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 18, 2001

USA EDUCATION, INC.
Formerly known as SLM Holding Corporation
(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 18, 2001, the Registrant issued a press release announcing its earnings for the fourth quarter ending December 31, 2000. On January 18, 2001, the Registrant also issued copies of its supplemental financial information for the fiscal quarter ending December 31, 2000.

Copies of the press release and the 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 18, 2001, announcing the Registrant's fourth quarter earnings.

99.2 Supplemental Financial Information of the Registrant for the fiscal quarter ending December 31, 2000.

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.

Date: February 22, 2001 USA EDUCATION, INC.

By: /s/ JOHN F. REMONDI

John F. Remondi
Executive Vice President
and Chief Financial Officer
(Principal Financial and
Accounting Officer and Duly
Authorized Officer)

EXHIBIT INDEX

Exhibit Number	Description of Document
99.1	Press Release of the Registrant, dated January 18, 2001, announcing the Registrant's fourth quarter earnings.
99.2	Supplemental Financial Information of the Registrant for the fiscal quarter ending December 31, 2000.

Exhibit 99.1

FOR IMMEDIATE RELEASE	MEDIA CONTACTS: Martha Holler 703/810-5178 Molly Sullivan 703/810-7157	INVESTOR CONTACT: Jeff Heinz 703/810-7751

USA EDUCATION, INC. (NYSE:SLM) REPORTS FOURTH-QUARTER "CORE CASH BASIS" EARNINGS PER DILUTED SHARE OF $.80 - A 21-PERCENT INCREASE OVER YEAR-AGO QUARTER

RESTON, VA., JAN. 18, 2001 - USA Education, Inc., known as Sallie Mae, today reported that its fourth-quarter 2000 "core cash basis" earnings were $138 million, a 28-percent increase over the year-ago quarter of $108 million. "Core cash basis" earnings per diluted share were $.80, a 21-percent increase over $.66 per diluted share in the year-ago quarter.

For the year ended Dec. 31, 2000, "core cash basis" earnings were $492 million, or $2.93 per diluted share, an 18-percent increase over the prior year of $405 million, or $2.48 per diluted share.

The "core cash basis" earnings for the 2000 fiscal year exclude one-time charges for integration costs and the amortization of goodwill. These pre-tax charges were $53 million and $18.7 million respectively, and they are primarily associated with the USA Group acquisition, which closed on July 31, 2000.

"In 2000, we significantly expanded our earnings potential through a number of key acquisitions," said Albert L. Lord, vice chairman and chief executive officer. "The benefits of our transactions with USA Group and Student Loan Funding are already apparent, as we dramatically grew our managed portfolio, diversified our revenue sources and continued to recapture market share. We expect to continue to capitalize on these opportunities in 2001."

Other operating income for the 2000 fourth quarter totaled $120 million, compared to $20 million for the year-ago quarter and $103 million for the prior quarter. The increase from the year-ago quarter is the result of the USA Group transaction, which generated $94 million for the quarter from guarantor servicing, loan servicing and other fee income.

The company acquired $2.4 billion of student loans during the fourth quarter, compared to $1.7 billion in the 1999 fourth quarter. Loan acquisitions for 2000 totaled a record $20.5 billion, compared to $13.7 billion in the prior year. Average managed student loans for the year 2000 were $60.3 billion, a 19-percent increase over the prior year.

(MORE)

Sallie Mae's "control channel," or loans disbursed on its origination platform, totaled $2.0 billion in the current quarter, a 58-percent increase over $1.2 billion in the year-ago quarter. For the year ended Dec. 31, 2000, "control channel" disbursements were $7.3 billion, a 42-percent increase over the prior year of $5.1 billion.

"Core cash basis" results measure the recurring earnings of the company. Accordingly, securitization transactions are treated as financings, not sales, and as a result, gains on such sales are eliminated. Non-recurring items such as floor income, gains or losses on the sale of investment securities and student loans, and the one-time integration charge are not included. In addition, the amortization of goodwill is excluded.

Separately, Sallie Mae also reported fourth-quarter 2000 GAAP net income of $99 million, or $.56 per diluted share. The company entered into cap and floor contracts that are an effective economic hedge of a segment of the student loan portfolio. These positions do not meet the hedge effectiveness requirements under GAAP, and as a result, were marked to market, and a $25 million pre-tax loss was recorded on the GAAP financial statements in the fourth quarter of 2000.

