

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, 1999 OR

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 HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

52-2013874
(I.R.S. Employer
Identification No.)

11600 SALLIE MAE DRIVE, RESTON, VIRGINIA
(Address of principal executive offices)

20193
(Zip Code)

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

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

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 MARCH 31, 1999

Common Stock, \$.20 par value 162,877,395 shares

SLM HOLDING CORPORATION

FORM 10-Q

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MARCH 31, 1999

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SLM HOLDING CORPORATION
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	MARCH 31, 1999	DECEMBER 31, 1998

(UNAUDITED)		
ASSETS		
Student loans.....	\$ 30,235,305	\$ 28,282,505
Warehousing advances.....	1,540,531	1,542,732
Academic facilities financings		
Bonds--available-for-sale.....	713,199	734,994
Loans.....	444,313	445,418

Total academic facilities financings.....	1,157,512	1,180,412
Investments		
Available-for-sale.....	3,038,857	3,306,972
Held-to-maturity.....	700,603	683,452

Total investments.....	3,739,460	3,990,424
Cash and cash equivalents.....	154,701	115,912
Other assets, principally accrued interest receivable.....	2,009,257	2,098,024

Total assets.....	\$ 38,836,766	\$ 37,210,009

LIABILITIES		
Short-term borrowings.....	\$ 31,205,391	\$ 26,588,504
Long-term notes.....	5,556,859	8,810,597
Other liabilities.....	1,200,283	943,399

Total liabilities.....	37,962,533	36,342,500

COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST IN SUBSIDIARY.....	213,883	213,883

STOCKHOLDERS' EQUITY		
Common stock, par value \$.20 per share, 250,000,000 shares authorized, 184,773,592 and 184,453,866 shares issued, respectively.....	36,955	36,891
Additional paid-in capital.....	34,100	26,871
Unrealized gains on investments (net of tax of \$184,909 and \$200,167, respectively).....	343,402	371,739
Retained earnings.....	1,149,720	1,060,334

Stockholders' equity before treasury stock.....	1,564,177	1,495,835
Common stock held in treasury at cost: 21,896,197 and 20,327,213 shares, respectively.....	903,827	842,209

Total stockholders' equity.....	660,350	653,626

Total liabilities and stockholders' equity.....	\$ 38,836,766	\$ 37,210,009

See accompanying notes to consolidated financial statements.

SLM HOLDING CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED MARCH 31,	
	1999 (UNAUDITED)	1998 (UNAUDITED)
Interest income:		
Student loans.....	\$ 521,406	\$ 568,819
Warehousing advances.....	21,856	30,415
Academic facilities financings:		
Taxable.....	9,893	11,353
Tax-exempt.....	9,259	11,071
Total academic facilities financings.....	19,152	22,424
Investments.....	52,951	91,282
Total interest income.....	615,365	712,940
Interest expense:		
Short-term debt.....	354,791	347,958
Long-term debt.....	102,922	190,405
Total interest expense.....	457,713	538,363
Net interest income.....	157,652	174,577
Less: provision for losses.....	7,636	9,494
Net interest income after provision for losses.....	150,016	165,083
Other income:		
Gains on sales of student loans.....	--	60,174
Servicing and securitization revenue.....	85,871	52,864
Gains/(losses) on sales of securities.....	(17)	2,394
Other.....	20,785	18,951
Total other income.....	106,639	134,383
Operating expenses:		
Salaries and benefits.....	44,064	48,799
Other.....	42,204	42,063
Total operating expenses.....	86,268	90,862
Income before income taxes and minority interest in net earnings of subsidiary.....	170,387	208,604
Income taxes:		
Current.....	116,955	69,765
Deferred.....	(63,050)	(2,842)
Total income taxes.....	53,905	66,923
Minority interest in net earnings of subsidiary.....	2,673	2,673
Net income.....	\$ 113,809	\$ 139,008
Basic earnings per share.....	\$.70	\$.81
Average common shares outstanding.....	163,164	171,734
Diluted earnings per share.....	\$.69	\$.80
Average common and common equivalent shares outstanding.....	165,679	174,095

See accompanying notes to consolidated financial statements.

SLM HOLDING CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

(UNAUDITED)

	COMMON STOCK SHARES			COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK
	ISSUED	TREASURY	OUTSTANDING				
BALANCE AT DECEMBER 31, 1997.....	183,632,694	(10,221,757)	173,410,937	\$36,726	\$28,838	\$ 654,135	\$(423,863)
Comprehensive income:							
Net Income.....						139,008	
Other comprehensive income, net of tax:							
Unrealized gains (losses) on investments, net of tax.....							
Comprehensive income.....							
Cash dividends (\$.14 per share).....						(24,028)	
Issuance of common shares.....	290,533		290,533	59	7,803		
Premiums on equity forward purchase contracts.....					(14,611)		
Tax benefit related to employee stock option and purchase plan.....							
Repurchase of common shares.....		(3,680,787)	(3,680,787)				(156,336)
BALANCE AT MARCH 31, 1998.....	183,923,227	(13,902,544)	170,020,683	\$36,785	\$22,030	\$ 769,115	\$(580,199)
BALANCE AT DECEMBER 31, 1998.....	184,453,866	(20,327,213)	164,126,653	\$36,891	\$26,871	\$1,060,334	\$(842,209)
Comprehensive income:							
Net Income.....						113,809	
Other comprehensive income, net of tax:							
Unrealized gains (losses) on investments, net of tax.....							
Comprehensive income.....							
Cash dividends (\$.15 per share).....						(24,423)	
Issuance of common shares.....	319,726		319,726	64	10,721		
Premiums on equity forward purchase contracts.....					(5,989)		
Tax benefit related to employee stock option and purchase plan.....					2,497		
Repurchase of common shares.....		(1,568,984)	(1,568,984)				(61,618)
BALANCE AT MARCH 31, 1999.....	184,773,592	(21,896,197)	162,877,395	\$36,955	\$34,100	\$1,149,720	\$(903,827)

	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL STOCKHOLDERS' EQUITY
BALANCE AT DECEMBER 31, 1997.....	\$378,736	\$674,572
Comprehensive income:		
Net Income.....		139,008
Other comprehensive income, net of tax:		
Unrealized gains (losses) on investments, net of tax.....	(5,035)	(5,035)
Comprehensive income.....		133,973
Cash dividends (\$.14 per share).....		(24,028)
Issuance of common shares.....		7,862
Premiums on equity forward purchase contracts.....		(14,611)
Tax benefit related to employee stock option and purchase plan.....		--
Repurchase of common shares.....		(156,336)
BALANCE AT MARCH 31, 1998.....	\$373,701	\$621,432
BALANCE AT DECEMBER 31, 1998.....	\$371,739	\$653,626
Comprehensive income:		
Net Income.....		113,809
Other comprehensive income, net of tax:		
Unrealized gains (losses) on investments, net of tax.....	(28,337)	(28,337)
Comprehensive income.....		85,472
Cash dividends (\$.15 per share).....		(24,423)
Issuance of common shares.....		10,785
Premiums on equity forward purchase contracts.....		(5,989)
Tax benefit related to employee stock option and purchase plan.....		2,497
Repurchase of common shares.....		(61,618)

BALANCE AT MARCH 31, 1999.....	----- \$343,402 ----- -----	----- \$660,350 ----- -----
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See accompanying notes to consolidated financial statements.

