30 p.m. EST and concluding at 11:59 p.m. EST on Thursday, Jan. 24. Please dial (800) 475-6701 (USA and Canada) or dial (320) 365-3844 (International) and use access code 621986. In addition, there will be a live audio webcast of the conference call, which may be accessed at http://www.salliemae.com. A replay will be available 30-45 minutes after the live broadcast.

Statements in this release referring to expectations as to future market share, the successful consummation of any business acquisitions and other future developments are forward-looking statements, which involve risks, uncertainties and other factors that may cause the actual results to differ materially from such forward-looking statements. Such factors include, among others, changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations, and from changes in such laws and regulations, changes in the demand for educational financing or in financing preferences of educational institutions, students and their families, and changes in the general interest rate environment. For more information, see the company's filings with the Securities and Exchange Commission.

(MORE)

SALLIE MAE, founded 28 years ago, provides funds for educational loans, primarily federally guaranteed student loans originated under the Federal Family Education Loan Program (FFELP). The company currently owns or manages nearly $72 billion in student loans for more than seven million borrowers, and provides parents, students and educators with comprehensive information on the financial aid process. Through its specialized subsidiaries and divisions, Sallie Mae also provides an array of consumer credit loans, including those for lifelong learning and K-12 education, and business and technical outsourcing services for colleges and universities. More information is available at http://www.salliemae.com. Sallie Mae is a registered service mark of the Student Loan Marketing Association. USA Education, Inc. and its subsidiaries, other than the Student Loan Marketing Association, are not sponsored by or agencies of the United States.

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USA EDUCATION, INC.
SUPPLEMENTAL EARNINGS DISCLOSURE
DECEMBER 31, 2001
(DOLLARS IN MILLIONS, EXCEPT EARNINGS PER SHARE)

	QUARTERS ENDED			YEARS ENDED DECEMBER 31,	
	DECEMBER 31, 2001	SEPTEMBER 30, 2001	DECEMBER 31, 2000	2001	2000
Net income	$ 266	$ (194)	$ 99	$ 384	$ 465
"Core cash basis" net income *	163	163	138	624	492
Diluted earnings per share	$ 1.69	$ (1.25)	$ .56	$ 2.28	$ 2.76
"Core cash basis" diluted earnings per share	1.03	.99	.80	3.75	2.93
Net interest margin	2.18 %	1.65 %	1.35 %	1.82 %	1.52 %
"Core cash basis" net interest margin	1.74	1.64	1.42	1.64	1.53
Return on assets	2.11 %	(1.58)%	.83%	.78 %	1.06 %
"Core cash basis" return on assets	.82	.82	.71	.79	.71
Student loan spread	2.50 %	1.91 %	1.76 %	2.01 %	1.82 %
"Core cash basis" student loan spread	1.89	1.79	1.64	1.81	1.70
Average on-balance sheet student loans	$ 41,504	$ 40,180	$ 37,024	$ 40,025	$ 34,637
Average off-balance sheet student loans	30,484	31,370	30,438	30,594	25,711
Average managed student loans	$ 71,988	$ 71,550	$ 67,462	$ 70,619	$ 60,348
Ending on-balance sheet student loans	$ 41,001	$ 40,644	$ 37,647		
Ending off-balance sheet student loans	30,725	31,185	29,868		
Ending managed student loans	$ 71,726	$ 71,829	$ 67,515		

* "Core cash basis" net income includes securitizations as financings and excludes the amortization and changes in market value of goodwill and intangible assets, and non-recurring items such as floor income, certain integration charges and the liquidation of investment securities and student loans. Effective January 1, 2001, "core cash basis" net income also excludes the effects of SFAS 133.

USA EDUCATION, INC.

