

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, 2020

or

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

For the transition period from                      to  
Commission File Number: 001-13251

**SLM Corporation**  
(Exact name of registrant as specified in its charter)

Delaware <small>(State or other jurisdiction of incorporation or organization)</small>	52-2013874 <small>(I.R.S. Employer Identification No.)</small>
300 Continental Drive <small>(Address of principal executive offices)</small>	Newark, Delaware 19713 <small>(Zip Code)</small>

(302) 451-0200  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$.20 per share	SLM	The NASDAQ Global Select Market
Floating Rate Non-Cumulative Preferred Stock, Series B, par value \$.20 per share	SLMBP	The NASDAQ Global Select Market

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 by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>		Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>			

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of March 31, 2020, there were 375,088,960 shares of common stock outstanding.

**SLM CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**INDEX**

**Part I. Financial Information**

Item 1.	<a href="#"><u>Financial Statements</u></a>	<a href="#"><u>3</u></a>
Item 1.	<a href="#"><u>Notes to the Financial Statements</u></a>	<a href="#"><u>10</u></a>
Item 2.	<a href="#"><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></a>	<a href="#"><u>58</u></a>
Item 3.	<a href="#"><u>Quantitative and Qualitative Disclosures about Market Risk</u></a>	<a href="#"><u>96</u></a>
Item 4.	<a href="#"><u>Controls and Procedures</u></a>	<a href="#"><u>100</u></a>

**PART II. Other Information**

Item 1.	<a href="#"><u>Legal Proceedings</u></a>	<a href="#"><u>101</u></a>
Item 1A.	<a href="#"><u>Risk Factors</u></a>	<a href="#"><u>102</u></a>
Item 2.	<a href="#"><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></a>	<a href="#"><u>103</u></a>
Item 3.	<a href="#"><u>Defaults Upon Senior Securities</u></a>	<a href="#"><u>103</u></a>
Item 4.	<a href="#"><u>Mine Safety Disclosures</u></a>	<a href="#"><u>103</u></a>
Item 5.	<a href="#"><u>Other Information</u></a>	<a href="#"><u>104</u></a>
Item 6.	<a href="#"><u>Exhibits</u></a>	<a href="#"><u>104</u></a>

**SLM CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share amounts)  
(Unaudited)

	March 31, 2020	December 31, 2019
<b>Assets</b>		
Cash and cash equivalents	\$ 7,292,929	\$ 5,563,877
Investments:		
Trading investments at fair value (cost of \$12,551)	11,360	—
Available-for-sale investments at fair value (cost of \$607,867 and \$485,756, respectively)	614,582	487,669
Other investments	82,853	84,420
Total investments	708,795	572,089
Loans held for investment (net of allowance for losses of \$1,673,324 and \$441,912, respectively)	21,695,851	24,667,792
Restricted cash	189,439	156,883
Other interest-earning assets	92,968	52,564
Accrued interest receivable	1,281,746	1,392,725
Premises and equipment, net	143,622	134,749
Income taxes receivable, net	286,006	88,844
Tax indemnification receivable	27,727	27,558
Other assets	41,812	29,398
Total assets	\$ 31,760,895	\$ 32,686,479
<b>Liabilities</b>		
Deposits	\$ 24,445,614	\$ 24,283,983
Short-term borrowings	—	289,230
Long-term borrowings	4,708,036	4,354,037
Upromise member accounts	187,103	192,662
Other liabilities	299,559	254,731
Total liabilities	29,640,312	29,374,643
<b>Commitments and contingencies</b>		
<b>Equity</b>		
Preferred stock, par value \$0.20 per share, 20 million shares authorized:		
Series B: 4 million and 4 million shares issued, respectively, at stated value of \$100 per share	400,000	400,000
Common stock, par value \$0.20 per share, 1.125 billion shares authorized: 456.4 million and 453.6 million shares issued, respectively	91,288	90,720
Additional paid-in capital	1,226,886	1,307,630
Accumulated other comprehensive income (loss) (net of tax expense (benefit) of (\$13,979) and (\$3,995), respectively)	(43,274)	(12,367)
Retained earnings	1,243,722	1,850,512
Total SLM Corporation stockholders' equity before treasury stock	2,918,622	3,636,495
Less: Common stock held in treasury at cost: 81.3 million and 32.5 million shares, respectively	(798,039)	(324,659)
Total equity	2,120,583	3,311,836
Total liabilities and equity	\$ 31,760,895	\$ 32,686,479

See accompanying notes to consolidated financial statements.

**SLM CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands, except per share amounts)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Interest income:</b>		
Loans	\$ 555,277	\$ 553,479
Investments	2,517	1,421
Cash and cash equivalents	17,139	11,553
Total interest income	574,933	566,453
<b>Interest expense:</b>		
Deposits	135,112	125,987
Interest expense on short-term borrowings	4,217	1,165
Interest expense on long-term borrowings	35,488	37,020
Total interest expense	174,817	164,172
Net interest income	400,116	402,281
Less: provisions for credit losses	61,258	63,790
Net interest income after provisions for credit losses	338,858	338,491
<b>Non-interest income:</b>		
Gains on sales of loans, net	238,935	—
Gains on derivatives and hedging activities, net	45,672	2,763
Other income	7,487	13,378
Total non-interest income	292,094	16,141
<b>Non-interest expenses:</b>		
Compensation and benefits	84,222	78,738
FDIC assessment fees	8,890	7,618
Other operating expenses	54,186	53,791
Total non-interest expenses	147,298	140,147
Income before income tax expense	483,654	214,485
Income tax expense	121,481	56,296
<b>Net income</b>	362,173	158,189
Preferred stock dividends	3,464	4,468
Net income attributable to SLM Corporation common stock	\$ 358,709	\$ 153,721
Basic earnings per common share attributable to SLM Corporation	\$ 0.88	\$ 0.35
Average common shares outstanding	409,786	434,574
Diluted earnings per common share attributable to SLM Corporation	\$ 0.87	\$ 0.35
Average common and common equivalent shares outstanding	412,755	438,248
Declared dividends per common share attributable to SLM Corporation	\$ 0.03	\$ 0.03

See accompanying notes to consolidated financial statements.

**SLM CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In thousands)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
Net income	\$ 362,173	\$ 158,189
Other comprehensive income (loss):		
Unrealized gains (losses) on investments	4,803	2,938
Unrealized gains (losses) on cash flow hedges	(45,694)	(14,117)
Total unrealized gains (losses)	(40,891)	(11,179)
Income tax benefit (expense)	9,984	2,733
Other comprehensive income (loss), net of tax benefit (expense)	(30,907)	(8,446)
Total comprehensive income	<u>\$ 331,266</u>	<u>\$ 149,743</u>

See accompanying notes to consolidated financial statements.