SLM HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
	(UNAUDITED)	(UNAUDITED)
OPERATING ACTIVITIES		
Net income.....	\$ 113,809	\$ 139,008
Adjustments to reconcile net income to net cash provided by operating activities:		
Gains on sales of student loans.....	--	(60,174)
Provision for losses.....	7,636	9,494
Decrease in accrued interest receivable.....	76,803	169,487
(Decrease) in accrued interest payable.....	(74,699)	(93,267)
Decrease (increase) in other assets.....	11,964	(42,663)
Increase in other liabilities.....	346,840	42,192
Total adjustments.....	368,544	25,069
Net cash provided by operating activities.....	482,353	164,077
Investing activities		
Insured student loans purchased.....	(2,959,699)	(2,095,710)
Reduction of insured student loans purchased:		
Installment payments.....	868,675	689,553
Claims and resales.....	130,588	205,142
Proceeds from securitization of student loans.....	--	3,029,017
Warehousing advances made.....	(263,153)	(310,601)
Warehousing advance repayments.....	265,354	162,720
Academic facilities financings made.....	--	(2,500)
Academic facilities financings reductions.....	19,564	28,049
Investments purchased.....	(3,568,591)	(4,023,105)
Proceeds from sale or maturity of investments.....	3,779,297	3,760,813
Net cash (used in) provided by investing activities.....	(1,727,965)	1,443,378
FINANCING ACTIVITIES		
Short-term borrowings issued.....	104,190,574	155,573,566
Short-term borrowings repaid.....	(102,303,444)	(156,237,087)
Long-term notes issued.....	5,117,406	3,009,796
Long-term notes repaid.....	(5,641,387)	(3,753,031)
Equity forward contracts and common stock issued.....	7,293	(6,749)
Common stock repurchased.....	(61,618)	(156,336)
Dividends paid.....	(24,423)	(24,028)
Net cash provided by (used in) financing activities.....	1,284,401	(1,593,869)
Net increase in cash and cash equivalents.....	38,789	13,586
Cash and cash equivalents at beginning of period.....	115,912	54,022
Cash and cash equivalents at end of period.....	\$ 154,701	\$ 67,608
Cash disbursements made for:		
Interest.....	\$ 477,124	\$ 577,269
Income taxes.....	\$ --	\$ 35,000

See accompanying notes to consolidated financial statements.

SLM HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(INFORMATION AT MARCH 31, 1999 AND FOR THE THREE MONTHS ENDED MARCH 31, 1999 AND 1998 IS UNAUDITED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of SLM Holding Corporation (the "Company") have been prepared in accordance with generally accepted accounting principles ("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 normal recurring accruals) considered necessary for a fair presentation 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 financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three months ended March 31, 1999 are not necessarily indicative of the results for the year ending December 31, 1999.

2. NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," which requires that every derivative instrument, including derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for derivative financial instruments that qualify as fair value hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the income statement and requires that a Company formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment. Derivative financial instruments that qualify as cashflow hedges are reported as an adjustment to stockholders' equity as a component of other comprehensive income. SFAS 133 could result in increased period to period volatility in reported net income. Management is continuing to assess the potential impact of SFAS 133 on the Company's reported results of operations and financial position. The Company plans to adopt SFAS 133 on January 1, 2000.

3. ALLOWANCE FOR LOSSES

The following table summarizes changes in the allowance for losses for the three months ended March 31, 1999 and 1998, respectively. Certain reclassifications have been made to the balances as of March 31, 1998 to be consistent with classifications adopted for March 31, 1999.

	THREE MONTHS ENDED	
	MARCH 31,	
	1999	1998
BALANCE AT BEGINNING OF PERIOD.....	\$ 293,185	\$ 273,412
Additions		
Provisions for losses.....	7,636	9,494
Recoveries.....	732	566
Deductions		
Reductions for sales of student loans.....	--	(4,186)
Write-offs.....	(3,417)	(4,127)
BALANCE AT END OF PERIOD.....	\$ 298,136	\$ 275,159

SLM HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(INFORMATION AT MARCH 31, 1999 AND FOR THE THREE MONTHS ENDED MARCH 31, 1999 AND 1998 IS UNAUDITED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) (CONTINUED)

4. STUDENT LOAN SECURITIZATION

During the first quarter of 1999, the Company did not enter into a securitization transaction. As a result, no securitization gain was recognized in the first quarter of 1999. For the three months ended March 31, 1998, the Company securitized \$3.0 billion of student loans and recorded a pre-tax gain of \$60 million. At March 31, 1999 and December 31, 1998, securitized student loans outstanding totaled \$17.3 billion and \$17.9 billion, respectively.

5. COMMON STOCK

Basic earnings per share are calculated using the weighted average number of shares of common stock outstanding during each period. Diluted earnings per share reflect the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options and warrants, determined by the treasury stock method, and equity forwards, determined by the reverse treasury stock method, as follows:

	NET INCOME	AVERAGE SHARES	EARNINGS PER SHARE
	-----	-----	-----
	(THOUSANDS)	(THOUSANDS)	
THREE MONTHS ENDED MARCH 31, 1999			
Basic earnings per share.....	\$ 113,809	163,164	\$.70
Dilutive effect of stock options, warrants and equity forwards.....	--	2,515	(.01)
	-----	-----	---
Diluted earnings per share.....	\$ 113,809	165,679	\$.69
	-----	-----	---
THREE MONTHS ENDED MARCH 31, 1998			
Basic earnings per share.....	\$ 139,008	171,734	\$.81
Dilutive effect of stock options, warrants, and equity forwards.....	--	2,361	(.01)
	-----	-----	---
Diluted earnings per share.....	\$ 139,008	174,095	\$.80
	-----	-----	---

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

SLM HOLDING CORPORATION ("SLM HOLDING") WAS FORMED ON FEBRUARY 3, 1997 AS A WHOLLY OWNED SUBSIDIARY OF THE STUDENT LOAN MARKETING ASSOCIATION (THE "GSE"). ON AUGUST 7, 1997, PURSUANT TO THE STUDENT LOAN MARKETING ASSOCIATION REORGANIZATION ACT OF 1996 (THE "PRIVATIZATION ACT") AND APPROVAL BY SHAREHOLDERS OF AN AGREEMENT AND PLAN OF REORGANIZATION, THE GSE WAS REORGANIZED INTO A SUBSIDIARY OF SLM HOLDING (THE "REORGANIZATION"). SLM HOLDING IS A HOLDING COMPANY THAT OPERATES THROUGH A NUMBER OF SUBSIDIARIES INCLUDING THE GSE. REFERENCES HEREIN TO THE "COMPANY" REFER TO THE GSE AND ITS SUBSIDIARIES FOR PERIODS PRIOR TO THE REORGANIZATION AND TO SLM HOLDING AND ITS SUBSIDIARIES FOR PERIODS AFTER THE REORGANIZATION.

The following Management's Discussion and Analysis contains forward-looking statements and information that are based on management's current expectations as of the date of this document. Discussions that utilize the words "anticipate," "believe," "estimate," "intend" and "expect" and similar expressions are intended to identify forward-looking statements. Such forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause the actual results of the Company to be materially different from those reflected in such forward-looking statements. Such factors include, among others, changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in such laws and regulations, which may reduce the volume, average term and costs of yields on student loans under the Federal Family Education Loan Program ("FFELP"), or may 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. The Company could also be affected by changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; and changes in the general interest rate environment and in the securitization markets for student loans, which may increase the costs or limit the availability of financings necessary to initiate, purchase or carry student loans; and interruptions in the Company's or others' operations resulting from the inability of computer or other systems to process Year 2000-related information, which may impact the Company's liquidity and its ability to obtain, generate or process documents or payments received from or due to others.