For the year ended Dec. 31, 2000, GAAP net income was $465 million, or $2.76 per diluted share, compared with $501 million, or $3.06 per diluted share, in the prior year. The 2000 fiscal year results include the one-time integration charge related to the USA Group acquisition.

* * *

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. * * * USA Education, Inc. (Sallie Mae) is the nation's leading provider of financial services for postsecondary education and the largest provider of funding for education loans.

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Exhibit 99.2

USA EDUCATION, INC.
SUPPLEMENTAL EARNINGS DISCLOSURE
DECEMBER 31, 2000
(DOLLARS IN MILLIONS, EXCEPT EARNINGS PER SHARE)

	Quarters Ended			Years Ended December 31,	
	December 31, 2000	September 30, 2000	December 31, 1999	2000	1999
Net income	$ 99	$ 92	$ 142	$ 465	$ 501
"Cash basis" net income *	$ 122	$ 96	$ 135	$ 474	$ 502
"Core cash basis" net income **	$ 138	$ 128	$ 108	$ 492	$ 405
Diluted earnings per share	$ .56	$ .55	$ .87	$ 2.76	$ 3.06
"Cash basis" diluted earnings per share	$ .70	$ .57	$ .83	$ 2.81	$ 3.07
"Core cash basis" diluted earnings per share	$ .80	$ .77	$ .66	$ 2.93	$ 2.48
Net interest margin	1.35%	1.50%	1.71%	1.52%	1.85%
"Cash basis" net interest margin	1.42	1.51	1.69	1.53	1.87
"Core cash basis" net interest margin	1.42	1.51	1.63	1.53	1.68
Return on assets	.83%	.84%	1.30%	1.06%	1.28%
"Cash basis" return on assets	.63	.53	.87	.68	.88
"Core cash basis" return on assets	.71	.71	.69	.71	.71
Student loan spread	1.76%	1.79%	1.95%	1.82%	2.03%
"Cash basis" student loan spread	1.64	1.67	1.86	1.70	2.00
"Core cash basis" student loan spread	1.64	1.67	1.79	1.70	1.78
Average on-balance sheet student loans	$37,024	$36,440	$36,113	$34,637	$33,028
Average off-balance sheet student loans	30,438	27,756	17,926	25,711	17,670
Average managed student loans	$67,462	$64,196	$54,039	$60,348	$50,698
Ending on-balance sheet student loans	$37,647	$35,949	$33,809		
Ending off-balance sheet student loans	29,868	30,739	19,467		
Ending managed student loans	$67,515	$66,688	$53,276		

* "Cash basis" net income includes securitizations as financings and excludes goodwill amortization.

** "Core cash basis" net income excludes non-recurring items such as floor income, the integration charge and the liquidation of investment securities and student loans from "cash basis" net income.

USA EDUCATION, INC.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

ASSETS	December 31, 2000	September 30, 2000	December 31, 1999
Student loans	$37,647,297	$35,949,209	$33,808,867
Warehousing advances	987,352	860,565	1,042,695
Academic facilities financings	851,168	882,862	1,027,765
Cash and investments	5,940,490	4,618,016	5,774,706
Other assets, principally accrued interest receivable	3,365,481	3,333,362	2,370,751
Total assets	$48,791,788	$45,644,014	$44,024,784
LIABILITIES			
Short-term borrowings	$30,463,988	$30,900,143	$37,491,251
Long-term notes	14,910,939	11,522,577	4,496,267
Other liabilities	1,787,642	1,672,131	982,469
Total liabilities	47,162,569	44,094,851	42,969,987
COMMITMENTS*			
MINORITY INTEREST IN SUBSIDIARY	213,883	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, 250,000 shares authorized: 190,852; 187,593; and 186,070 shares, respectively, issued	38,170	37,519	37,214
Additional paid-in capital	225,211	76,517	62,827
Unrealized gains on investments, net of tax	311,301	298,974	297,735
Retained earnings	1,810,902	1,743,593	1,462,034
Stockholders' equity before treasury stock	2,550,584	2,321,603	2,024,810
Common stock held in treasury at cost: 26,707; 23,533; and 28,493 shares, respectively	1,135,248	986,323	1,183,896
Total stockholders' equity	1,415,336	1,335,280	840,914
Total liabilities and stockholders' equity	$48,791,788	$45,644,014	$44,024,784

* Commitments to purchase loans, lines of credit, letters of credit, and academic facilities financing commitments and letters of credit were $16.4 billion, $2.8 billion, $3.5 billion, and $54.5 million, respectively, at December 31, 2000.