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	QUARTERS ENDED			YEARS ENDED DECEMBER 31,	
	DECEMBER 31, 2001	SEPTEMBER 30, 2001	DECEMBER 31, 2000	2001	2000
Interest income:					
Student loans	$ 548,554	$ 591,721	$ 782,144	$ 2,527,818	$ 2,854,231
Warehousing advances	7,469	10,625	15,360	43,401	56,410
Academic facilities financings	12,616	13,003	14,637	53,485	66,709
Investments	60,080	83,942	140,768	372,827	501,309
Total interest income	628,719	699,291	952,909	2,997,531	3,478,659
Interest expense	360,133	501,672	794,964	2,124,115	2,836,871
Net interest income	268,586	197,619	157,945	873,416	641,788
Less: provision for losses	23,822	15,299	9,354	65,991	32,119
Net interest income after provision for losses	244,764	182,320	148,591	807,425	609,669
Other income:					
Gains on student loan securitizations	20,278	27,143	836	75,199	91,846
Servicing and securitization revenue	201,637	118,940	84,952	634,320	295,646
Gains (losses) on sales of securities	(74,580)	(24,788)	(25,316)	(178,287)	18,622
Guarantor servicing fees	65,906	75,732	73,810	255,171	128,375
Derivative market value adjustment	98,425	(552,832)	-	(505,687)	-
Other	42,988	68,070	46,530	236,901	153,143
Total other income	354,654	(287,735)	180,812	517,617	687,632
Operating expenses	185,901	184,113	174,312	707,654	532,710
Integration charge	-	-	-	-	53,000
Income before income taxes and minority interest in net earnings of subsidiary	413,517	(289,528)	155,091	617,388	711,591
Income taxes	145,522	(98,656)	53,762	223,322	235,880
Minority interest in net earnings of subsidiary	2,050	2,673	2,673	10,070	10,694
NET INCOME	265,945	(193,545)	98,656	383,996	465,017
Preferred stock dividends	2,875	2,875	2,864	11,501	11,522
Net income attributable to common stock	$ 263,070	$ (196,420)	$ 95,792	$ 372,495	$ 453,495
BASIC EARNINGS PER SHARE	$ 1.69	$ (1.25)	$ .58	$ 2.34	$ 2.84
Average common shares outstanding	155,582	157,074	163,927	159,078	159,482
DILUTED EARNINGS PER SHARE	$ 1.69	$ (1.25)	$ .56	$ 2.28	$ 2.76
Average common and common equivalent shares outstanding	155,582	157,074	169,866	163,400	164,355

USA EDUCATION, INC.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

ASSETS	DECEMBER 31, 2001	SEPTEMBER 30, 2001	DECEMBER 31, 2000
Student loans	$41,000,870	$40,643,809	$37,647,297
Warehousing advances	1,035,906	979,642	987,352
Academic facilities financings	732,241	760,435	851,168
Cash and investments	5,787,153	7,233,358	5,940,490
Other assets	4,317,789	4,243,591	3,365,481
Total assets	$52,873,959	$53,860,835	$48,791,788
LIABILITIES			
Short-term borrowings	$31,064,821	$31,749,596	$30,463,988
Long-term notes	17,285,350	17,654,066	14,910,939
Other liabilities	2,851,326	2,717,664	1,787,642
Total liabilities	51,201,497	52,121,326	47,162,569
COMMITMENTS*			
MINORITY INTEREST IN SUBSIDIARY	-	213,883	213,883
STOCKHOLDERS' EQUITY			
Preferred stock, par value $.20 per share, 20,000 shares authorized: 3,300; 3,300; and 3,300 shares, respectively, issued at stated value of $50 per share	165,000	165,000	165,000
Common stock, par value $.20 per share, 375,000 shares authorized: 202,736; 202,165; and 190,852 shares, respectively, issued	40,547	40,433	38,170
Additional paid-in capital	805,804	769,360	225,211
Unrealized gains on investments, net of tax	670,199	706,028	311,301
Retained earnings	2,068,490	1,836,364	1,810,902
Stockholders' equity before treasury stock	3,750,040	3,517,185	2,550,584
Common stock held in treasury at cost: 47,241; 45,395; and 26,707 shares, respectively	2,077,578	1,991,559	1,135,248
Total stockholders' equity	1,672,462	1,525,626	1,415,336
Total liabilities and stockholders' equity	$52,873,959	$53,860,835	$48,791,788

* Commitments to purchase loans, lines of credit, letters of credit, and academic facilities financing letters of credit were $21.6 billion, $2.6 billion, $3.2 billion, and $45.5 million, respectively, at December 31, 2001.

USA EDUCATION, INC.

PRO-FORMA "CORE CASH BASIS"

CONSOLIDATED STATEMENTS OF INCOME

The following pro-forma statements of income measure only the recurring earnings of the Company. Accordingly, securitization transactions are treated as financings, not sales, and thereby gains on such sales and subsequent servicing and securitization revenues are eliminated from net income. In addition, the effects of floor income, certain gains and losses on sales of investment securities and student loans, certain integration charges, the amortization and changes in market value of goodwill and intangible assets, and the non-cash, derivative market value adjustment in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," are also excluded from net income. Management refers to these pro-forma results as "core cash basis" statements of income. Management monitors the periodic "core cash basis" earnings of the Company's managed student loan portfolio and believes that they assist in a better understanding of the Company's student loan business.