**SLM CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In thousands, except share and per share amounts)  
(Unaudited)

	Common Stock Shares				Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Equity
	Preferred Stock Shares	Issued	Treasury	Outstanding							
Balance at December 31, 2018	4,000,000	449,856,221	(14,174,733)	435,681,488	\$ 400,000	\$ 89,972	\$ 1,274,635	\$ 10,623	\$ 1,340,017	\$ (142,591)	\$ 2,972,656
Net income	—	—	—	—	—	—	—	—	158,189	—	158,189
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(8,446)	—	—	(8,446)
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	149,743
Cash dividends:											
Common stock (\$0.03 per share)	—	—	—	—	—	—	—	—	(13,020)	—	(13,020)
Preferred Stock, Series B (\$1.12 per share)	—	—	—	—	—	—	—	—	(4,468)	—	(4,468)
Issuance of common shares	—	3,470,664	—	3,470,664	—	694	2,157	—	—	—	2,851
Stock-based compensation expense	—	—	—	—	—	—	13,891	—	—	—	13,891
Common stock repurchased	—	—	(5,435,476)	(5,435,476)	—	—	—	—	—	(60,000)	(60,000)
Shares repurchased related to employee stock-based compensation plans	—	—	(1,289,391)	(1,289,391)	—	—	—	—	—	(14,119)	(14,119)
Balance at March 31, 2019	4,000,000	453,326,885	(20,899,600)	432,427,285	\$ 400,000	\$ 90,666	\$ 1,290,683	\$ 2,177	\$ 1,480,718	\$ (216,710)	\$ 3,047,534

See accompanying notes to consolidated financial statements.

**SLM CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In thousands, except share and per share amounts)  
(Unaudited)

	Preferred Stock Shares	Common Stock Shares			Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
		Issued	Treasury	Outstanding							
Balance at December 31, 2019	4,000,000	453,599,926	(32,506,562)	421,093,364	\$ 400,000	\$ 90,720	\$ 1,307,630	\$ (12,367)	\$ 1,850,512	\$ (324,659)	\$ 3,311,836
Net income	—	—	—	—	—	—	—	—	362,173	—	362,173
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(30,907)	—	—	(30,907)
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	331,266
Cumulative adjustment for the adoption of ASU No. 2016-13 (CECL)	—	—	—	—	—	—	—	—	(952,639)	—	(952,639)
Cash dividends:											
Common Stock (\$0.03 per share)	—	—	—	—	—	—	—	—	(12,595)	—	(12,595)
Preferred Stock, Series B (\$0.87 per share)	—	—	—	—	—	—	—	—	(3,464)	—	(3,464)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	265	—	(265)	—	—
Issuance of common shares	—	2,837,562	—	2,837,562	—	568	2,304	—	—	—	2,872
Stock-based compensation expense	—	—	—	—	—	—	13,610	—	—	—	13,610
Common stock repurchased	—	—	(47,736,847)	(47,736,847)	—	—	(96,923)	—	—	(461,244)	(558,167)
Shares repurchased related to employee stock-based compensation plans	—	—	(1,105,119)	(1,105,119)	—	—	—	—	—	(12,136)	(12,136)
Balance at March 31, 2020	4,000,000	456,437,488	(81,348,528)	375,088,960	\$ 400,000	\$ 91,288	\$ 1,226,886	\$ (43,274)	\$ 1,243,722	\$ (798,039)	\$ 2,120,583

See accompanying notes to consolidated financial statements.

**SLM CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Net income	\$ 362,173	\$ 158,189
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provisions for credit losses	61,258	63,790
Income tax expense	121,481	56,296
Amortization of brokered deposit placement fee	5,193	3,555
Amortization of Secured Borrowing Facility upfront fee	526	277
Amortization of deferred loan origination costs and loan premium/(discounts), net	12,241	3,184
Net amortization of discount on investments	610	189
Unrealized loss on investments	1,191	—
Increase in tax indemnification receivable	(169)	(3,917)
Depreciation of premises and equipment	3,855	3,586
Stock-based compensation expense	13,610	13,891
Unrealized gains on derivatives and hedging activities, net	(43,195)	(4,027)
Gains on sales of loans, net	(238,935)	—
Other adjustments to net income, net	1,574	1,918
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(236,282)	(239,180)
Increase in other interest-earning assets	(40,404)	(4,764)
Increase in other assets	(32,874)	(681)
Decrease in income taxes payable, net	(710)	(3,947)
Increase in accrued interest payable	18,610	7,405
Increase (decrease) in other liabilities	134,661	(39,049)
Total adjustments	(217,759)	(141,474)
Total net cash provided by operating activities	144,414	16,715
<b>Investing activities</b>		
Loans acquired and originated	(2,310,173)	(2,253,624)
Net proceeds from sales of loans held for investment	3,283,408	—
Proceeds from claim payments	11,314	11,587
Net decrease in loans held for investment	1,177,589	1,077,273
Purchases of available-for-sale securities	(62,752)	(33,483)
Proceeds from sales and maturities of available-for-sale securities	18,836	4,570
Total net cash provided by (used in) investing activities	2,118,222	(1,193,677)
<b>Financing activities</b>		
Brokered deposit placement fee	(1,762)	(1,498)
Net increase in certificates of deposit	69,971	404,121
Net increase (decrease) in other deposits	(55,044)	290,631
Borrowings collateralized by loans in securitization trusts - issued	633,532	451,128
Borrowings collateralized by loans in securitization trusts - repaid	(281,086)	(260,953)
Repayment of borrowings under Secured Borrowing Facility	(289,230)	—
Fees paid on Secured Borrowing Facility	(3,183)	(1,065)
Common stock dividends paid	(12,595)	(13,020)
Preferred stock dividends paid	(3,464)	(4,468)
Common stock repurchased	(558,167)	(60,000)
Net cash provided by (used in) financing activities	(501,028)	804,876
Net increase (decrease) in cash, cash equivalents and restricted cash	1,761,608	(372,086)
Cash, cash equivalents and restricted cash at beginning of period	5,720,760	2,681,895
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 7,482,368</b>	<b>\$ 2,309,809</b>

Cash disbursements made for:		
Interest	\$ 151,017	\$ 147,235
Income taxes paid	\$ 3,630	\$ 3,700
Income taxes refunded	\$ (2,890)	\$ (41)
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets:		
Cash and cash equivalents	\$ 7,292,929	\$ 2,156,257
Restricted cash	189,439	153,552
Total cash, cash equivalents and restricted cash	\$ 7,482,368	\$ 2,309,809

See accompanying notes to consolidated financial statements.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands, unless otherwise noted)**

**1. Significant Accounting Policies**

***Basis of Presentation***

The accompanying unaudited, consolidated financial statements of SLM Corporation (“Sallie Mae,” “SLM,” the “Company,” “we,” or “us”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all the information and footnotes required by GAAP for complete consolidated financial statements. The consolidated financial statements include the accounts of SLM Corporation and its majority-owned and controlled subsidiaries after eliminating the effects of intercompany accounts and transactions. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three months ended March 31, 2020 are not necessarily indicative of the results for the year ending December 31, 2020 or for any other period. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2019 (the “2019 Form 10-K”).