USA EDUCATION, INC.

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Quarters Ended			Years Ended December 31,	
	December 31, 2000	September 30, 2000	December 31, 1999	2000	1999
Interest income:					
Student loans	$782,144	$769,965	$694,160	$2,854,231	$2,426,506
Warehousing advances	15,360	13,194	14,002	56,410	67,828
Academic facilities financings	14,637	15,844	17,836	66,709	74,358
Investments	140,768	99,983	83,628	501,309	239,883
Total interest income	952,909	898,986	809,626	3,478,659	2,808,575
Interest expense	794,964	738,653	630,552	2,836,871	2,114,785
Net interest income	157,945	160,333	179,074	641,788	693,790
Less: provision for losses	9,354	5,428	7,148	32,119	34,358
Net interest income after provision for losses	148,591	154,905	171,926	609,669	659,432
Other income:					
Gains on student loan securitizations	836	22,656	23,740	91,846	35,280
Servicing and securitization revenue	84,952	80,027	60,085	295,646	288,584
Gains/(losses) on sales of student loans	(54)	122	27,169	67	27,169
Gains/(losses) on sales of securities	(25,262)	25	6,053	18,555	15,832
Other	120,340	103,086	20,163	281,518	83,925
Total other income	180,812	205,916	137,210	687,632	450,790
Operating expenses	174,312	167,116	94,372	532,710	358,570
Integration charge	-	53,000	-	53,000	-
Income before income taxes and minority interest in net earnings of subsidiary	155,091	140,705	214,764	711,591	751,652
Income taxes	53,762	45,813	70,137	235,880	240,127
Minority interest in net earnings of subsidiary	2,673	2,674	2,673	10,694	10,694
NET INCOME	98,656	92,218	141,954	465,017	500,831
Preferred stock dividends	2,864	2,865	1,438	11,522	1,438
Net income attributable to common stock	$ 95,792	$ 89,353	$140,516	$453,495	$499,393
BASIC EARNINGS PER SHARE	$ .58	$ .56	$ .89	$ 2.84	$ 3.11
Average common shares outstanding	163,927	160,652	158,203	159,482	160,577
DILUTED EARNINGS PER SHARE	$ .56	$ .55	$ .87	$ 2.76	$ 3.06
Average common and common equivalent shares outstanding	169,866	163,279	160,908	164,355	163,158

USA EDUCATION, INC.
SUPPLEMENTAL FINANCIAL INFORMATION
FOURTH QUARTER 2000
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

The following supplemental information should be read in connection with USA Education, Inc.'s (formerly SLM Holding Corporation - the "Company") press release of fourth quarter 2000 earnings, dated January 18, 2001.

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, in accordance with Statement of Financial Accounting Standards 125 ("SFAS 125"), the Company records a gain equal to the present value of the estimated future net cash flows from the portfolio 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. Under SFAS 125 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.

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 assumption that the securitization transactions are financings and that the securitized student loans were not sold. In addition, the pro-forma results of operations also exclude the effect of floor income, certain one-time 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 and the amortization of goodwill from all acquisitions. The following pro-forma statements of income present the Company's results of operations under these assumptions. As such, no gain on sale or subsequent servicing and securitization revenue is recognized. Instead, the earnings of the student loans in the trusts and related financing costs are reflected over the life of the underlying pool of loans. The effect of floor income, certain one-time gains and losses on sales of investment securities and student loans, the amortization of goodwill from acquisitions and the one-time integration charge 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.

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, 2000	September 30, 2000	December 31, 1999	December 31, 2000	December 31, 1999
"CORE CASH BASIS" STATEMENTS OF INCOME:					
Insured student loans..................	$ 1,441	$ 1,366	$ 1,030	$ 5,015	$ 3,642
Advances/Facilities/Investments........	186	139	116	652	386
Total interest income..................	1,627	1,505	1,146	5,667	4,028
Interest expense.......................	(1,353)	(1,238)	(901)	(4,628)	(3,101)
Net interest income....................	274	267	245	1,039	927
Less: provision for losses.............	14	11	11	53	51
Net interest income after provision for losses.........................	260	256	234	986	876
Other income:					
Gains on student loan securitizations	-	-	-	-	-
Servicing and securitization revenue	-	-	-	-	-
Gains on sales of securities......	-	-	-	1	1
Other............................	119	103	20	280	83
Total other income.....................	119	103	20	281	84
Total operating expenses...............	165	161	93	514	356
Income before income taxes and minority interest in net earnings of subsidiary.	214	198	161	753	604
Income taxes...........................	73	67	50	250	188
Minority interest in net earnings of subsidiary..................	3	3	3	11	11
"Core cash basis" net income...........	138	128	108	492	405
Preferred stock dividends	3	3	1	12	1
"Core cash basis" net income attributable to common stock....	$ 135	$ 125	$ 107	$ 480	$ 404
"Core cash basis" diluted earnings per share	$ .80	$ .77	$ .66	$ 2.93	$ 2.48