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	QUARTERS ENDED			YEARS ENDED DECEMBER 31,	
	DECEMBER 31, 2001	SEPTEMBER 30, 2001	DECEMBER 31, 2000	2001	2000
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
Interest income:					
Student loans	$ 857,383	$ 1,051,576	$ 1,440,935	$ 4,324,623	$ 5,014,858
Warehousing advances	7,469	10,625	15,360	43,401	56,410
Academic facilities financings	12,616	13,003	14,637	53,485	66,709
Investments	59,604	78,805	155,626	371,633	528,960
Total interest income	937,072	1,154,009	1,626,558	4,793,142	5,666,937
Interest expense	595,899	833,832	1,353,453	3,521,985	4,627,783
Net interest income	341,173	320,177	273,105	1,271,157	1,039,154
Less: provision for losses	30,320	20,991	13,730	89,145	52,951
Net interest income after provision for losses	310,853	299,186	259,375	1,182,012	986,203
Other income:					
Gains (losses) on sales of securities	(1,560)	505	52	(1,574)	1,334
Guarantor servicing fees	65,906	75,732	73,810	255,171	128,375
Other	46,332	55,230	45,614	201,581	151,496
Total other income	110,678	131,467	119,476	455,178	281,205
Operating expenses	169,933	173,084	164,935	660,555	514,093
Income before income taxes and minority interest in net earnings of subsidiary	251,598	257,569	213,916	976,635	753,315
Income taxes	86,479	91,770	73,225	342,553	250,128
Minority interest in net earnings of subsidiary	2,050	2,673	2,674	10,070	10,694
NET INCOME	163,069	163,126	138,017	624,012	492,493
Preferred stock dividends	2,875	2,875	2,865	11,501	11,520
Net income attributable to common stock	$ 160,194	$ 160,251	$ 135,152	$ 612,511	$ 480,973
BASIC EARNINGS PER SHARE	$ 1.03	$ 1.02	$ .82	$ 3.85	$ 3.02
Average common shares outstanding	155,582	157,074	163,927	159,078	159,482
DILUTED EARNINGS PER SHARE	$ 1.03	$ .99	$ .80	$ 3.75	$ 2.93
Average common and common equivalent shares outstanding	155,582	162,080	169,866	163,400	164,355

Exhibit 99.2

USA EDUCATION, INC.
SUPPLEMENTAL FINANCIAL INFORMATION
FOURTH QUARTER 2001
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

The following supplemental information should be read in connection with USA Education, Inc.'s (the "Company") press release of fourth quarter 2001 earnings, dated January 17, 2002.

Statements in this Supplemental Financial Information Release, which refer to expectations as to future developments, are forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve risks, uncertainties and other factors that may cause the actual results to differ materially from such forward-looking statements. Such factors include, among others, changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in such laws and regulations; changes in the demand for educational financing or in financing preferences of educational institutions, students and their families; and changes in the general interest rate environment. For more information, see the Company's filings with the Securities and Exchange Commission.

PRO-FORMA STATEMENTS OF INCOME

Under generally accepted accounting principles ("GAAP"), the Company's securitization transactions have been treated as sales. At the time of sale, the Company records a gain equal to the present value of the estimated future net cash flows from the portfolios of loans sold. Interest earned on the interest residual and fees earned for servicing the loan portfolios are recognized over the life of the securitization transaction as servicing and securitization revenue. Income recognition is effectively accelerated through the recognition of a gain at the time of sale while the ultimate realization of such income remains dependent on the actual performance, over time, of the loans that were securitized.

Effective for the fiscal year beginning January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," as amended by Statement of Financial Accounting Standards No. 137 ("SFAS 137"), "Accounting for Derivative Instruments and Hedging Activities - Deferral of Effective Date of FASB Statement No. 133." SFAS 133 requires that derivative instruments be recorded in the balance sheet as either an asset or liability measured at its fair value (see "New Accounting Pronouncements").

Most of the derivative contracts into which the Company enters are effective economic hedges for its interest rate management strategy but are not effective hedges under SFAS 133. The majority of these hedges are treated as "trading" for GAAP purposes and therefore the resulting mark-to-market is taken into GAAP earnings. For example, SFAS 133 requires that the Company mark-to-market its written options but none of its embedded options in its student loan assets. Effectively, in this case, SFAS 133 recognizes the liability but not the corresponding asset.

Management believes that, in addition to results of operations as reported in accordance with GAAP, another important performance measure is pro-forma results of operations under the assumptions that the securitization transactions are financings and that the securitized student loans were not sold. In addition, the effects of SFAS 133 are excluded from the pro-forma results of operations and the economic hedge effects of derivative instruments, as discussed in "New Accounting Pronouncements," are recognized. The pro-forma results of operations also exclude the effect of floor revenue, certain gains and losses on sales of investment securities and student loans, a one-time integration charge related to the July 2000 acquisition of USA Group, Inc. ("USA Group") and the amortization and changes in market value of goodwill and intangible assets. The following pro-forma statements of income present the Company's results of operations under these assumptions. Management refers to these pro-forma results as "core cash basis" statements of income. Management monitors the periodic "core cash basis" earnings of the Company's managed student loan portfolio and believes that they assist in a better understanding of the Company's student loan business. The following table presents the "core cash basis" statements of income and reconciliation to GAAP net income as reflected in the Company's consolidated statements of income.