***Consolidation***

The consolidated financial statements include the accounts of the Company and its majority-owned and controlled subsidiaries after eliminating the effects of intercompany accounts and transactions.

We consolidate any variable interest entity (“VIE”) where we have determined we are the primary beneficiary. The primary beneficiary is the entity which has both: (1) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and (2) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE.

***Allowance for Credit Losses***

We maintain an allowance for credit losses for the lifetime expected credit losses on loans in our portfolios, as well as for future loan commitments, at the reporting date.

In determining the lifetime expected credit losses on our Private Education Loan and Personal Loan portfolios, we use a discounted cash flow model. This method requires us to project future principal and interest cash flows on our loans in those portfolios.

To estimate the future expected cash flows, we use a vintage-based model that considers life of loan loss expectations, prepayments (both voluntary and involuntary), defaults, recoveries and any other adjustments deemed necessary, to determine the adequacy of the allowance at each balance sheet date. These cash flows are discounted at the loan’s effective interest rate to calculate the present value of those cash flows. Management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments. The difference between the present value of those cash flows and the amortized cost basis of the underlying loans is the allowance for loan losses. Entities that measure credit losses based on the present value of expected future cash flows are permitted to report the entire change in present value as credit loss expense, but may alternatively report the change in present value due to the passage of time as interest income. We have elected to report the entire change in present value as credit loss expense.

In determining the loss rates used for the vintage-based approach, we start with our historical loss rates, stratify the loans within each vintage, and then adjust the loss rates based upon exogenous factors over a reasonable and supportable period. The reasonable and supportable period is meant to represent the period in which we believe we can estimate the impact of forecasted economic variables in our expected losses. At the end of the reasonable and supportable period, we immediately revert our forecast of expected losses to our historical averages. We use a two-year reasonable and supportable period, although this

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**1. Significant Accounting Policies (Continued)**

period is subject to change as our view evolves on our ability to reasonably estimate future losses based upon economic forecasts.

In estimating our current expected credit losses, we use our historical experience to derive a base case adjusted for any qualitative factors (as described below). We also develop an adverse and favorable economic scenario as well. At each reporting date, we determine the appropriate weighting of these alternate scenarios based upon the current economic conditions and our view of the risks of alternate outcomes. This weighting of expectations is used in calculating our current expected credit losses recorded each period.

In estimating recoveries, we use both estimates of what we would receive from the sale of defaulted loans as well as historical borrower payment behavior to estimate the timing and amount of future recoveries on charged-off loans.

Our prepayment estimates include the effect of voluntary prepayments and consolidation (if the loans are consolidated to third parties), both of which shorten the lives of loans. Constant Prepayment Rate ("CPR") estimates also consider the utilization of deferment, forbearance, and extended repayment plans, which lengthen the lives of loans. We regularly evaluate the assumptions used to estimate the CPRs. We use economic forecasts to help in the estimation of future CPRs. As with our loss forecasts, at the end of the two-year reasonable and supportable forecast for CPRs, we immediately revert to our historical long-term CPR rates.

In addition to the above modeling approach, we also take certain other qualitative factors into consideration when calculating the allowance for loan losses. These qualitative factors include, but are not limited to, changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off and recovery practices not already included in the analysis, and the effect of other external factors such as legal and regulatory requirements on the level of estimated current expected credit losses.

The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. If actual future performance in delinquency, charge-offs and recoveries is significantly different than estimated, or management assumptions or practices were to change, this could materially affect the estimate of the allowance for loan losses, the timing of when losses are recognized, and the related provision for credit losses on our consolidated statements of income.

Below we describe in further detail our policies and procedures for the allowance for loan losses as they relate to our Private Education Loan, Personal Loan, Credit Card and FFELP Loan portfolios.

*Allowance for Private Education Loan Losses*

We collect on defaulted loans through a mix of in-house collectors, third-party collectors and sales to third-parties. For March 31, 2020 and December 31, 2019, we used both an estimate of recovery rates from in-house collections as well as expectations of future sales of defaulted loans to estimate the timing and amount of future recoveries on charged-off loans.

In addition to the key assumptions/estimates above, some estimates are unique to our Private Education Loan portfolio. Estimates are made on our Private Education Loans regarding when each borrower will separate from school. The cash flow timing of when a borrower will begin making full principal and interest payments is dependent upon when the student either graduates or leaves school. These dates can change based upon many factors. We receive information regarding projected graduation dates from a third-party clearinghouse. The separation from school date will be updated quarterly based on updated information received from the school clearinghouse.

Additionally, when we have a contractual obligation to fund a loan or a portion of a loan at a later date, we make an estimate regarding the percentage of this obligation that will be funded. This estimate is based on historical experience. For unfunded commitments, we recognize the life of loan allowance as a liability. Once the loan is funded, that liability transfers to the allowance for Private Education Loan losses.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**1. Significant Accounting Policies (Continued)**

*Key Credit Quality Indicators - Private Education Loans*

We determine the collectability of our Private Education Loan portfolio by evaluating certain risk characteristics. We consider credit score at original approval and periodically refreshed/updated credit scores through the loan's term, existence of a cosigner, loan status and loan seasoning as the key credit quality indicators because they have the most significant effect on the determination of the adequacy of our allowance for loan losses. Credit scores are an indicator of the creditworthiness of borrowers and the higher the credit scores the more likely it is the borrowers will be able to make all of their contractual payments. Loan status affects the credit risk because a past due loan is more likely to result in a credit loss than a current loan. Additionally, loans in the deferred payment status have different credit risk profiles compared with those in current pay status. Loan seasoning affects credit risk because a loan with a history of making payments generally has a lower incidence of default than a loan with a history of making infrequent or no payments. The existence of a cosigner lowers the likelihood of default as well. We monitor and update these credit quality indicators in the analysis of the adequacy of our allowance for loan losses on a quarterly basis.