	Quarters Ended			Years Ended	
	December 31, 2000	September 30, 2000	December 31, 1999	December 31, 2000	December 31, 1999
RECONCILIATION OF GAAP NET INCOME TO "CORE CASH BASIS" NET INCOME:					
GAAP net income........................	$ 99	$ 92	$ 142	$ 465	$ 501
"Cash basis" adjustments:					
Gains on student loan securitizations.	(1)	(22)	(24)	(92)	(35)
Servicing and securitization revenue..	(85)	(80)	(60)	(296)	(289)
Net interest income.................	115	107	75	400	340
Provision for losses................	(4)	(6)	(5)	(21)	(17)
Other...............................	-	-	-	-	(1)
Goodwill amortization...............	9	6	2	19	3
Total "cash basis" adjustments.........	34	5	(12)	10	1
Net tax effect (A)	(11)	(1)	5	(1)	-
"Cash basis" net income................	122	96	135	474	502
"Core cash basis" adjustments:					
Floor income........................	-	-	(9)	(3)	(107)
Integration charge..................	-	53	-	53	-
Gains/losses on sales of student loans..............................	-	-	(27)	-	(27)
Gains/losses on sales of securities.	25	-	(6)	(18)	(14)
Total "core cash basis" adjustments....	25	53	(42)	32	(148)
Net tax effect (A)	(9)	(21)	15	(14)	51
"Core cash basis" net income...........	$ 138	$ 128	$ 108	$ 492	$ 405

(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. The line captioned "Cash basis adjusted student loan yields" reflects contractual student loan yields.

"CORE CASH BASIS" STUDENT LOAN SPREAD ANALYSIS

	Quarters Ended			Years Ended	
	December 31, 2000	September 30, 2000	December 31, 1999	December 31, 2000	December 31, 1999
"Cash basis" adjusted student loan yields...	9.10%	9.10%	8.25%	8.92%	8.00%
Consolidated loan rebate fees..............	(.19)	(.18)	(.16)	(.18)	(.15)
Offset fees................................	(.07)	(.08)	(.10)	(.08)	(.09)
Borrower benefits..........................	(.09)	(.10)	(.09)	(.09)	(.08)
Premium amortization.......................	(.25)	(.27)	(.27)	(.26)	(.28)
Student loan income........................	8.50	8.47	7.63	8.31	7.40
Cost of funds..............................	(6.86)	(6.80)	(5.77)	(6.61)	(5.40)
"Cash basis" student loan spread...........	1.64%	1.67%	1.86%	1.70%	2.00%
"Core cash basis" student loan spread.......	1.64%	1.67%	1.79%	1.70%	1.78%
AVERAGE BALANCES					
Managed student loans......................	$67,462	$64,196	$54,039	$60,348	$50,698

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 weekly auctions of the 91-day Treasury bills by the government, 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, 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 Treasury bill 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 continued rise in Treasury bill rates since the second quarter of 1999, the Company realized $.02 million in revenue from student loans earning at the minimum borrower rate in the fourth quarter of 2000 versus $9 million of such earnings in the year-ago quarter and $.01 million in the prior quarter. The negative impact of the rise in Treasury bill rates on student loans earning at the minimum borrower rate decreased the "cash basis" student loan spread by 6 basis points versus the year-ago quarter. These earnings have been excluded from student loan income to calculate the "core cash basis" student loan spread.

The decrease in "core cash basis" student loan spread versus the year-ago quarter is primarily attributable to the increase in the company's portfolio of lower yielding loans which has decreased the average special allowance payment (SAP) in the student loan yield and to the increase in the average balance of consolidation loans as a percentage of total managed loans which has decreased the "core cash basis" student loan spread by 4 and 3 basis points, respectively. In addition, the cost of funds spread has increased 4 basis points versus the year-ago quarter.