	QUARTERS ENDED			YEARS ENDED	
	DECEMBER 31, 2001	SEPTEMBER 30, 2001	DECEMBER 31, 2000	DECEMBER 31, 2001	DECEMBER 31, 2000
"CORE CASH BASIS" STATEMENTS OF INCOME:					
Insured student loans	$ 857	$ 1,051	$ 1,441	$ 4,325	$ 5,015
Advances/Facilities/Investments	80	103	186	468	652
Total interest income	937	1,154	1,627	4,793	5,667
Interest expense	(596)	(834)	(1,353)	(3,522)	(4,628)

Net interest income	341	320	274	1,271	1,039
Less: provision for losses	30	21	14	89	53
Net interest income after provision for losses	311	299	260	1,182	986
Other income:					
Gains (losses) on sales of securities	(2)	--	--	(2)	1
Guarantor servicing fees	66	76	73	255	128
Other	47	55	46	202	152
Total other income	111	131	119	455	281
Total operating expenses	170	173	165	660	514
Income before income taxes and minority interest in net earnings of subsidiary	252	257	214	977	753
Income taxes	87	92	73	343	250
Minority interest in net earnings of subsidiary	2	2	3	10	11
"Core cash basis" net income	163	163	138	624	492
Preferred stock dividends	3	3	3	11	12
"Core cash basis" net income attributable to common stock	$ 160	$ 160	$ 135	$ 613	$ 480
"Core cash basis" diluted earnings per share	$ 1.03	$ .99	$ .80	$ 3.75	$ 2.93

	QUARTERS ENDED			YEARS ENDED	
	DECEMBER 31, 2001	SEPTEMBER 30, 2001	DECEMBER 31, 2000	DECEMBER 31, 2001	DECEMBER 31, 2000
RECONCILIATION OF GAAP NET INCOME TO "CORE CASH BASIS" NET INCOME:					
GAAP net income	$ 266	$ (194)	$ 99	$ 384	$ 465
"Core cash basis" adjustments:					
Net interest income on securitized loans	194	136	115	651	400
Floor income on managed loans	(154)	(42)	--	(335)	(3)
Provision for losses	(6)	(6)	(4)	(23)	(21)
Gains on student loan securitizations	(20)	(27)	(1)	(75)	(92)
Servicing and securitization revenue	(202)	(119)	(85)	(635)	(296)
(Gains) losses on sales of securities	62	13	25	140	(18)
Goodwill change in market value	18	--	--	18	--
Goodwill amortization	16	11	9	48	19
Integration charge	--	--	--	--	53
Net impact of SFAS 133	(70)	580	--	570	--
Total "core cash basis" adjustments	(162)	546	59	359	42
Net tax effect (A)	59	(189)	(20)	(119)	(15)
"Core cash basis" net income	$ 163	$ 163	$ 138	$ 624	$ 492

(A) Such tax effect is based upon Sallie Mae's marginal tax rate for the respective period.

"CORE CASH BASIS" STUDENT LOAN SPREAD AND NET INTEREST INCOME

The following table analyzes the reported earnings from the Company's portfolio of managed student loans, which includes loans both on-balance sheet and those off-balance sheet in securitization trusts.

"CORE CASH BASIS" STUDENT LOAN SPREAD ANALYSIS

	QUARTERS ENDED			YEARS ENDED	
	DECEMBER 31, 2001	SEPTEMBER 30, 2001	DECEMBER 31, 2000	DECEMBER 31, 2001	DECEMBER 31, 2000
"Core cash basis" adjusted student loan yields....	5.40%	6.48%	9.10%	6.77%	8.92%
Consolidation loan rebate fees....................	(.22)	(.20)	(.19)	(.20)	(.18)
Offset fees.......................................	(.07)	(.07)	(.07)	(.07)	(.08)
Borrower benefits.................................	(.12)	(.12)	(.09)	(.11)	(.09)
Premium amortization..............................	(.27)	(.26)	(.25)	(.26)	(.26)
Student loan income...............................	4.72	5.83	8.50	6.13	8.31
Cost of funds	(2.83)	(4.04)	(6.86)	(4.32)	(6.61)
"Core cash basis" student loan spread.............	1.89%	1.79%	1.64%	1.81%	1.70%
AVERAGE BALANCES					
Managed student loans.............................	$ 71,988	$ 71,550	$ 67,462	$ 70,619	$ 60,348