Set forth below is Management's Discussion and Analysis of Financial Condition and Results of Operations of SLM Holding for the three months ended March 31, 1999 and 1998. This section should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations for the years ended December 31, 1996-98 presented in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission. All dollar amounts are in millions, except per share amounts or as otherwise noted.

SELECTED FINANCIAL DATA

CONDENSED STATEMENTS OF INCOME

	THREE MONTHS ENDED MARCH 31,		INCREASE (DECREASE)	
	1999	1998	\$	%
Net interest income.....	\$ 158	\$ 175	\$ (17)	(10)%
Less: provision for losses.....	8	10	(2)	(20)
Net interest income after provision for losses.....	150	165	(15)	(9)
Gains on sales of student loans.....	-	60	(60)	(100)
Servicing and securitization revenue.....	86	53	33	62
Other income.....	21	22	(1)	(3)
Operating expenses.....	86	91	(5)	(5)
Income taxes.....	54	67	(13)	(19)
Minority interest in net earnings of subsidiary.....	3	3	--	--
Net income.....	\$ 114	\$ 139	\$ (25)	(18)%
Basic earnings per share.....	\$.70	\$.81	\$ (.11)	(14)%
Diluted earnings per share.....	\$.69	\$.80	\$ (.11)	(14)%
Dividends per share.....	\$.15	\$.14	\$.01	7%

CONDENSED BALANCE SHEETS

	MARCH 31, 1999	DECEMBER 31, 1998	INCREASE (DECREASE)	
			\$	%
ASSETS				
Student loans.....	\$30,235	\$28,283	\$1,952	7%
Warehousing advances.....	1,541	1,543	(2)	--
Academic facilities financings.....	1,158	1,180	(22)	(2)
Cash and investments.....	3,894	4,106	(212)	(5)
Other assets.....	2,009	2,098	(89)	(4)
Total assets.....	\$38,837	\$37,210	\$1,627	4%
LIABILITIES AND STOCKHOLDERS' EQUITY				
Short-term borrowings.....	\$31,206	\$26,589	\$4,617	17%
Long-term notes.....	5,557	8,810	(3,253)	(37)
Other liabilities.....	1,200	943	257	27
Total liabilities.....	37,963	36,342	1,621	4
Minority interest in subsidiary.....	214	214	--	--
Stockholders' equity before treasury stock.....	1,564	1,496	68	(5)
Common stock held in treasury at cost...	904	842	62	7
Total stockholders' equity.....	660	654	6	1
Total liabilities and stockholders' equity.....	\$38,837	\$37,210	\$1,627	4%

RESULTS OF OPERATIONS

EARNINGS SUMMARY

For the three months ended March 31, 1999, the Company's net income was \$114 million (\$.69 diluted earnings per share), versus net income of \$139 million (\$.80 diluted earnings per share) in the first quarter of 1998.

In the first quarter of 1999, reported net income continued to be adversely impacted by conditions in the global financial markets that first arose in August of 1998 as a result of the Russian bond default. Financing spreads relative to Treasury bill rates remained at levels at which management considered it unfavorable to enter into a securitization transaction and as a result, no securitization gains were recorded in the first quarter. In the first quarter of 1998, the Company entered into a \$3.0 billion securitization which resulted in an after-tax securitization gain of \$39 million or \$.22 diluted earnings per share. The Company's first quarter of 1999 earnings benefited from the \$3.3 billion increase in managed student loans from the year ago quarter.

The financial market turbulence also increased the funding spreads on the Company's on-balance sheet financings, which decreased the spread earned on the Company's portfolio of student loans versus the first quarter of 1998. The negative effect of the higher funding spreads was partially offset by lower average 91-day Treasury bill rates in the first quarter of 1999, as a significant portion of the Company's portfolio of managed student loans earned interest at the minimum borrower rate, while their floating rate funding (exclusive of spreads) continued to decrease. In the first quarter of 1999, the Company continued to lower operating expenses, which as a percentage of managed student loans, were .74 percent versus .84 percent in the first quarter of 1998.

During the first quarter of 1999, the Company spent \$62 million to repurchase 1.6 million common shares (or one percent of its outstanding shares), which enhanced earnings per share growth.

In addition to reporting results of operations in accordance with generally accepted accounting principles, the Company also presents pro-forma results of operations, which treat securitization transactions as financings and the securitized student loans as not sold. Management refers to these pro-forma results as "cash basis" earnings and believes that they assist in better understanding the Company's results of operations. The Company's "cash basis" net income was \$119 million in the first quarter of 1999 (\$.72 diluted earnings per share) versus \$104 million (\$.60 diluted earnings per share) in the first quarter of 1998. See "Pro-forma Statements of Income."

NET INTEREST INCOME

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

Taxable equivalent net interest income for the three months ended March 31, 1999 decreased by \$19 million while the net interest margin decreased by .05 percent versus the three months ended March 31, 1998. The \$9 million decrease in taxable equivalent net interest income attributable to the change in rates for the three months ended March 31, 1999 was principally due to the decrease in the student loan spread discussed below. This margin decrease was partially offset by the increased percentage of higher yielding student loans remaining on-balance sheet relative to other earning assets (82 percent in the first quarter of 1999 versus 76 percent in the first quarter of 1998). The average balance of the Company's investment portfolio, academic facilities financings and warehousing advances combined declined by \$3 billion for the three months ended March 31, 1999 versus 1998 as management reduced

these assets to better utilize capital. In total, these reductions in earning assets reduced taxable equivalent net interest income by \$10 million.

TAXABLE EQUIVALENT NET INTEREST INCOME

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

	THREE MONTHS ENDED MARCH 31,			
			(DECREASE)	
	1999	1998	\$	%
Interest income				
Student loans.....	\$521	\$569	\$(48)	(8)%
Warehousing advances.....	22	31	(9)	(28)
Academic facilities financings.....	19	22	(3)	(15)
Investments.....	53	91	(38)	(42)
Taxable equivalent adjustment.....	8	9	(1)	(16)
Total taxable equivalent interest income.....	623	722	(99)	(14)
Interest expense.....	458	538	(80)	(15)
Taxable equivalent net interest income.....	\$165	\$184	\$(19)	(10)%

AVERAGE BALANCE SHEETS

The following table reflects the rates earned on earning assets and paid on liabilities for the three months ended March 31, 1999 and 1998.