The "core cash basis" net interest margin for the fourth quarters of 2000 and 1999 and the third quarter of 2000 was 1.42 percent, 1.63 percent and 1.51 percent, respectively. The decrease in fourth quarter of 2000 "core cash basis" net interest margin versus the fourth quarter of 1999 and the decrease over the prior quarter are partially due to the changes in the student loan spread discussed above. The decrease in the "core cash basis" net interest margin in the fourth quarter of 2000 versus the year-ago quarter and prior quarter can also be attributed to the increase in average balance of investments as a percentage of total earning assets.

STUDENT LOAN SPREAD AND NET INTEREST INCOME

The following table analyzes the reported earnings from student loans on-balance sheet. The line captioned "adjusted student loan yields" reflects contractual student loan yields.

STUDENT LOAN SPREAD ANALYSIS

	Quarters Ended			Years Ended	
	December 31, 2000	September 30, 2000	December 31, 1999	December 31, 2000	December 31, 1999
ON-BALANCE SHEET					
Adjusted student loan yields.	9.09%	9.10%	8.29%	8.91%	8.02%
Consolidated loan rebate fees	(.28)	(.26)	(.22)	(.27)	(.22)
Offset fees..................	(.13)	(.14)	(.15)	(.13)	(.15)
Borrower benefits............	(.07)	(.07)	(.07)	(.07)	(.06)
Premium amortization.........	(.21)	(.22)	(.22)	(.20)	(.24)
Student loan income..........	8.40	8.41	7.63	8.24	7.35
Cost of funds................	(6.64)	(6.62)	(5.68)	(6.42)	(5.32)
Student loan spread..........	1.76%	1.79%	1.95%	1.82%	2.03%
AVERAGE BALANCES					
On-balance sheet student loans.....................	$37,024	$36,440	$36,113	$34,637	$33,028
Securitized loans............	30,438	27,756	17,926	25,711	17,670
Managed student loans........	$67,462	$64,196	$54,039	$60,348	$50,698

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 Treasury bill 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 rise in Treasury bill rates since the second quarter of 1999 the Company realized $.02 million in earnings from student loans earning at the minimum borrower rate in the fourth quarter of 2000 versus $8 million of such earnings in the year-ago quarter and $.01 million in the prior quarter. The amortization of up-front payments received on floor revenue contracts on loans with borrower rates that adjust annually is included in the student loan spreads.

The negative impact of the rise in Treasury bill rates on student loans earning at the minimum borrower rate decreased the on-balance sheet student loan spread by 8 basis points versus the year-ago quarter. The increase in the on-balance sheet portfolio of lower yielding loans and consolidation loans as a percentage of total loans also decreased the student loan spread by 7 and 6 basis points, respectively, versus the year-ago quarter.

AVERAGE BALANCE SHEETS

The following tables reflect the rates earned on earning assets and paid on liabilities for the quarters ended December 31, 2000, September 30, 2000 and December 31, 1999 and the years ended December 31, 2000 and 1999.

	Quarters Ended					
	December 31, 2000		September 30, 2000		December 31, 1999	
	Amount	Rate	Amount	Rate	Amount	Rate
AVERAGE ASSETS						
Student loans....................	$37,024	8.40%	$36,440	8.41%	$36,113	7.63%
Warehousing advances.............	903	6.77	737	7.12	896	6.20
Academic facilities financings...	877	8.17	963	8.19	1,087	8.17
Investments......................	8,367	6.65	5,792	6.92	5,344	6.45
Total interest earning assets....	47,171	8.06%	43,932	8.18%	43,440	7.47%
Non-interest earning assets......	3,408		2,926		2,426	
Total assets.....................	$50,579		$46,858		$45,866	
AVERAGE LIABILITIES AND STOCK-HOLDERS' EQUITY						
Six-month floating rate notes....	$ 5,022	6.71%	$ 4,310	6.58%	$ 5,014	5.78%
Other short-term borrowings......	28,612	6.64	30,731	6.68	33,760	5.68
Long-term notes..................	13,727	6.75	9,038	6.67	4,938	5.98
Total interest bearing liabilities	47,361	6.68%	44,079	6.67%	43,712	5.72%
Non-interest bearing liabilities.	1,842		1,604		1,434	
Stockholders' equity.............	1,376		1,175		720	
Total liabilities and stockholders' equity.........................	$50,579		$46,858		$45,866	
Net interest margin..............		1.35%		1.50%		1.71%