The Company generally earns interest at the greater of the borrower's rate or a floating rate determined by reference to the average of the applicable floating rates (91-day Treasury bill, commercial paper, 52-week Treasury bill, or the constant maturity Treasury rate) in a calendar quarter, plus a fixed spread, which is dependent upon when the loan was originated. In all cases, the rate the borrower pays sets a minimum rate for determining the yield the Company earns on the loan. The Company generally finances its student loan portfolio with floating rate debt tied to the average of the 91-day Treasury bill auctions, the commercial paper index, the 52-week Treasury bill, or the constant maturity Treasury rate, either directly or through the use of derivative financial instruments, to mimic the interest rate characteristics of the student loans. Such borrowings in general, however, do not have minimum rates. As a result, in certain declining interest rate environments, the portfolio of managed student loans may be earning the minimum borrower rate, while the Company's funding costs (exclusive of funding spreads) will generally decline along with short term interest rates. For loans where the borrower's interest rate is fixed to term, lower interest rates may benefit the spread earned on student loans for extended periods of time. For loans where the borrower's interest rate is reset annually, any benefit of a low interest rate environment will only enhance student loan spreads through the next annual reset of the borrower's interest rate, which occurs on July 1 of each year. Due to the low Treasury bill and commercial paper rates in the fourth quarter of 2001 compared to the minimum borrower rates on the reset dates, the Company realized $91 million, which is net of $63 million in hedge transaction losses, of floor revenue in the fourth quarter of 2001. This compares to $.02 million in the year-ago quarter and $28 million in the prior quarter, which is net of $14 million in hedge transaction losses. These earnings have been excluded from student loan income to calculate the "core cash basis" student loan spread and "core cash basis" net income. These losses have been excluded from "core cash basis" gains (losses) on sales of securities.

The "core cash basis" student loan spread increased 8 basis points versus the prior quarter due to the Company locking in floor revenue through term hedges and as a result of better funding spreads. In addition, the "core cash basis" student loan spread increased 4 basis points on a short-term basis from the significant decrease in interest rates and its impact on a portion of the student loan portfolio where the yield is based on the prior quarter's Treasury bill rate but is funded with liabilities based on the current quarter's interest rates. Finally, the "core cash basis" student loan spread was reduced by 2 basis points due to the increase in the consolidation loan portfolio, which bears an offset fee payable to the Department of Education. The increase in the "core cash basis" student loan spread versus the year-ago quarter is due to higher yields on the student loan portfolio from the mix (private loans versus federal loans), a higher percentage of federal loans in a repayment status, floor revenue locked in through term hedges and better funding spreads.

The "core cash basis" net interest margin for the fourth quarters of 2001 and 2000 and the third quarter of 2001 was 1.74 percent, 1.42 percent and 1.64 percent, respectively. The increase in fourth quarter of 2001 "core cash basis" net interest margin versus the fourth quarter of 2000 is principally due to an increase in the percentage of average managed student loans to average managed earning assets. The increase in fourth quarter of 2001 "core cash basis" net interest margin versus the prior quarter is principally due to the changes in the student loan spread discussed above.

STUDENT LOAN SPREAD AND NET INTEREST INCOME

The following table analyzes the reported earnings from student loans on-balance sheet.

STUDENT LOAN SPREAD ANALYSIS

	QUARTERS ENDED			YEARS ENDED	
	DECEMBER 31, 2001	SEPTEMBER 30, 2001	DECEMBER 31, 2000	DECEMBER 31, 2001	DECEMBER 31, 2000
ON-BALANCE SHEET					
Student loan yields..........	6.00%	6.57%	9.09%	7.05%	8.91%
Consolidation loan rebate fees	(.32)	(.30)	(.28)	(.30)	(.27)
Offset fees..................	(.13)	(.13)	(.13)	(.13)	(.13)
Borrower benefits............	(.07)	(.07)	(.07)	(.07)	(.07)
Premium amortization.........	(.24)	(.23)	(.21)	(.23)	(.20)
Student loan income..........	5.24	5.84	8.40	6.32	8.24
Cost of funds................	(2.74)	(3.93)	(6.64)	(4.31)	(6.42)
Student loan spread..........	2.50%	1.91%	1.76%	2.01%	1.82%
AVERAGE BALANCES					
On-balance sheet student loans.....................	$ 41,504	$ 40,180	$ 37,024	$ 40,025	$ 34,637
Securitized loans............	30,484	31,370	30,438	30,594	25,711
Managed student loans........	$ 71,988	$ 71,550	$ 67,462	$ 70,619	$ 60,348

In periods of declining interest rates, the Company's on-balance sheet portfolio of student loans may be earning the minimum borrower rate, while the Company's funding costs (exclusive of funding spreads) will generally decline along with short term interest rates in a manner similar to the Company's managed portfolio of student loans discussed in detail above under `"Core Cash Basis' Student Loan Spread Analysis." Due to the continued decline in short-term interest rates during the fourth quarter of 2001, the Company realized $61 million in floor revenue in the fourth quarter of 2001 versus $.02 million in the year-ago quarter and $20 million in the prior quarter. This decline in interest rates increased the on-balance sheet student loan spread by 58 basis points versus the year-ago quarter and 38 basis points versus the prior quarter.