	THREE MONTHS ENDED MARCH 31,			
	1999		1998	
	BALANCE	RATE	BALANCE	RATE
Average Assets				
Student loans.....	\$ 29,443	7.18%	\$ 29,495	7.82%
Warehousing advances.....	1,566	5.66	2,020	6.11
Academic facilities financings.....	1,204	8.13	1,395	8.25
Investments.....	3,711	6.09	6,020	6.37
Total interest earning assets.....	35,924	7.03%	38,930	7.52%
Non-interest earning assets.....	2,112		1,884	
Total assets.....	\$ 38,036		\$ 40,814	
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY				
Six month floating rate notes.....	\$ 4,097	5.24%	\$ 3,076	5.60%
Other short-term borrowings.....	24,308	5.04	22,198	5.58
Long-term notes.....	7,759	5.38	13,455	5.74
Total interest bearing liabilities.....	36,164	5.13%	38,729	5.64%
Non-interest bearing liabilities.....	1,234		1,462	
Stockholders' equity.....	638		623	
Total liabilities and stockholders' equity.....	\$ 38,036		\$ 40,814	
Net interest margin.....		1.87%		1.92%

RATE/VOLUME ANALYSIS

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

	TAXABLE EQUIVALENT (DECREASE)	(DECREASE) ATTRIBUTABLE TO CHANGE IN	
		RATE	VOLUME
THREE MONTHS ENDED MARCH 31, 1999 VS. THREE MONTHS ENDED MARCH 31, 1998			
Taxable equivalent interest income.....	\$ (99)	\$ (53)	(46)
Interest expense.....	(80)	(44)	(36)
	---	---	---
Taxable equivalent net interest income.....	\$ (19)	\$ (9)	\$ (10)
	---	---	---
	---	---	---

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. The line captioned "Adjusted student loan yields" reflects contractual student-loan yields adjusted for the amortization of premiums paid to purchase loan portfolios and the estimated costs of borrower benefits as required by GAAP. For student loans off-balance sheet, the Company will continue to earn 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 " 'Cash Basis' Student Loan Spread and Net Interest Income."

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
ON-BALANCE SHEET		
Adjusted student loan yields.....	7.54%	8.17%
Consolidated loan rebate fees.....	(.22)	(.24)
Offset fees.....	(.14)	(.11)
	-----	-----
Student loan income.....	7.18	7.82
Cost of funds.....	(5.09)	(5.57)
	-----	-----
Student loan spread.....	2.09%	2.25%
	-----	-----
OFF-BALANCE SHEET		
Servicing and securitization revenue.....	1.98%	1.50%
	-----	-----
Average Balances		
Student loans.....	\$ 29,443	\$ 29,495
Securitized loans.....	17,625	14,295
	-----	-----
Managed student loans.....	\$ 47,068	\$ 43,790
	-----	-----

The Company 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

For the three months ended March 31, 1999 and 1998, the amortization of the upfront payments received from the sale of Floor Interest Contracts with annually reset borrower rates was \$8 million and \$5 million, respectively.

PROVISION FOR LOSSES

The provision for losses in the first quarter of 1999 and 1998 included \$4 million and \$8 million, respectively, for potential losses on the non-federally insured portfolio and \$4 million and \$2 million, respectively, for potential losses due to risk-sharing. Management believes that the provision for losses is adequate to cover anticipated losses. However, this evaluation is inherently subjective as it requires material estimates that may be susceptible to significant changes.

ON-BALANCE SHEET FUNDING COSTS

The Company's borrowings are generally variable rate indexed principally to the 91-day Treasury bill rate. The following table summarizes the average balance of on-balance sheet debt (by index, after giving effect to the impact of interest rate swaps) for the three months ended March 31, 1999 and 1998.

INDEX	THREE MONTHS ENDED MARCH 31,			
	1999		1998	
	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE
Treasury bill, principally 91-day.....	\$ 28,527	5.11%	\$ 29,137	5.55%
LIBOR.....	2,540	4.99	4,994	5.62
Discount notes.....	3,190	4.80	2,873	5.52
Fixed.....	875	6.10	650	7.18
Zero coupon.....	147	11.14	138	11.13
Other.....	885	4.75	937	5.45
Total.....	\$ 36,164	5.13%	\$ 38,729	5.64%

The following table details the spreads for the Company's Treasury bill indexed borrowings and London Interbank Offered Rate ("LIBOR") indexed borrowings:

INDEXED BORROWINGS	THREE MONTHS ENDED MARCH 31,	
	1999	1998
TREASURY BILL		
Weighted average Treasury bill.....	4.68%	5.30%
Borrowing spread.....	.43	.25
Weighted average borrowing rate.....	5.11%	5.55%
LIBOR		
Weighted average LIBOR.....	5.23%	5.86%
Borrowing spread.....	(.24)	(.24)
Weighted average borrowing rate.....	4.99%	5.62%

SECURITIZATION PROGRAM

During the first quarter of 1999, the Company did not enter into securitization transactions as Treasury bill rates, to which the Company's asset-backed securities are indexed, remained low relative to other market indices, and as a result financing spreads were still too wide to make such a transaction

favorable. Thus, the Company did not record any securitization gains in the first quarter of 1999, while an after-tax securitization gain of \$39 million or \$.22 diluted earnings per share was recognized in the first quarter of 1998 on the sale of \$3.0 billion of student loans.

SERVICING AND SECURITIZATION REVENUE

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

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
Servicing revenue less amortization of servicing asset.....	\$ 40	\$ 34
Securitization revenue.....	46	19
	---	---
Total servicing and securitization revenue.....	\$ 86	\$ 53
	---	---

In the first quarter of 1999, servicing and securitization revenue was 1.98 percent of average securitized loans versus 1.50 percent in the year ago quarter. The first quarter 1999 increase in servicing revenue versus the year ago quarter is mainly due to the \$3.3 billion increase in the average balance of securitized student loans to \$17.6 billion in 1999, from \$14.3 billion in 1998. The increase in securitization revenue is due to the increase in the average balance of the interest residual to \$719 million in the first quarter of 1999 from \$480 million in the first quarter of 1998, and to the decline in Treasury bill rates, which enhanced securitization revenue by \$20 million versus none in the first quarter of 1998. The Company's securitized loan portfolios benefit from declining Treasury bill rates in a manner similar to the on-balance sheet portfolio of student loans.

OTHER INCOME

Exclusive of gains on sales of student loans and servicing and securitization revenue, other income totaled \$21 million and \$22 million for the three months ended March 31, 1999 and 1998, respectively. The decrease in other income in 1999 versus 1998 can be attributed to lower servicing fees from the Company's joint venture with the Chase Manhattan Bank (the "Joint Venture") as the average balance of loans serviced decreased to \$2.7 billion in the first quarter of 1999 versus \$4.8 billion in the first quarter of 1998. The decline in Joint Venture loans serviced is due to the restructuring of the Joint Venture in the fourth quarter of 1998. Under the terms of the restructuring, the student loans will no longer be co-owned in the Joint Venture by the Company and Chase and serviced by the Company for a fee. Instead, the Company will purchase all loans originated by Chase. The \$5.0 billion of loans owned jointly by the Company and Chase in the Joint Venture at the time of the restructuring are being sold to the Company from the fourth quarter of 1998 through the second quarter of 1999. The decrease in other income from reduced servicing fees was partially offset by \$8 million in late fee revenues earned in the first quarter of 1999 versus none in the year-ago quarter as the Company began assessing late fees in the second half of 1998.

OPERATING EXPENSES

In the first quarter of 1999, total operating expenses were \$86 million versus \$91 million in the corresponding year-ago period or as a percentage of managed student loans .74 percent and .84 percent, respectively. The decrease in operating expenses in the first quarter of 1999 versus 1998 reflects lower servicing costs as a result of the closing of two satellite servicing centers in the second quarter of 1998 and the continuing servicing center reconfiguration program.