	Years Ended			
	December 31, 2000		December 31, 1999	
	Amount	Rate	Amount	Rate
AVERAGE ASSETS				
Student loans....................	$34,637	8.24%	$33,028	7.35%
Warehousing advances.............	825	6.84	1,173	5.78
Academic facilities financings...	974	8.50	1,144	8.16
Investments......................	7,486	6.81	3,932	6.42
Total interest earning assets....	43,922	7.98%	39,277	7.23%
Non-interest earning assets......	2,711		2,166	
Total assets.....................	$46,633		$41,443	
AVERAGE LIABILITIES AND STOCK-HOLDERS' EQUITY				
Six-month floating rate notes....	$ 4,660	6.49%	$ 4,644	5.38%
Other short-term borrowings......	30,670	6.40	28,560	5.30
Long-term notes..................	8,636	6.61	6,292	5.60
Total interest bearing liabilities	43,966	6.45%	39,496	5.35%
Non-interest bearing liabilities.	1,574		1,287	
Stockholders' equity.............	1,093		660	
Total liabilities and stockholders' equity.........................	$46,633		$41,443	
Net interest margin..............		1.52%		1.85%

NET INTEREST MARGIN AND INCOME

The net interest margin for the fourth quarters of 2000 and 1999 and the third quarter of 2000 was 1.35 percent, 1.71 percent and 1.50 percent, respectively. The decrease in the net interest margin for the fourth quarter of 2000 versus the fourth quarter of 1999 and the decrease over the prior quarter are partially due to the changes in the student loan spread discussed previously. The decrease is also due to the increase in the average balance of investments as a percentage of the total average balance of earning assets. The decrease in net interest income versus the year-ago quarter is due to the decrease in floor revenue discussed in the student loan spread analysis previously and to the increase in the average balance of investments as a percentage of the total average balance of earning assets.

SECURITIZATION PROGRAM

During the fourth quarter of 2000, the Company securitized $70 million through the recycling provisions of the USA Group securitizations and recorded a pre-tax securitization gain of $1 million or 1.19 percent of the portfolio securitized. In the fourth quarter of 1999, the Company securitized $2 billion and recorded a pre-tax securitization gain of $24 million or 1.19 percent of the portfolio securitized. In the third quarter of 2000, the Company securitized $2 billion and recorded a pre-tax securitization gain of $22 million or 1.08 percent of the portfolio securitized.

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 income earned on the interest residual asset. Servicing and securitization revenue totaled $85 million in the fourth quarter of 2000 versus $60 million in the corresponding year-ago quarter, and $80 million in the prior quarter. In the fourth quarter of 2000, servicing and securitization revenue was 1.11 percent of average securitized loans versus 1.33 percent in the year-ago quarter and 1.15 percent in the third quarter of 2000. The decrease in servicing and securitization revenue as a percentage of the average balance of securitized student loans in the fourth quarter of 2000 versus the fourth quarter of 1999 is partially due to the impact of the rise in Treasury bill rates since the second quarter of 1999, 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 lower contractual rates on the acquired USA Group securitizations reduced servicing revenue as a percentage of average securitized loans by 7 basis points versus the year-ago quarter. In addition, USA Group securitizations were acquired with a lower interest residual. The inclusion of the lower spread in securitization revenue has decreased the servicing and securitization revenue as a percentage of total average securitized loans by 11 basis points. The increase in servicing and securitization revenue in the fourth quarter of 2000 versus the prior quarter is mainly due to the higher average balance of the interest residual asset offsetting the impact of higher Treasury bill rates.

OTHER INCOME

Other income, exclusive of gains on student loan securitizations, servicing and securitization revenue, gains on sales of student loans and certain one-time gains and losses on sales of investment securities totaled $120 million for the fourth quarter 2000 versus $20 million in the year-ago quarter and $103 million for the third quarter 2000. Other income mainly includes guarantee servicing revenue, late fees earned on student loans, revenue received from servicing third party portfolios of student loans, and commitment fees for letters of credit. Guarantee servicing fees arise primarily from four categories of services that correspond to the student loan life cycle. They include loan originations, the maintenance of the guarantee on the loan, default prevention, and collection revenues. Included in the fourth quarter of 2000 other income are $9 million, $11 million, $16 million and $47 million, respectively, representing these four categories. For the fourth quarter of 2000, an additional $11 million of third party servicing and other fees for USA Group Inc., are included in other income.