Private Education Loans generally do not require borrowers to begin repayment until at least six months after the borrowers have graduated or otherwise separated from school. Consequently, the loss estimates for these loans is generally low while the borrower is in school and then increases upon the end of the six-month grace period after separation from school. At March 31, 2020 and December 31, 2019, 27 percent and 25 percent, respectively, of the principal balance of the Private Education Loan portfolio was related to borrowers who are in an in-school (fully deferred), grace, or other deferment status and not required to make payments.

Our collection policies for Private Education Loans allow for periods of nonpayment for certain borrowers requesting an extended grace period upon leaving school or experiencing temporary difficulty meeting payment obligations. This is referred to as forbearance and is considered in estimating the allowance for loan losses.

As part of concluding on the adequacy of the allowance for loan losses for Private Education Loans, we review key allowance and loan metrics. The most relevant of these metrics considered are the allowance as a percentage of ending total loans, delinquency percentages and forbearance percentages.

We consider a Private Education Loan to be delinquent 31 days after the last payment was contractually due.

*Troubled Debt Restructurings ("TDRs")*

In estimating the expected defaults for our Private Education Loans that are considered TDRs, we follow the same discounted cash flow process described above but use the historical loss rates related to past TDR loans. The appropriate gross loss rates are determined for each individual loan by determining loan maturity, risk characteristics and macroeconomic conditions.

The allowance for our TDR portfolio is included in our overall allowance for Private Education Loans. Our TDR portfolio is comprised mostly of loans with interest rate reductions and loans with forbearance usage greater than three months, as further described below.

We adjust the terms of loans for certain borrowers when we believe such changes will help our customers manage their student loan obligations, achieve better student outcomes, and increase the collectability of the loans. These changes generally take the form of a temporary forbearance of payments, a temporary interest rate reduction, a temporary interest rate reduction with a permanent extension of the loan term, and/or a short-term extended repayment alternative. When we give a borrower facing financial difficulty an interest rate reduction, we temporarily reduce the rate (currently to 4.0 percent) for a two-year period and, in the vast majority of cases, permanently extend the final maturity of the loan. The combination of these two loan term changes helps reduce the monthly payment due from the borrower and increases the likelihood the borrower will remain current during the interest rate modification period as well as when the loan returns to its original contractual interest rate.

We classify a loan as a TDR due to forbearance using a two-step process. The first step is to identify a loan that was in full principal and interest repayment status and received more than three months of forbearance in a 24-month period; however,

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**1. Significant Accounting Policies (Continued)**

during the first nine months after a loan had entered full principal and interest repayment status, we do not count up to the first six months of forbearance received during that period against the three-month policy limit. The second step is to evaluate the creditworthiness of the loan by examining its most recent refreshed FICO score. Loans that have met the criteria in the first test and have a FICO score above a certain threshold (based on the most recent quarterly FICO score refresh) will not be classified as TDRs. Loans that have met the criteria in the first test and have a FICO score under the threshold (based on the most recent quarterly FICO score refresh) will be classified as TDRs.

A loan also becomes a TDR when it is modified to reduce the interest rate on the loan (regardless of when such modification occurs and/or whether such interest rate reduction is temporary). Once a loan qualifies for TDR status, it remains a TDR for allowance purposes for the remainder of its life. About half our loans that are considered TDRs involve a temporary forbearance of payments and do not change the contractual interest rate of the loan. As of March 31, 2020 and December 31, 2019, approximately 48 percent and 50 percent, respectively, of TDRs were classified as such due to their forbearance status. For additional information, see Note 6, "Allowance for Loan Losses" in our 2019 Form 10-K.

During the first quarter of 2020, the respiratory disease caused by a novel coronavirus, coronavirus 2019 or COVID-19 ("COVID-19"), began to spread worldwide and has caused significant disruptions to the U.S. and world economies.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which, among other things, allows us to (i) elect to suspend the requirements under GAAP for loan modifications related to COVID-19 that would otherwise be categorized as TDRs, and (ii) suspend any determination of a loan modified as a result of the effects of COVID-19 as being a TDR, including impairment for accounting purposes.

We have elected to suspend TDR accounting for modifications of loans that occur as a result of COVID-19 for the applicable period of the CARES Act relief. The relief from TDR guidance applies to modifications of loans that were not more than 30 days past due as of December 31, 2019, and that occur during the period beginning on March 1, 2020, and ending on the earlier of (i) sixty days after the date on which the national emergency related to the COVID-19 outbreak is terminated, or (ii) December 31, 2020.

*Off-Balance Sheet Exposure for Contractual Loan Commitments*

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of such approval, but instead have a commitment to fund a portion of the loan at a later date (usually the start of the second semester or subsequent trimesters). We estimate expected credit losses over the contractual period in which we are exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by us. The discounted cash flow approach described above includes expected future contractual disbursements. The portion of the allowance for loan losses related to future disbursements is shown as a liability on the face of the balance sheet, and related provision for credit losses is reflected on the income statement.

*Uncollectible Interest*

The majority of the total accrued interest receivable on our Private Education Loan portfolio represents accrued interest on deferred loans where no payments are due while the borrower is in-school and on fixed-pay loans where the borrower makes a \$25 monthly payment that is smaller than the interest accrued on the loan in that month. The accrued interest on these loans will be capitalized and increase the unpaid principal balance of the loans when the borrower exits the grace period after separation from school. The discounted cash flow approach described above considers both the collectability of principal as well as this portion of accrued interest that is expected to capitalize to the balance of the loan. Therefore, the allowance for this portion of accrued interest balance is included in our allowance for loan losses. The discounted cash flow approach does not consider interest accrued on loans that are in a full principal and interest repayment status or in interest-only repayment status. We separately capture the amount of expected uncollectible interest associated with these loans using historical experience to estimate the uncollectible interest for the next four months at each period-end date. This amount is recorded as a reduction of interest income. Accrued interest receivable is separately disclosed on the face of the balance sheet.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**1. Significant Accounting Policies (Continued)**

*Allowance for Personal Loans*

From late 2016 through mid-2018, we acquired newly-originated Personal Loans from a marketplace lender. In 2018, we began to originate Personal Loans and ceased originating these loans at the end of 2019. We maintain an allowance for Personal Loan losses at an amount sufficient to absorb lifetime expected credit losses using the same discounted cash flow approach described above for Private Education Loans. The difference between the amortized cost basis and the present value of expected cash flows on our Personal Loan portfolio equals the allowance related to this portfolio. At March 31, 2020, and December 31, 2019, we held \$747 million and \$984 million, respectively, in Personal Loans, net of allowance. At March 31, 2020, there were no Personal Loans classified as TDRs.