STUDENT LOAN PURCHASES

	THREE MONTHS ENDED,	
	MARCH 31, 1999	MARCH 31, 1998
ExportSS-Registered Trademark-, origination and servicing clients.....	\$ 2,247	\$ 1,427
Other commitment clients.....	277	350
Spot purchases.....	39	27
Consolidations.....	151	59
Other.....	246	233
Total.....	\$ 2,960	\$ 2,096

The increase in purchase volume in the first quarter of 1999 versus the year-ago quarter is mainly attributable to the purchase of \$1.0 billion of student loans that represented Chase's one-half interest in loans originally originated and funded in the Joint Venture through sales of participations (See "Other Income" for discussion of the restructuring of the Joint Venture). In the second quarter of 1999, the Company will acquire the remaining \$1.3 billion of participated Joint Venture loans, one-half of which will represent new ExportSS volume to the Company.

In the first quarter of 1999, \$1.7 billion of student loans were originated and transferred to the Company's ExportSS system, versus \$1.7 billion in the year ago quarter. The pipeline of loans currently serviced and committed for purchase by the Company was \$5.1 billion at March 31, 1999 versus \$4.1 billion at March 31, 1998. Included in the pipeline at March 31, 1999 were \$592 million of student loans in the Joint Venture that are currently owned by Chase and are committed for sale to the Company.

The Department of Education offers existing FFELP borrowers the opportunity to refinance FFELP loans into Federal Direct Student Loan Program ("FDSLPL") loans. During the first quarter of 1999 and 1998, approximately \$312 million and \$67 million, respectively, of the Company's managed student loans were accepted for refinancing into the FDSLPL. In the fourth quarter of 1998, the Company reinstated its loan consolidation program as a result of the Reauthorization Legislation signed in October 1998. See "Other Related Events and Information--Legislative Developments."

The following table summarizes the activity in the Company's managed portfolio of student loans for the three months ended March 31, 1999 and 1998.

	THREE MONTHS ENDED	
	MARCH 31,	
	1999	1998
BEGINNING BALANCE.....	\$ 46,192	\$ 43,547
Purchases.....	2,960	2,096
Capitalized interest on securitized loans.....	106	91
Repayments, claims, other.....	(1,298)	(1,437)
Loans consolidated from SLM Holding.....	(437)	(97)
Ending balance.....	\$ 47,523	\$ 44,200

PRO-FORMA STATEMENTS OF INCOME

Under GAAP, the Company's securitization transactions have been treated as sales. At the time of sale, in accordance with Statement of Financial Accounting Standards No. 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 assumptions that the securitization transactions are financings and that the securitized student loans were not sold. The following pro-forma statements of income present the Company's results of operations under those 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. Management refers to these pro-forma results as "cash basis" statements of income. Management monitors the periodic "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 "cash basis" statements of income and reconciliations to GAAP net income as reflected in the Company's consolidated statements of income.

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
"CASH BASIS" STATEMENTS OF INCOME:		
Insured student loans.....	\$ 852	\$ 845
Advances/Facilities/Investments.....	95	145
Total interest income.....	947	990
Interest expense.....	(692)	(752)
Net interest income.....	255	238
Less: provision for losses.....	12	13
Net interest income after provision for losses.....	243	225
OTHER INCOME:		
Gains on sales of student loans.....	--	--
Servicing and securitization revenue.....	--	--
Gains on sales of securities.....	--	2
Other.....	21	19
Total other income.....	21	21
Total operating expenses.....	86	91
Income before taxes and minority interest in earnings of subsidiary.....	178	155
"Cash basis" income taxes.....	56	48
Minority interest in earnings of subsidiary.....	3	3
"Cash basis" net income.....	\$ 119	\$ 104
"Cash basis" diluted earnings per share.....	\$.72	\$.60

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
RECONCILIATION OF GAAP NET INCOME TO "CASH BASIS" NET INCOME:		
GAAP net income.....	\$ 114	\$ 139
"Cash basis" adjustments:		
Gains on sales of student loans.....	--	(60)
Servicing and securitization revenue.....	(86)	(53)
Net interest income.....	97	63
Provision for losses.....	(4)	(3)
Total "cash basis" adjustments.....	7	(53)
Net tax effect (A).....	(2)	18
"Cash basis" net income.....	\$ 119	\$ 104

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

"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 those on-balance sheet and those off-balance sheet in securitization trusts. The line captioned "Adjusted student loan yields" reflects contractual student-loan yields adjusted for the amortization of premiums paid to purchase loan portfolios and the estimated costs of borrower benefits.

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
Adjusted student loan yields.....	7.56%	8.02%
Consolidated loan rebate fees.....	(.15)	(.16)
Offset fees.....	(.09)	(.07)
Student loan income.....	7.32	7.79
Cost of funds.....	(5.16)	(5.68)
Student loan spread.....	2.16%	2.11%
AVERAGE BALANCES		
Managed student loans.....	\$ 47,068	\$ 43,790

The Company 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, however, do not have minimum rates. As a result, in periods of declining interest rates, the portfolio of managed student loans may be earning at 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, declining 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 borrowers interest rates, which occurs on July 1 of each year. Assuming the decline in interest rates on the Company's floating rate debt exactly matched the decline in Treasury bill rates, then the effect of lower Treasury bill rates in the first quarter of

1999 on the Company's "cash basis" student loan spread was \$41 million net of payments on Floor Interest Contracts, of which, \$17 million is attributable to student loans with minimum borrower rates fixed to term and \$24 million is attributable to student loans whose minimum borrower rate adjusts annually on July 1.

The increase in the first quarter of 1999 "cash basis" student loan spread versus the year ago quarter is mainly due to the lower Treasury bill rates in 1999 which resulted in an increase of \$29 million earned from loans earning at the minimum borrower rate. This was offset by the increase in financing spreads, relative to the Treasury bill in 1999 versus 1998, resulting in higher financing costs of \$26 million. The increase in financing costs was due to wider on-balance sheet financing and to the higher percentage of student loan portfolios being funded by the Company's asset-backed securities. The Company's asset-backed securities have a higher cost of funds than the Company's GSE debt because they are term match-funded and do not benefit from the GSE's government-sponsored status. The higher funding costs on the Company's asset-backed securities is somewhat mitigated by the absence of offset fees on securitized loans.

For the three months ended March 31, 1999 and 1998, the amortization of the upfront payments received from the sale of Floor Interest Contracts with annually reset borrower rates was \$10 million and \$5 million, respectively. At March 31, 1999, the unamortized balance of upfront payments received from the sale of Floor Interest Contracts totaled \$44 million, of which \$34 million related to fixed borrower rate contracts and \$10 million related to the annually reset borrower rate contracts.

In the first quarter of 1999, "cash basis" net interest income was \$255 million compared with \$238 million in the year-ago quarter. The increase in net interest income earned in the first quarter of 1999 versus the year ago quarter was due to the increase in the student loan spread discussed above and to the increase in the average balance of managed student loans.

FEDERAL AND STATE TAXES

The Company maintains a portfolio of tax-advantaged assets principally to support education-related financing activities. That portfolio was primarily responsible for the decrease in the effective federal income tax rate from the statutory rate of 35 percent to 31.64 percent and 32.08 percent for the three months ended March 31, 1999 and 1998, respectively. The GSE is exempt from all state, local and District of Columbia income, franchise, sales and use, personal property and other taxes, except for real property taxes. However, this tax exemption applies only to the GSE and does not apply to SLM Holding or its other operating subsidiaries, that are subject to taxation at the state and local level. State taxes were immaterial in the three months ended March 31, 1999 and 1998 as the majority of the Company's business activities were conducted in the GSE.