The Company entered into Cap and Floor contracts that are an effective economic hedge of a segment of our student loan portfolio. These positions do not meet the hedge effectiveness requirements under GAAP and as a result were marked to market and a $25 million pre-tax loss was recorded on the GAAP financial statements in the fourth quarter of 2000.

OPERATING EXPENSES

In the fourth quarter of 2000, total operating expenses were $174 million versus $94 million in the corresponding year-ago period and $167 million in the third quarter of 2000, exclusive of the one-time integration charge of $53 million, or as a percentage of managed student loans were 1.03 percent, .70 percent and 1.04 percent, respectively. General and administrative expenses totaled $63 million for the fourth quarter of 2000 versus $37 million in the year-ago quarter and $67 million in the third quarter of 2000, exclusive of the one-time integration charge. The increase in operating expenses in the fourth quarter of 2000 versus the fourth quarter of 1999 is mainly due to the addition of operating expenses connected with the acquisitions of Student Loan Funding Resources, Inc. ("SLFR") and USA Group, Inc., which closed in July 2000.

In connection with the acquisition of USA Group, the Company took an integration charge of $53 million in the third quarter of 2000. Included in this amount are severance costs, costs to close facilities and move functional responsibilities as well as costs to align system capabilities and move the data center.

CAPITAL

The Company repurchased 3.0 million shares during the fourth quarter of 2000 through open market repurchases and equity forward settlements and issued a net 3.0 million as a result of benefit plans. At December 31, 2000, the total common shares that could potentially be acquired over the next five years under outstanding equity forward contracts was 18.2 million, and the Company had a remaining authority to enter into additional share repurchases and equity forward contracts for 4.8 million shares.

STUDENT LOAN PURCHASES

	Quarters Ended			Years Ended	
	December 31, 2000	September 30, 2000	December 31, 1999	December 31, 2000	December 31, 1999
Controlled channels........	$1,294	$ 1,693	$ 987	$ 6,595	$ 7,161
Other commitment clients...	179	415	124	1,405	1,788
Spot purchases.............	396	279	50	885	115
Acquisitions...............	-	4,524	-	4,524	2,585
Consolidations.............	238	219	171	824	920
Other......................	324	262	336	1,148	1,111
Total......................	2,431	7,392	1,668	15,381	13,680
Managed loans acquired	-	5,165	-	5,165	-
Total managed loans acquired	$2,431	$12,557	$1,668	$20,546	$13,680

The Company purchased $2.4 billion of student loans in the fourth quarter of 2000 compared with $1.7 billion in the year-ago quarter and $12.6 billion in the previous quarter. Included in the prior quarter purchases are $1.4 billion of student loans acquired from USA Group, Inc., $3.1 billion of student loans acquired from SLFR and $5.2 billion of managed loans acquired from USA Group, Inc.

In the fourth quarter of 2000, the Company's controlled channels of loan originations totaled $2.0 billion versus $1.2 billion in the year-ago quarter and $2.4 billion in the prior quarter. The pipeline of loans currently serviced and committed for purchase by the Company was $3.9 billion at December 31, 2000 versus $3.5 billion at December 31, 1999 and $3.2 billion at September 30, 2000.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," which requires that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS 133, as amended by Statement of Financial Accounting Standards No. 137, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," is effective for the Company's financial statements beginning January 1, 200l. SFAS 133, as amended, requires that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. In addition to designation 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 (effectiveness test).

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 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 the 91-day Treasury bill or LIBOR. 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. The Company will often sell floor contracts for all or a portion of the estimated student loan life. SFAS 133 does not recognize written floors as an effective hedge unless the terms of the written 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. Secondarily, 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 will be recorded at market value with subsequent changes in value reflected in the income statement.

The Company utilizes Eurodollar Contracts as hedges of anticipated transactions. These met the SFAS 133 effectiveness test and will be considered cash flow hedges. As such, they will be marked to market, as currently accounted for under GAAP, and the changes in value will be reflected in other comprehensive income (OCI). Once the anticipatory transaction has occurred, the resulting gain or loss will be amortized out of OCI over the life of the hedged instrument.

Under SFAS 133, the fixed versus floating interest rate swaps that meet the hedge effectiveness requirements will be considered fair value hedges. As such, both of these derivatives and their corresponding hedged asset or liability will be marked to market in the income statement.