We collect on defaulted Personal Loans through a mix of in-house collectors, third-party collectors and sales to third-parties. For March 31, 2020 and December 31, 2019, we used both an estimate of recovery rates from in-house collections as well as expectations of future sales of defaulted Personal Loans to estimate the timing and amount of future recoveries on charged-off Personal Loans.

*Key Credit Quality Indicators - Personal Loans*

For Personal Loans, we consider FICO scores at original approval and periodically refreshed/updated credit scores through the loan's term, loan seasoning, and loan delinquency status to be our key credit quality indicators for the same reasons discussed above under "— Key Credit Quality Indicators — Private Education Loans."

As part of concluding on the adequacy of the allowance for Personal Loan losses, we review key allowance and loan metrics. The most relevant of these metrics considered are the allowance as a percentage of ending total loans, delinquency percentages, and forbearance percentages. We consider a Personal Loan to be delinquent 31 days after the last payment was contractually due.

*Allowance for Credit Card Loans*

We use the gross loss approach when estimating the allowance for loan losses for our Credit Card portfolio. Because our Credit Card portfolio is new and we do not have historical loss experience, we use estimated loss rates reported by other financial institutions to estimate our allowance for loan losses for credit cards, net of expected recoveries. In addition, we use a model that utilizes purchased credit card information with risk characteristics similar to those of our own portfolio as a challenger model. We then consider any qualitative factors that may change our future expectations of losses.

As all of our Credit Card loans are unconditionally cancelable by us, the issuer, we do not record any estimate of credit losses for unused portions of our Credit Card commitments.

*Allowance for FFELP Loan Losses*

FFELP Loans are insured as to their principal and accrued interest in the event of default, subject to a risk-sharing level based on the date of loan disbursement. These insurance obligations are supported by contractual rights against the United States. For loans disbursed on or after July 1, 2006, we receive 97 percent reimbursement on all qualifying default claims. For loans disbursed after October 1, 1993, and before July 1, 2006, we receive 98 percent reimbursement on all qualifying claims. For loans disbursed prior to October 1, 1993, we receive 100 percent reimbursement. Because we bear a maximum of three percent loss exposure due to this federal guarantee, our allowance for loan losses for FFELP loans and related periodic provision expense are small.

We use the gross loss approach when estimating the allowance for loan losses for our FFELP Loans. We maintain an allowance for loan losses for our FFELP Loans at a level sufficient to cover lifetime expected credit losses. The allowance for FFELP Loan losses uses historical experience of customer default behavior. We apply the default rate projections, net of applicable risk sharing, to our FFELP Loans for the current period to perform our quantitative calculation. Once the quantitative calculation is performed, we review the adequacy of the allowance for loan losses and determine if qualitative adjustments need to be considered.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**1. Significant Accounting Policies (Continued)**

*Loan Interest Income*

For all loans, including impaired loans, classified as held for investment, we recognize interest income as earned, adjusted for the amortization of deferred direct origination and acquisition costs. Deferred fees or costs are required to be recognized as yield adjustments over the life of the related loans and are recognized by the interest method. The objective of the interest method is to arrive at periodic interest income (including recognition of fees and costs) at a constant effective yield on the net investment in the receivable (i.e., the principal amount of the receivable adjusted by unamortized fees or costs, purchase premium or discount and any hedging activity—these unamortized costs will collectively be referred to as “basis adjustments”). The difference between the periodic interest income so determined and the interest income determined by applying the stated interest rate to the outstanding principal amount of the receivable is the amount of periodic amortization.

For the amortization of the basis adjustments, we determine the constant effective yield necessary to apply the interest method based upon the payment terms required by the loan contract. Expected prepayments of principal are not included in the determination of the effective interest rate.

For fixed-rate loans, when a prepayment occurs the unamortized balance of the amortized cost adjustments is adjusted so that future amortization (based upon the contractual terms of the loan) will result in constant effective yield equal to the original effective interest rate. Prepayments do not result in a change in the effective interest rate of the loan. We determine the contractual payments on a pool basis; as such, when a prepayment occurs, future contractual payments will be determined assuming the pool will make smaller payments through the original term of the contract. The adjustment to the unamortized basis adjustment balance is recorded in interest income.

For variable-rate loans, the effective interest rate at the time of origination is the loan’s effective interest rate assuming all future contractual payments. The effective interest rate remains the same for that loan until the loan rate changes. If there is no prepayment and no change in the stated interest rate, the periodic amortization of the basis adjustments is equal to the difference between the effective interest rate multiplied by the book basis and the contractual interest due. We determine the contractual payments on a pool basis; as such, when a prepayment occurs, future contractual payments will be determined assuming the pool will make smaller payments through the original term of the contract. The adjustment to the unamortized basis adjustment balance is recorded in interest income.

When the interest rate on a variable-rate loan changes, the effective interest rate is recalculated using the same methodology described in the previous paragraph; however, the future contractual payments are changed to reflect the new interest rate. There is no forecasting of future expected changes in interest rates. The accounting basis used to determine the effective interest rate of the cash flows is equal to the balances of the unpaid principal balance and unamortized basis adjustments at the time of the rate change.

We also pay to the U.S. Department of Education (the “DOE”) an annual 105 basis point Consolidation Loan Rebate Fee on FFELP consolidation loans, which is netted against loan interest income. Additionally, interest earned on education loans reflects potential non-payment adjustments in accordance with our uncollectible interest recognition policy. We do not amortize any adjustments to the basis of loans when they are classified as held-for-sale.

With the adoption of CECL on January 1, 2020, we continue to analyze the collectability of accrued interest associated with loans not currently in full principal and interest repayment status or in interest only repayment status as discussed above; however, we will change the recognition of the allowance for this portion of uncollectible interest (amounts to be capitalized after separation from school and the expiration of the grace period) to the provision for loan losses from our historical practice of recording it as a reduction of interest income, as well as classifying this allowance as part of our allowance for loan losses as opposed to our historical practice of recording it as a reduction of accrued interest income receivable.

The allowance for the portion of uncollectible interest on loans making full interest payments will continue to be recorded as a reduction of interest income.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**1. Significant Accounting Policies (Continued)**

We recognize certain fee income (primarily late fees) on education loans when earned according to the contractual provisions of the promissory notes, as well as our expectation of collectability. Fee income is recorded when earned in “other non-interest income” in the accompanying consolidated statements of income.