LIQUIDITY AND CAPITAL RESOURCES

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

The Company's unsecured financing requirements are driven by three principal factors: refinancing of existing liabilities as they mature; financing of student loan portfolio growth and the Company's level of securitization activity. As discussed under "Securitization Program," turmoil in the global financial markets has caused financing spreads in the asset-backed market to widen. Until market conditions improve, management intends to continue to finance its student loan portfolio through unsecured GSE debt issuances. The uncertainty in the financial markets has also caused funding spreads on the Company's unsecured debt to widen. Management believes that the current adverse spread environment is temporary so to mitigate its effect on the Company's cost of funds, the Company has been meeting its funding needs

through short term financings. Should these market conditions persist over an extended period of time, the increased cost of the Company's funding could have a material adverse effect on the Company's earnings.

During the three months ended March 31, 1999, the Company used repayments and claim payments on student loans of \$1.0 billion, net proceeds from the issuance of debt of \$1.4 billion, and net proceeds from sale or maturity of investments of \$211 million to purchase student loans of \$3.0 billion and to repurchase \$62 million of the Company's common stock.

Operating activities provided \$482 million of cash in the three months ended March 31, 1999, an increase in cash flow of \$318 million from the net cash inflows of \$164 million in the corresponding period in the prior year. This increase was mainly attributable to the increase in other liabilities caused by the timing of payments in the first three months of 1999, partially offset by the increase in the interest residual asset as a result of the securitizations in 1998.

During the three months ended March 31, 1999, the GSE issued \$5.1 billion of long-term notes to refund maturing obligations. At March 31, 1999, the GSE had \$5.6 billion of outstanding long-term debt issues, of which \$2.4 billion had stated maturities that could be accelerated through call provisions. The GSE uses interest rate and foreign currency swaps (collateralized where appropriate), purchases of U.S. Treasury securities and other hedging techniques to reduce the exposure to interest rate and currency fluctuations that arise from its financing activities and to match the characteristics of its variable interest rate earning assets. See "Interest Rate Risk Management."

At March 31, 1999, the GSE's statutory capital adequacy ratio, after the effect of the dividends to be paid in the second quarter of 1999, was 2.00 percent. The Privatization Act prohibits the GSE from issuing new debt obligations that mature beyond September 30, 2008 and requires the GSE to transfer any remaining GSE obligations into a defeasance trust for the benefit of the holders of such obligations, along with cash or full-faith and credit obligations of the United States, or an agency thereof, in amounts sufficient, as determined by the Secretary of the Treasury, to pay the principal and interest of the deposited obligations on or before that date.

INTEREST RATE RISK MANAGEMENT

INTEREST RATE GAP ANALYSIS

The Company's principal objective in financing its operations is to minimize its sensitivity to changing interest rates by matching the interest rate characteristics of its borrowings to specific assets in order to lock in spreads. The Company's asset-backed securities generally match the interest rate characteristics of the majority of the student loans in the trusts by being indexed to the 91-day Treasury bill.

In the following table, 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, 1999 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.....	\$ 30,235	\$ --	\$ --	\$ --	\$ --	\$ --
Warehousing advances.....	1,507	17	--	--	1	16
Academic facilities financings.....	26	7	38	51	387	649
Cash and investments.....	1,974	21	40	29	37	1,793
Other assets.....	30	35	70	136	261	1,477
Total assets.....	33,772	80	148	216	686	3,935
LIABILITIES AND STOCKHOLDERS' EQUITY						
Short-term borrowings.....	25,795	2,055	3,356	--	--	--
Long-term notes.....	2,053	122	--	2,664	265	453
Other liabilities.....	--	--	--	--	--	1,200
Minority interest in subsidiary.....	--	--	--	--	--	214
Stockholders' equity.....	--	--	--	--	--	660
Total liabilities and stockholders' equity.....	27,848	2,177	3,356	2,664	265	2,527
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS						
Interest rate swaps.....	(7,079)	2,172	3,611	2,359	50	(1,113)
Total off-balance sheet financial instruments.....	(7,079)	2,172	3,611	2,359	50	(1,113)
Period gap.....	\$ (1,155)	\$ 75	\$ 403	\$ (89)	\$ 471	\$ 295
Cumulative gap.....	\$ (1,155)	\$ (1,080)	\$ (677)	\$ (766)	\$ (295)	\$ --
Ratio of interest-sensitive assets to interest-sensitive liabilities.....	121.2%	2.1%	2.3%	3.0%	160.4%	542.6%
Ratio of cumulative gap to total assets.....	3.0%	2.8%	1.7%	2.0%	.8%	--%

INTEREST RATE SENSITIVITY ANALYSIS

The effect of short-term movements in interest rates on the Company's results of operations and financial position has been limited through the Company's risk management activities. The Company performed a sensitivity analysis to determine the effect of a hypothetical increase in market interest rates of 10 percent on the Company's variable rate assets and liabilities and a hypothetical 10 percent increase in spreads to their underlying index. Based on this analysis there has not been a material change in market risk from December 31, 1998 as reported in Company's Form 10-K.

AVERAGE TERMS TO MATURITY

The following table reflects the average terms to maturity for the Company's earning assets and liabilities at March 31, 1999 (in years):

	ON- BALANCE SHEET	OFF- BALANCE SHEET	MANAGED
	-----	-----	-----
EARNING ASSETS			
Student loans.....	7.0	4.5	6.0
Warehousing advances.....	4.0	--	4.0
Academic facilities financings.....	8.0	--	8.0
Cash and investments.....	7.0	--	7.0
	--	--	--
Total earning assets.....	7.0	4.5	6.0
	--	--	--
BORROWINGS			
Short-term borrowings.....	.5	--	.5
Long-term borrowings.....	4.0	4.5	4.5
	--	--	--
Total borrowings.....	1.0	4.5	2.0
	--	--	--

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

COMMON STOCK

The Company continued to reduce its investment portfolio and to reduce the portfolio of other non-student loan earning assets using the released capital to repurchase the Company's common stock. The Company repurchased 1.6 million shares of common stock during the first quarter, lowering outstanding shares to 163 million at March 31, 1999. The Company continued to supplement its open market common stock purchases during the quarter by entering into equity forward contracts to purchase 1.5 million shares of common stock. At March 31, 1999, the total common shares that could potentially be acquired over the next five years under outstanding equity forward contracts was 20.6 million, and the Company has remaining authority to enter into additional share repurchases and equity forward contracts for 11.1 million shares.

The following table summarizes the Company's common share repurchase and equity-forward activity for the three months ended March 31, 1999 and 1998. (All amounts in the tables are common shares in millions.)