AVERAGE BALANCE SHEETS

The following tables reflect the rates earned on assets and paid on liabilities for the quarters ended December 31, 2001, September 30, 2001 and December 31, 2000, and the years ended December 31, 2001 and 2000.

	QUARTERS ENDED					
	DECEMBER 31, 2001		SEPTEMBER 30, 2001		DECEMBER 31, 2000	
	AMOUNT	RATE	AMOUNT	RATE	AMOUNT	RATE
AVERAGE ASSETS						
Student loans....................	$ 41,504	5.24%	$ 40,180	5.84%	$ 37,024	8.40%
Warehousing advances.............	973	3.05	964	4.37	903	6.77
Academic facilities financings...	732	8.28	757	8.29	877	8.17
Investments......................	6,775	3.70	6,818	5.01	8,367	6.65
Total interest earning assets....	49,984	5.04%	48,719	5.74%	47,171	8.06%
Non-interest earning assets......	5,009	====	4,428	====	3,408	======
Total assets.....................	$ 54,993		$ 53,147		$ 50,579	
AVERAGE LIABILITIES AND STOCK-HOLDERS' EQUITY						
Six-month floating rate notes....	$ 3,293	2.30%	$ 4,011	3.82%	$ 5,022	6.71%
Other short-term borrowings......	29,260	2.52	29,818	3.88	28,612	6.64
Long-term notes..................	17,997	3.42	15,529	4.38	13,727	6.75
Total interest bearing liabilities	50,550	2.83%	49,358	4.03%	47,361	6.68%
Non-interest bearing liabilities.	2,929	====	2,367	====	1,842	======
Stockholders' equity.............	1,514		1,422		1,376	
Total liabilities and stockholders' equity.........................	$ 54,993		$ 53,147		$ 50,579	
Net interest margin..............		2.18%		1.65%		1.35%

	YEARS ENDED			
	DECEMBER 31, 2001		DECEMBER 31, 2000	
	AMOUNT	RATE	AMOUNT	RATE
AVERAGE ASSETS				
Student loans....................	$ 40,025	6.32%	$ 34,637	8.24%
Warehousing advances.............	968	4.48	825	6.84
Academic facilities financings...	787	8.30	974	8.50
Investments......................	7,212	5.25	7,486	6.81
Total interest earning assets....	48,992	6.15%	43,922	7.98%
Non-interest earning assets......	4,495	====	2,711	====
Total assets.....................	$ 53,487		$ 46,633	
AVERAGE LIABILITIES AND STOCK-HOLDERS' EQUITY				
Six-month floating rate notes....	$ 4,112	4.17%	$ 4,660	6.49%
Other short-term borrowings......	31,540	4.18	30,670	6.40
Long-term notes..................	14,047	4.51	8,636	6.61
Total interest bearing liabilities	49,699	4.27%	43,966	6.45%
Non-interest bearing liabilities.	2,366	====	1,574	====
Stockholders' equity.............	1,422		1,093	
Total liabilities and stockholders' Equity.........................	$ 53,487		$ 46,633	
Net interest margin..............		1.82%		1.52%

NET INTEREST MARGIN AND INCOME

The net interest margin for the fourth quarters of 2001 and 2000 and the third quarter of 2001 was 2.18 percent, 1.35 percent and 1.65 percent, respectively. The increase in the net interest margin for the fourth quarter of 2001 versus the fourth quarter of 2000 is principally due to the increase in the percentage of average student loans to total average earning assets. The increase is also due to the impact of floor earnings discussed previously in "Student Loan Spread Analysis." The net interest margin for the fourth quarter 2001 increased by 53 basis points over the prior quarter. This was primarily due to the increase in floor revenue quarter over quarter.

SECURITIZATION PROGRAM

During the fourth quarter of 2001, the Company securitized $1.5 billion and recorded a pre-tax securitization gain of $20 million, which was 1.32 percent of the portfolio securitized. In the fourth quarter of 2000, the Company securitized $70 million and recorded a pre-tax securitization gain of $1 million or 1.19 percent of the portfolio securitized. In the third quarter of 2001, the Company securitized $1.5 billion and recorded a pre-tax securitization gain of $27 million, which was 1.74 percent of the portfolio securitized. The decrease in the gain percentage in the current quarter versus the prior quarter is partially due to the shorter average life of the loans securitized in the fourth quarter. In addition, the fourth quarter securitization contained a higher percentage of unsubsidized interim loans.