***Recently Issued and Adopted Accounting Pronouncements***

*ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”*

In June 2016, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” which became effective for us on January 1, 2020 (“CECL”). This ASU eliminated the previous accounting guidance for the recognition of credit impairment. Under the new guidance, for all loans carried at amortized cost, upon loan origination we are required to measure our allowance for loan losses based on our estimate of all current expected credit losses over the remaining contractual term of the assets. Updates to that estimate each period will be recorded through provision expense. The estimate of loan losses must be based on historical experience, current conditions, and reasonable and supportable forecasts. The ASU does not mandate the use of any specific method for estimating credit loss, permitting companies to use judgment in selecting the approach that is most appropriate in their circumstances.

In addition, Topic 326 made changes to the accounting for available-for-sale debt securities. One such change is to require an assessment of unrealized losses on available-for-sale debt securities that we have the ability and intent to hold for a period of time sufficient to recover the amortized cost of the security, for the purpose of determining credit impairment. If any credit impairment exists, an allowance for losses must be established for the amount of the unrealized loss that is determined to be credit-related.

Adoption of the standard had a material impact on how we record and report our financial condition and results of operations, and on regulatory capital. The following table illustrates the impact of the cumulative effect adjustment made upon adoption of CECL:

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**1. Significant Accounting Policies (Continued)**

	January 1, 2020		
	As reported under CECL	Pre-CECL Adoption	Impact of CECL Adoption
<b>Assets:</b>			
Allowance for loan losses:			
Private Education Loans	\$ 1,435,130	\$ 374,300	\$ 1,060,830
FFELP Loans	4,485	1,633	2,852
Personal Loans	145,060	65,877	79,183
Credit Card	290	102	188
Total	\$ 1,584,965	\$ 441,912	\$ 1,143,053
Deferred tax asset	\$ 415,540	\$ 109,369	\$ 306,171
<b>Liabilities:</b>			
Allowance for loan losses:			
Off-balance sheet exposures	\$ 118,239	\$ 2,481	\$ 115,758
<b>Equity:</b>			
Retained Earnings	\$ 897,873	\$ 1,850,512	\$ (952,639)

This transition adjustment is inclusive of qualitative adjustments incorporated into our CECL allowance as necessary, to address any limitations in the models used.

We also elected to use the relief offered in the interim final rule recently issued by the Federal Deposit Insurance Corporation (the “FDIC”) and other federal banking agencies that provides those banking organizations adopting CECL in 2020 with the option to delay for two years the estimated impact of CECL on regulatory capital and to phase in the aggregate impact of the deferral on regulatory capital over a subsequent three year period. Under this interim final rule, because we have elected the deferred option, the regulatory capital impact of our transition adjustments recorded on January 1, 2020 from the adoption of CECL will be deferred for two years. In addition, 25 percent of the ongoing impact, from January 1, 2020 through the end of the two-year deferral period, of CECL on our allowance for loan losses, retained earnings, and average total consolidated assets, each as reported for regulatory capital purposes, will be added to the deferred transition amounts (“adjusted transition amounts”) and deferred for the two-year period. At the conclusion of the two-year period (January 1, 2022), the adjusted transition amounts will be phased-in for regulatory capital purposes at a rate of 25 percent per year, with the phased-in amounts included in regulatory capital at the beginning of each year. For additional information, see Note 11, “Regulatory Capital.”

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**2. Investments**

***Trading Investments***

In March 2020, we sold approximately \$1.7 billion of Private Education Loans through securitization transactions where we were required to retain a 5 percent vertical risk retention interest (i.e., 5 percent of each class issued in the securitizations). We classified those vertical risk retention interests related to the transactions as available-for-sale investments, except for the interest in the residual classes, which we classified as trading investments recorded at fair value with changes recorded through earnings. At March 31, 2020, we had \$11 million classified as trading investments.

***Available-for-Sale Investments***

The amortized cost and fair value of securities available for sale are as follows:

	March 31, 2020				
	Amortized Cost	Allowance for credit losses <sup>(1)</sup>	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:					
Mortgage-backed securities	\$ 206,640	\$ —	\$ 6,400	\$ —	\$ 213,040
Utah Housing Corporation bonds	15,931	—	156	(74)	16,013
U.S. government-sponsored enterprises	306,491	—	3,206	(8)	309,689
Other securities	78,805	—	—	(2,965)	75,840
Total	<u>\$ 607,867</u>	<u>\$ —</u>	<u>\$ 9,762</u>	<u>\$ (3,047)</u>	<u>\$ 614,582</u>
	December 31, 2019				
	Amortized Cost	Allowance for credit losses <sup>(1)</sup>	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:					
Mortgage-backed securities	\$ 215,888	\$ —	\$ 1,895	\$ (658)	\$ 217,125
Utah Housing Corporation bonds	19,474	—	145	(83)	19,536
U.S. government-sponsored enterprises	250,394	—	635	(21)	251,008
Total	<u>\$ 485,756</u>	<u>\$ —</u>	<u>\$ 2,675</u>	<u>\$ (762)</u>	<u>\$ 487,669</u>

<sup>(1)</sup> Represents the amount of impairment that has resulted from credit related factors, and that was recognized in the consolidated balance sheets (as a credit loss expense on available-for-sale securities). The amount excludes unrealized losses related to non-credit factors.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**2. Investments (Continued)**

The following table summarizes the amount of gross unrealized losses for our available-for-sale securities and the estimated fair value for securities having gross unrealized loss positions, categorized by length of time the securities have been in an unrealized loss position:

	Less than 12 months		12 months or more		Total	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
As of March 31, 2020:						
Mortgage-backed securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Utah Housing Corporation bonds	—	—	(74)	8,965	(74)	8,965
U.S. government-sponsored enterprises	(8)	16,823	—	—	(8)	16,823
Other securities	(2,965)	75,840	—	—	(2,965)	75,840
Total	<u>\$ (2,973)</u>	<u>\$ 92,663</u>	<u>\$ (74)</u>	<u>\$ 8,965</u>	<u>\$ (3,047)</u>	<u>\$ 101,628</u>
As of December 31, 2019:						
Mortgage-backed securities	\$ (218)	\$ 25,624	\$ (440)	\$ 42,448	\$ (658)	\$ 68,072
Utah Housing Corporation bonds	—	—	(83)	11,097	(83)	11,097
U.S. government-sponsored enterprises	(21)	14,977	—	—	(21)	14,977
Total	<u>\$ (239)</u>	<u>\$ 40,601</u>	<u>\$ (523)</u>	<u>\$ 53,545</u>	<u>\$ (762)</u>	<u>\$ 94,146</u>

For available-for-sale debt securities in an unrealized loss position, we first assess whether we intend to sell, or it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either of these criteria is met, the security's amortized cost basis is written down to fair value through income. For securities in an unrealized loss position that do not meet these criteria, we evaluate whether the decline in fair value has resulted from credit loss or other factors. In making this assessment, we consider the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, adverse conditions specifically related to the security, as well as any guarantees (e.g., guarantees by the U.S. Government) that may be applicable to the security. If this assessment indicates a credit loss exists, the credit-related portion of the loss is recorded as an allowance for losses on the security.