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
Common shares repurchased:		
Open market.....	.2	3.3
Equity forwards.....	1.4	.4
Total shares repurchased.....	1.6	3.7
Average purchase price per share.....	\$ 39.25	\$ 42.46
Equity forward contracts:		
Outstanding at beginning of period.....	20.5	7.0
New contracts.....	1.5	7.5
Exercises.....	(1.4)	(.4)
Outstanding at end of period.....	20.6	14.1
Board of director authority remaining at end of period.....	11.1	15.5

As of March 31, 1999, the expiration dates and range of purchase prices for outstanding equity forward contracts are as follows:

YEAR OF MATURITY	MARCH 31, 1999	
	OUTSTANDING CONTRACTS	RANGE OF MARKET PRICES
1999.....	3.9	\$39.03-\$42.20
2000.....	4.0	41.01- 46.13
2001.....	8.7	32.11- 46.68
2002.....	2.0	46.23
2003.....	2.0	41.20
Total.....	20.6	

OTHER RELATED EVENTS AND INFORMATION

LEGISLATIVE DEVELOPMENTS

On October 7, 1998, the President signed into law the Higher Education Amendments of 1998, legislation that reauthorizes federal higher education programs for a six-year period (the "Reauthorization Legislation"). The Reauthorization Legislation lowers both the borrower interest rate on Stafford loans to a formula based on the 91-day Treasury bill rate plus 2.3 percent (1.7 percent during in-school and grace periods) and the lender's rate after special allowance payments to the 91-day Treasury bill rate plus 2.8 percent (2.2 percent during in-school and grace periods) for loans originated on or after October 1, 1998 and before July 1, 2003. The borrower interest rate on PLUS loans originated during this period will be equal to the 91-day Treasury bill rate plus 3.1 percent. Special allowance payments are also based on the 91-day Treasury bill rate plus 3.1 percent. These rate reductions were first introduced on an interim basis in temporary student loan legislation enacted into law on June 9, 1998 and effective for loans originated from July 1, 1998 through September 30, 1998. As a result of these earlier rate reductions, the Company renegotiated certain contract provisions with some lenders, including, principally, price and/or settlement timing provisions, under the student loan forward purchase commitments it has entered into with some of

its lenders and is currently engaged in renegotiating these same contract provisions with other lenders. However, there can be no assurance that as a result of such renegotiations the Company will realize the same overall return under any such renegotiated commitment contracts with respect to student loans originated after July 1, 1998, as it has under the prior legislation with respect to the loans whose first disbursements occurred before July 1, 1998.

The Reauthorization Legislation maintains interest rates for borrowers of Federal Direct Consolidation Loans whose applications for such loans were received prior to February 1, 1999 at 7.46 percent (6.86 percent during in-school and grace periods), which rates are adjusted annually based on a formula equal to the 91-day Treasury bill rate plus 2.3 percent (1.7 percent during in-school and grace periods). The Reauthorization Legislation states that the borrower interest rates on Federal Direct Consolidation Loans for borrowers whose applications are received on or after February 1, 1999 and before July 1, 2003 is to be a fixed rate equal to the lesser of the weighted average of the interest rates of the loans consolidated, adjusted up to the nearest one eighth of one percent, and 8.25%. This is the same rate which the Reauthorization Legislation sets on FFELP consolidation loans for borrowers whose applications are received on or after October 1, 1998 and before July 31, 2003. The Reauthorization Legislation sets the special allowance payment rate for FFELP consolidation loans at the 91-day Treasury bill rate plus 3.1 percent. The annual fee paid by lenders on FFELP consolidation loans is reduced under the Reauthorization Legislation from 1.05 percent to .62 percent of the principal plus accrued unpaid interest on any such consolidation loans, applications for which are received on or after October 1, 1998 and before February 1, 1999. As a result of the Reauthorization Legislation, the Company announced in the fourth quarter of 1998 that it will once again offer student loan borrowers the SMART LOAN-Registered Trademark- consolidation program, which it suspended in the fourth quarter of 1997. The availability of the comparatively lower borrower interest rates (at least prior to subsequent annual rate adjustments) on Federal Direct Consolidation Loans requested on or before January 31, 1999 may increase the likelihood that a FFELP student loan managed by the Company will be prepaid from the proceeds of such loans during such four-month period. The Company believes, however, that the likelihood of any such prepayment may be mitigated by the cost savings that borrowers may realize over Federal Direct Consolidation Loans under certain circumstances by enrolling in the Company's SMART REWARDS-Registered Trademark- program and Direct Repay Plan during such four month period. The Company anticipates the prepayment of loans resulting from the temporary lower borrower interest rates in the FDSL consolidation program will be completed in the third quarter of 1999.

As part of legislation reauthorizing various health profession education programs, the insurance on existing loans originated under the Health Education Assistance Loan ("HEAL") program was reduced from 100 percent to 98 percent of the unpaid principal balance plus accrued interest, unless the servicer of the HEAL loan qualifies as an "exceptional performer," in which case claims would continue to be paid at the 100 percent level. Management does not expect that the insurance reduction will have a material impact on the Company's future financial results or condition.

ADMINISTRATION'S FY 2000 BUDGET PROPOSAL

On February 1, 1999 President Clinton submitted his Fiscal Year 2000 budget proposal to Congress. The budget proposes significant savings from the student loan programs, principally from the FFELP. Among the proposals for student loans are the following:

- Reinstatement of a lower rate for new Federal Direct Consolidation Loans. This variable rate (the 91-day Treasury bill rate plus 2.3 during repayment and 1.7% during in-school and grace periods) would apply for borrowers whose applications are received before September 30, 2000. The budget proposals would also lower the annual fee paid by lenders on FFELP consolidation loans made during the same period from 1.05 percent to .62 percent of the principal plus accrued unpaid interest;

- Creation of a 90-day period during which interest on a highly delinquent FFELP loan does not accrue. The Reauthorization Legislation extended the period before lenders can submit default claims from 180 days to 270 days; the budget proposes to eliminate interest accrual during this extended period;
- Reduction by 30 basis points of special allowance payments on FFELP loans funded with tax exempt securities; and
- Implementation of additional Guarantor reforms, including the acceleration of recall of Guarantor reserves mandated by the Reauthorization Legislation, recall of an additional \$1.5 billion in reserves, the reduction of the Guarantor retention rate on payments on defaulted loans to 18.5 percent, the reduction in the share of the remaining amount that Guarantors may retain, and an expansion of the use of voluntary flexible agreements authorized by the Reauthorization Legislation.

Budget resolutions for the FY 2000 budget passed by both houses of Congress did not include any of these proposals.

YEAR 2000 ISSUE

The "Year 2000 issue" refers to a wide variety of potential computer program processing and functionality issues that may arise from the inability of computer programs to properly process date-sensitive information relating to the Year 2000, years thereafter and to a lesser degree the Year 1999.

THE COMPANY'S STATE OF READINESS

During 1996, the Company commenced a Year 2000 readiness project to assess and remediate its internal software and hardware systems to avoid or mitigate Year 2000 problems and to evaluate Year 2000 problems that may arise from entities with which the Company interacts. In 1997, a comprehensive project structure was implemented and a Year 2000 project team was formed. The Year 2000 project team briefs senior executives of the Company and the Company's board of directors on the progress of the Year 2000 effort. The Company's Year 2000 readiness project encompasses the Company's information technology (IT) systems, as well as its non-IT systems, such as systems embedded in its office equipment and facilities. The Company has completed the assessment of its internal software and hardware. On December 31, 1998, the Company achieved Year 2000 readiness for all Sallie Mae internal applications that were scheduled to be completed by 1998. With the completion of this critical milestone, the corporation is directing its attention to 1999 project objectives. These objectives include the completion of 1999 inventory. The 1999 inventory includes those vendor supplied applications whose readiness date did not align with the Company's December 31, 1998 readiness date, new software/hardware purchased in 1999 and new internally developed products, such as Laureate. These vendor products will be upgraded upon the vendor distribution of any Year 2000 ready release in 1999, or, if no such release is issued, replaced with a Year 2000 ready alternative. Additional objectives include Year 2000 readiness testing with our external business partners and the development of Year 2000 contingency and business continuity plans.