Servicing and securitization revenue, the ongoing revenue from securitized loan pools, includes both the revenue the Company receives for servicing loans in the securitization trusts and the income earned on the interest residual asset. Servicing and securitization revenue totaled $202 million in the fourth quarter of 2001 versus $85 million in the corresponding year-ago quarter, and $119 million in the prior quarter. In the fourth quarter of 2001, servicing and securitization revenue was 2.62 percent of average securitized loans versus 1.11 percent in the year-ago quarter and 1.50 percent in the third quarter of 2001. The increase in servicing and securitization revenue as a percentage of the average balance of securitized student loans in the fourth quarter of 2001 versus the fourth quarter of 2000 is principally due to the impact of the decline in Treasury bill rates during the fourth quarter of 2001, which increased the earnings from those student loans in the trusts that were earning the minimum borrower rate in a manner similar to on-balance sheet student loans. The increase in servicing and securitization revenue as a percentage of the average balance of securitized student loans in the fourth quarter of 2001 versus the third quarter of 2001 is due to the increase in floor revenue discussed previously in `"Core Cash Basis' Student Loan Spread Analysis."

OTHER INCOME

"Core cash basis" other income excludes gains on student loan securitizations, servicing and securitization revenue, the effect of SFAS 133, and certain gains and losses on sales of investment securities and student loans. Such income was $111 million for the fourth quarter 2001 versus $119 million in the year-ago quarter and $131 million for the third quarter 2001. "Core cash basis" other income mainly includes guarantor servicing fees, late fees earned on student loans, fees received from servicing third party portfolios of student loans, and commitment fees for letters of credit. In the fourth quarter 2001, the Company recognized an $18 million loss on impairment of assets generated from the scheduled sale of its Sallie Mae Solutions product line. This loss has been excluded from "core cash basis" other income. The decrease in fourth quarter 2001 "core cash basis" other income versus the year-ago quarter and the prior quarter is principally due to revenue related to the USA Group and SLFR acquisitions and to the seasonal nature of the guarantor servicing operations, respectively.

OPERATING EXPENSES

In the fourth quarter of 2001, "core cash basis" operating expenses were $170 million versus $165 million in the corresponding year-ago period and $173 million in the third quarter of 2001. The decrease in operating expenses for the fourth quarter of 2001 versus the prior quarter is primarily due to decreased servicing volume and decreased operational activities for originations due to the seasonal nature of the business.

MINORITY INTEREST IN SUBSIDIARY

On December 10, 2001, the Student Loan Marketing Association, a subsidiary of USA Education, Inc., redeemed its preferred stock and issued common stock to USA Education, Inc., thereby eliminating the minority interest in subsidiary from the Company's "Consolidated Balance Sheets."

CAPITAL

The Company repurchased 1.8 million shares during the fourth quarter of 2001 through open market purchases and equity forward settlements and issued a net 0.5 million shares as a result of benefit plans. At December 31, 2001, the total common shares that could potentially be acquired over the next three years under outstanding equity forward contracts was 11.2 million at an average price of $71.63 per share. The Company had a remaining authority to enter into additional share repurchases and equity forward contracts for 2.3 million shares.

STUDENT LOAN PURCHASES

	QUARTERS ENDED			YEARS ENDED	
	DECEMBER 31, 2001	SEPTEMBER 30, 2001	DECEMBER 31, 2000	DECEMBER 31, 2001	DECEMBER 31, 2000
Preferred channel	$ 1,674	$ 2,277	$ 1,294	$ 9,524	$ 6,595
Other commitment clients	173	269	179	949	1,405
Spot purchases	192	137	396	678	885
Acquisitions	-	-	-	-	4,524
Consolidations	422	268	238	1,172	824
Other	339	290	325	1,209	1,149
Subtotal	2,800	3,241	2,432	13,532	15,382
Managed loans acquired	234	257	268	894	5,912
Total managed loans acquired	$ 3,034	$ 3,498	$ 2,700	$14,426	$21,294

The Company purchased and acquired $3.0 billion of student loans in the fourth quarter of 2001 compared with $2.7 billion in the year-ago quarter and $3.5 billion in the previous quarter.

In the fourth quarter of 2001, the Company's preferred-channel originations totaled $2.4 billion versus $2.0 billion in the year-ago quarter and $3.3 billion in the prior quarter. The pipeline of loans currently serviced and committed for purchase by the Company was $5.6 billion at December 31, 2001 versus $4.5 billion at December 31, 2000 and $4.8 billion at September 30, 2001.