Our investment portfolio contains mortgage-backed securities issued by Ginnie Mae, Fannie Mae and Freddie Mac, with amortized costs of \$51 million, \$104 million, and \$52 million, respectively, at March 31, 2020. We own these securities to meet our requirements under the Community Reinvestment Act ("CRA"). As of March 31, 2020, none of the separate mortgage-backed securities in our investment portfolio had unrealized losses. Approximately 37 percent of our mortgage-backed securities were issued under Ginnie Mae programs that carry a full faith and credit guarantee from the U.S. Government. The remaining securities in our portfolio carry a principal and interest guarantee by Fannie Mae or Freddie Mac, respectively. We have the ability and the intent to hold each of these securities for a period of time sufficient for the market price to recover to at least the adjusted amortized cost of the security. As of December 31, 2019, 33 of the 107 separate mortgage-backed securities in our investment portfolio had unrealized losses, and 18 of the 33 securities in a net loss position were issued under Ginnie Mae programs that carry a full faith and credit guarantee from the U.S. Government. The remainder carried a principal and interest guarantee by Fannie Mae or Freddie Mac, respectively.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**2. Investments (Continued)**

We also invest in Utah Housing Corporation bonds for the purpose of complying with the CRA. As of March 31, 2020, one of the three separate bonds was in a net loss position. We have the intent and ability to hold each of these bonds for a period of time sufficient for the market price to recover to at least the adjusted amortized cost of the security. These bonds are rated Aa3 by Moody's Investors Service, and the majority of the underlying assets are insured by the Federal Housing Administration or the Department of Veterans Affairs. Based on this qualitative analysis, we have determined that no credit impairment exists.

We also invest in U.S. government-sponsored enterprise securities issued by the Federal Home Loan Bank, Freddie Mac and the Federal Farm Credit Bank. As of March 31, 2020, 1 of the 20 securities had unrealized losses. We have the intent and ability to hold each of these bonds for a period of time sufficient for the market price to recover to at least the adjusted amortized cost of the security. These bonds are rated AA+ by Moody's Investors Services. Based on this qualitative analysis, we have determined that no credit impairment exists.

In March 2020, we sold approximately \$1.7 billion of Private Education Loans through a securitization transaction where we were required to retain a 5 percent vertical risk retention interest. We classify the non-residual vertical retention interests as available-for-sale investments. As of March 31, 2020, 10 out of 10 of these investments had unrealized losses. We have the intent and ability to hold each of these bonds for a period of time sufficient for the market price to recover to at least the adjusted amortized cost of the security. We expect to receive all contractual cash flows related to these investment and do not consider a credit impairment to exist.

As of March 31, 2020, the amortized cost and fair value of securities, by contractual maturities, are summarized below. Contractual maturities versus actual maturities may differ due to the effect of prepayments.

<b>Year of Maturity</b>	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
2020	\$ 94,048	\$ 94,320
2021	145,340	147,711
2022	54,127	54,317
2023	12,977	13,341
2038	175	192
2039	2,457	2,668
2042	7,115	7,172
2043	11,130	11,560
2044	16,149	16,684
2045	16,896	17,286
2046	27,641	28,385
2047	39,927	40,313
2048	10,248	10,664
2049	84,282	87,458
2050	6,550	6,671
2054	78,805	75,840
<b>Total</b>	<b>\$ 607,867</b>	<b>\$ 614,582</b>

The mortgage-backed securities have been pledged to the Federal Reserve Bank (the "FRB") as collateral against any advances and accrued interest under the Primary Credit lending program sponsored by the FRB. We had \$285 million and \$252 million par value of mortgage-backed securities pledged to this borrowing facility at March 31, 2020 and December 31, 2019, respectively, as discussed further in Note 6, "Borrowings."

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**2. Investments (Continued)**

***Other Investments***

***Investments in Non-Marketable Securities***

We hold investments in non-marketable securities and account for these investments at cost, less impairment, plus or minus observable price changes of identical or similar securities of the same issuer. In the third quarter of 2019, we funded an additional investment in an issuer whose equity securities we purchased in the past. We used the valuation associated with the more recent securities investment to adjust the valuation of our previous investments and, as a result, recorded a gain of \$8 million on our earlier equity securities investments. As of March 31, 2020 and December 31, 2019, our total investment in the securities of this issuer was \$26 million and \$26 million, respectively.

***Low Income Housing Tax Credit Investments***

We invest in affordable housing projects that qualify for the low income housing tax credit ("LIHTC"), which is designed to promote private development of low income housing. These investments generate a return mostly through realization of federal tax credits. Total carrying value of the LIHTC investments was \$57 million at March 31, 2020 and \$58 million at December 31, 2019. We are periodically required to provide additional financial support during the investment period. Our liability for these unfunded commitments was \$25 million at March 31, 2020 and \$29 million at December 31, 2019.

Related to these investments, we recognized tax credits and other tax benefits through tax expense of \$1 million at March 31, 2020 and \$6 million at December 31, 2019. Tax credits and other tax benefits are recognized as part of our annual effective tax rate used to determine tax expense in a given quarter. Accordingly, the portion of a year's expected tax benefits recognized in any given quarter may differ from 25 percent.

**3. Loans Held for Investment**

Loans held for investment consist of Private Education Loans, FFELP Loans, Personal Loans and Credit Cards. We use "Private Education Loans" to mean education loans to students or their families that are not made, insured or guaranteed by any state or federal government. Private Education Loans do not include loans insured or guaranteed under the previously existing Federal Family Education Loan Program ("FFELP"). We use "Personal Loans" to mean those unsecured loans to individuals that may be used for non-educational purposes. We use "Credit Cards" to refer to our suite of cash-back Credit Cards with bonus rewards.

Our Private Education Loans are made largely to bridge the gap between the cost of higher education and the amount funded through financial aid, government loans and customers' resources. Private Education Loans bear the full credit risk of the customer. We manage this risk through risk-performance underwriting strategies and qualified cosigners. Private Education Loans may be fixed-rate or may carry a variable interest rate indexed to LIBOR, the London interbank offered rate. As of March 31, 2020 and December 31, 2019, 55 percent and 58 percent, respectively, of all of our Private Education Loans were indexed to LIBOR. We provide incentives for customers to include a cosigner on the loan, and the vast majority of Private Education Loans in our portfolio are cosigned. We also encourage customers to make payments while in school.