The Company's Year 2000 readiness project is divided into five phases: Awareness, Assessment, Remediation, Testing and Implementation. The Awareness phase, which is 100 percent complete, involved the dissemination of Year 2000 information throughout the Company and the education of all levels of management about Year 2000 issues and their potential impact on the Company's operation. The Assessment phase, which is also 100 percent complete, involved a comprehensive inventory of and the determination of the requirements for fixes, upgrades and replacements for all hardware, application software, embedded systems (e.g., the microcontrollers in the Company's elevators) and desktop applications. The Remediation phase, the Year 2000 project phase where hardware, systems and applications are fixed, upgraded or replaced to be Year 2000 ready, is 100 percent complete for applications scheduled to complete in 1998. Testing, the phase in which Year 2000 remediation is validated, is also 100 percent

complete for all applications scheduled to complete in 1998. As part of this testing effort, the Company staged a Year 2000 disaster recovery exercise in August 1998. Finally, production installations have been completed for all of the Company's core applications.

While the phases described above have been completed, during 1999 the Company intends to continue to disseminate information throughout the corporation regarding Year 2000 issues; to monitor its inventory and update as required; and to remediate and test all applications in the 1999 inventory.

The following describes the Company's state of readiness with respect to the IT systems that support the Company's core business-loan delivery and acquisition and loan servicing:

- CLASS-SM-, the Company's Consolidated Loan Administration and Servicing System, is the system that services the Company's managed student loans and the student loan portfolios of our ExportSS-Registered Trademark- and TransportSS-SM-clients. In July 1998, remediation of CLASS was completed and it was installed into production. A second, full round of comprehensive functional testing and integration testing of all internal application interfaces with CLASS was completed in December 1998. Testing of external interfaces is scheduled to be completed in 1999.
- SALLIENET, the Company's translation and communication system used to electronically exchange data with our customers, completed remediation in September 1998 and was installed into production in October 1998. SallieNet successfully completed integration testing with CLASS in December 1998.
- PORTSS-REGISTERED TRADEMARK- III, the Company's PC-based system used by lenders to originate loans, was developed in 1997 to be Year 2000 ready. Minor remediation was completed on PortSS III in mid-October 1998. Integration testing is complete and a Year 2000 ready version of the software has been distributed to our customers.
- LINESS-SM-, the Company's PC-based product used by colleges and universities to process financial aid loan application information, was developed in 1993 to be Year 2000 ready. The LineSS disbursement component used to transmit disbursement roster information from Sallie Mae's CLASS system to the college or university, was developed in 1995 to be Year 2000 ready. LineSS utilizes the industry approved CommonLine-SM- formats for all communications. Minor remediation on LineSS was completed in mid-October 1998. Integration testing is complete and a Year 2000 ready version of the software has been distributed to our customers.
- IMDOC-REGISTERED TRADEMARK-, the Company's document imaging system, has completed remediation and functional testing and successfully completed integration testing with CLASS in December 1998.

In addition, certain significant financial and administrative systems, including the Company's payroll and human resources, debt accounting, investment management and financial accounting and control systems have all completed remediation and have successfully completed integration testing with other internal systems.

The Company's non-IT systems principally support the Company's facilities and telecommunications. As of October 1998, all of the Company's headquarters core facilities systems, including elevators, internal security and fire alarms, were determined to be Year 2000 ready in accordance with the procedures established by the Company to make such a determination. The Company completed Year 2000 readiness testing of its Lucent telecommunications components in December 1998. In addition, the Company is working closely with all of its utility providers to make a reasonable assessment of the Company's potential exposure to any failure on their part to resolve their Year 2000 issues. Although the Company's Reston, Virginia headquarters building is equipped with five emergency powered generators designed to back up building power without refueling for a period of two weeks, there can be no assurance that such back-up systems will adequately insulate the Company from any business interruptions caused by any widespread power outages or power outages in any service area where its loan servicing centers are located.

The Company has surveyed its third party service providers and business partners and is currently reviewing these surveys. In addition to requesting readiness information, the Company has tested all third-party developed software that the vendor claimed was Year 2000 ready, to confirm compliance or determine the potential impact of noncompliance. In addition, the Company plans to work with select third party service providers and business partners to ascertain their current Year 2000 compliance status and to coordinate testing efforts throughout 1999. The Company's testing strategy is in final stages of approval. Testing with key business partners is scheduled to begin in May 1999. There can be no assurance that the computer systems of other companies or counterparties on which the Company relies will be Year 2000 ready on a timely basis, or that a failure to resolve Year 2000 issues by another party, or remediation or conversion that is incompatible with the Company's computer systems, will not have a material adverse effect on the Company.

THE RISKS OF THE COMPANY'S YEAR 2000 ISSUES

Generally, the failure by the Company or any of its significant third-party service providers or business partners to resolve a material Year 2000 issue could result in the interruption in, or a failure of, certain normal business activities or operations such as servicing loans or processing payments. Such failures could materially and adversely affect the Company's liquidity and/or results of operations. For example, the Company submits claims for payment, including special allowance payments and interest subsidy payments, directly to the U.S. Department of Education (the "DOE"). To the extent that the DOE is unable to timely process the payments because of its failure to remediate its Year 2000 problem, the Company's liquidity could be adversely affected, possibly to a material extent. In addition, the Company submits claims to various state or private nonprofit guarantee agencies for payment of all or a portion of the unpaid principal balance on loans plus accrued interest if a borrower defaults on a student loan and in certain other circumstances such as the death, permanent or total disability of or the filing for bankruptcy by the borrower. The Company has surveyed each of the guarantee agencies and continues to make follow-up telephone inquiries to determine the level of their Year 2000 compliance and the potential impact of noncompliance. To the extent that any of the larger guarantee agencies are unable to timely process the payments because of its failure to remediate its Year 2000 problem, the Company's liquidity could be adversely affected, possibly to a material extent.

THE COSTS TO ADDRESS THE COMPANY'S YEAR 2000 ISSUES

Costs to modify computer systems have been, and will continue to be, expensed as incurred and are not expected to have a material impact on the Company's future financial results or condition. The Company spent approximately \$2 million in 1997, \$8 million in 1998 and expects to spend approximately \$2 million in 1999 on this project. In addition, Year 2000 readiness has been addressed and accounted for as part of the costs of routine systems development and modification. Moreover, there can be no guarantee that these estimates will be achieved, and actual results could differ materially from these estimates. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes and similar uncertainties.

THE COMPANY'S CONTINGENCY PLANS

The Company has developed high level contingency plans for its core applications and will refine these plans in 1999. In addition, the Company intends to commit resources in 1999 to evaluate and prepare contingency plans for systems and operations viewed as vulnerable to Year 2000-related interruptions. The business process and system inventories have been identified. Contingency plans are required for all mission critical processes and systems. The target completion dates for these plans is July 1999. There can be no assurance that the Company's remediation efforts and contingency plans will be sufficient to avoid unforeseen business disruptions or other problems resulting from the Year 2000 issue.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Nothing to report.

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

27 Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed with the Securities and Exchange Commission during the Quarter ended March 31, 1999.

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 HOLDING CORPORATION
(Registrant)

/s/ MARK G. OVEREND

Mark G. Overend
Senior Vice President &
Chief Financial Officer
(Principal Financial and Accounting
Officer and Duly Authorized Officer)

Date: May 14, 1999

3-MOS
MAR-31-1999
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MAR-31-1999
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