LEVERAGED LEASES

The Company has investments in leveraged leases totaling $296 million, of which $282 million represent general obligations of major U.S. commercial airlines. The airline industry has been in a state of uncertainty since the events of September 11, 2001. All payment obligations remain current and the Company has not been notified of any counterparty's intention to default on any payment obligations. In the event of default, any potential loss would be partially mitigated by recoveries on the sale of the aircraft collateral and elimination of expected tax liabilities reflected in the balance sheet of $259 million. Any potential loss would be increased by incremental tax obligations related to forgiveness of debt obligations.

NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2001, the Company adopted SFAS 133, which requires that changes in derivative instruments' fair value be recognized currently in earnings unless specific hedge accounting criteria are met. In addition to the designation of the derivative as a hedge, the primary requirement for hedge accounting is demonstration that the hedge is an effective offset to either changes in cash flows or fair value.

Under the Higher Education Act, student loans have terms that create an embedded floor derivative. These assets have an interest rate indexed to the 91-day Treasury bill, commercial paper, 52-week Treasury bill or the constant maturity Treasury rate, but limited by a minimum interest rate. The Company finances its loan portfolio by entering into debt transactions at either a fixed rate or variable rate tied to 91-day Treasury bill, commercial paper, 52-week

Treasury bill or constant maturity Treasury rates. In order to manage the cash inflow characteristics of these assets with the cash outflow characteristics of the Company's debt, the Company has entered into primarily two types of derivative transactions. First, the Company will often sell floor contracts for all or a portion of the estimated student loan life. SFAS 133 does not recognize these floor contracts as an effective hedge unless the terms of the sold floor match the terms of the embedded floor in the student loan asset. In cases where the Company sells a floor for a term shorter than the average life of the student loan, the floor must be marked-to-market with any changes in value reflected in the income statement while the embedded floor in the student loan asset is ignored. Second, to the extent that the Company has variable LIBOR-based debt, the Company will enter into basis swaps to better match the cash flows of the assets and liabilities. In this situation, SFAS 133 requires that the change in the value of the hedge effectively offset both the change in the value of the asset and the change in the value of the liability. Because of the existence of a minimum rate in the assets, this effectiveness test cannot be met and these swaps are recorded at market value with subsequent changes in value reflected in the income statement.

Due to the implementation of SFAS 133, the Company recognized $70 million of net, pre-tax gains in the fourth quarter 2001 versus $580 million of net, pre-tax losses in the third quarter 2001. These fourth quarter 2001 gains include $98 million net, mark-to-market gains on derivative positions, of which $126 million is attributable to floor revenue contracts with an $18.5 billion notional amount, and $3 million is attributable to Eurodollar futures contracts that did not meet the hedge effectiveness criteria under SFAS 133. These gains were partially offset by pre-tax losses of $24 million attributable to interest rate swaps, $2 million attributable to cap contracts and a $5 million pre-tax loss on ineffectiveness of fair value hedges. These pre-tax losses were partially offset by a pre-tax gain of $10 million attributable to transition amortization. For "core cash basis" purposes, a $34 million net loss representing the amortization of premiums on floor and cap hedges and a $4 million net loss on Eurodollar futures contracts were also recognized. The entire $70 million of net, pre-tax gains have been excluded from "core cash basis" results.

Under the Statement of Financial Accounting Standards No. 115 ("SFAS 115"), "Accounting for Certain Investments in Debt and Equity Securities," the Company does mark-to-market its interest residual asset for its securitization trusts. This mark-to-market includes a valuation adjustment for the floor option embedded in the student loan asset. In the fourth quarter 2001, the Company recognized an unrealized, after-tax loss on this asset of $38 million. This gain is booked directly to other comprehensive income in the equity section of the balance sheet.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations," and Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets." SFAS 141 requires companies to use the purchase method of accounting for all business combinations initiated after June 30, 2001, and broadens the criteria for recording identifiable intangible assets separate from goodwill. SFAS 142 requires companies to cease systematically amortizing goodwill (and other intangible assets with indefinite lives) to results of operations, but rather perform an assessment for impairment by applying a fair-value-based test on an annual basis (or an interim basis if circumstances indicate a possible impairment). Future impairment losses are to be recorded as an operating expense, except at the transition date, when any impairment write-off of existing goodwill is to be recorded as a "cumulative effect of change in accounting principle." In accordance with SFAS 142, any goodwill and indefinite-life intangibles resulting from acquisitions completed after June 30, 2001 will not be amortized. Effective January 1, 2002, the Company will cease the amortization of goodwill and indefinite-life intangibles existing at June 30, 2001 in accordance with SFAS 142. Beginning in the first quarter of 2002, the Company will be required to test its goodwill for impairment, which could have an adverse effect on the Company's futures results of operations if an impairment occurs. The Company is in the process of evaluating the financial statement impact of the adoption of SFAS 142.