FFELP Loans are insured as to their principal and accrued interest in the event of default, subject to a risk-sharing level based on the date of loan disbursement. These insurance obligations are supported by contractual rights against the United States. For loans disbursed on or after July 1, 2006, we receive 97 percent reimbursement on all qualifying claims. For loans disbursed after October 1, 1993, and before July 1, 2006, we receive 98 percent reimbursement on all qualifying claims. For loans disbursed prior to October 1, 1993, we receive 100 percent reimbursement on all qualifying claims.

In the first quarter of 2020, we recognized a \$239 million gain from the sale of approximately \$3.1 billion of our Private Education Loans, including \$2.9 billion of principal and \$199 million in capitalized interest, as well as \$12 million in accrued interest to unaffiliated third parties. There were VIEs created in the execution of certain of these loan sales; however, based on

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**3. Loans Held for Investment (Continued)**

our consolidation analysis, we are not the primary beneficiary of these VIEs. These transactions qualified for sale treatment and removed the balance of the loans from our balance sheet on the respective settlement dates. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales.

Loans held for investment are summarized as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Private Education Loans:		
Fixed-rate	\$ 9,813,075	\$ 9,830,301
Variable-rate	11,813,672	13,359,290
Total Private Education Loans, gross	21,626,747	23,189,591
Deferred origination costs and unamortized premium/(discount)	65,267	81,224
Allowance for loan losses	(1,515,781)	(374,300)
Total Private Education Loans, net	20,176,233	22,896,515
FFELP Loans	766,954	783,306
Deferred origination costs and unamortized premium/(discount)	2,113	2,143
Allowance for loan losses	(4,296)	(1,633)
Total FFELP Loans, net	764,771	783,816
Personal Loans (fixed-rate)	899,704	1,049,007
Deferred origination costs and unamortized premium/(discount)	413	513
Allowance for loan losses	(152,673)	(65,877)
Total Personal Loans, net	747,444	983,643
Credit Cards (fixed-rate)	7,234	3,884
Deferred origination costs and unamortized premium/(discount)	743	36
Allowance for loan losses	(574)	(102)
Total Credit Cards, net	7,403	3,818
Loans held for investment, net	\$ 21,695,851	\$ 24,667,792

The estimated weighted average life of education loans in our portfolio was approximately 5.3 years and 5.4 years at March 31, 2020 and December 31, 2019, respectively.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**3. Loans Held for Investment (Continued)**

The average balance and the respective weighted average interest rates of loans in our portfolio are summarized as follows:

	Three Months Ended March 31,			
	2020		2019	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	\$ 23,502,844	8.86 %	\$ 21,732,826	9.50 %
FFELP Loans	776,326	4.29	837,950	4.94
Personal Loans	973,671	12.11	1,176,466	11.81
Total portfolio	<u>\$ 25,252,841</u>		<u>\$ 23,747,242</u>	

*Certain Collection Tools - Private Education Loans*

We adjust the terms of loans for certain borrowers when we believe such changes will help our customers manage their student loan obligations, achieve better student outcomes, and increase the collectability of the loan. These changes generally take the form of a temporary forbearance of payments, a temporary interest rate reduction, a temporary interest rate reduction with a permanent extension of the loan term, and/or a short-term extended repayment alternative. Forbearance is granted prospectively for borrowers who are current in their payments and may be granted retroactively for certain delinquent borrowers.

Forbearance allows a borrower to temporarily not make scheduled payments or to make smaller than scheduled payments, in each case for a specified period of time. Using forbearance extends the original term of the loan by the term of forbearance taken. Forbearance does not grant any reduction in the total principal or interest repayment obligation. While a loan is in forbearance status, interest continues to accrue and is capitalized to principal when the loan re-enters repayment status.

We grant forbearance through our servicing centers to borrowers who are current in their payments and through our collections centers to certain borrowers who are delinquent. Our forbearance policies and practices vary depending upon whether a borrower is current or delinquent at the time forbearance is requested, generally with stricter payment requirements for delinquent borrowers. We view the population of borrowers that use forbearance positively because the borrowers are either proactively reaching out to us to obtain assistance in managing their obligations or are working with our collections center to bring their loans current.

Forbearance may be granted through our servicing centers to customers who are exiting their grace period, which generally is the six-month period after the borrower separates from school and during which the borrower is not required to make full principal and interest payments, and to other customers who are current in their payments, to provide temporary payment relief. In these circumstances, a customer's loan is placed into a forbearance status in limited monthly increments and is reflected in the forbearance status at month-end during this time. At the end of the forbearance period, the customer will enter repayment status as current and is expected to begin making scheduled monthly payments. Currently, we generally grant forbearance in our servicing centers if a borrower who is current requests it for increments of up to three months at a time, for up to 12 months.

Forbearance may also be granted through our collections centers to customers who are delinquent in their payments. If specific payment requirements are met, the forbearance can cure the delinquency and the customer is returned to a current repayment status. Forbearance as a collection tool is used most effectively when applying historical experience and our

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**3. Loans Held for Investment (Continued)**

judgment to a customer's unique situation. We leverage updated customer information and other decision support tools to best determine who will be granted forbearance based on our expectations as to a customer's ability and willingness to repay their obligation. This strategy is aimed at assisting customers while mitigating the risks of delinquency and default as well as encouraging resolution of delinquent loans. In all instances, we require one or more payments before granting forbearance to delinquent borrowers.

The COVID-19 pandemic is having far reaching, negative impacts on individuals, businesses, and, consequently, the overall economy. Specifically, COVID-19 has materially disrupted business operations resulting in significantly higher levels of unemployment or underemployment. As a result, we expect many of our individual customers will experience financial hardship, making it difficult, if not impossible, to meet their payment obligations to us without temporary assistance. We are monitoring key metrics as early warning indicators of financial hardship, including changes in weekly unemployment claims, enrollment in auto-debit payments, requests for new forbearances, enrollment in hardship payment plans and early delinquency metrics.

As a result of the negative impact on employment from COVID-19, we are anticipating higher levels of financial hardship for our customers, which we expect will lead to higher levels of forbearance, delinquency and defaults. We expect that, left unabated, this deterioration in forbearance, delinquency and default rates will persist until such time as the economy and employment return to relatively normal levels.

We assist customers with an array of payment programs during periods of financial hardship as standard operating convention, including: forbearance, which defers payments during a short-term hardship; our Graduated Repayment Plan ("GRP"), which is an interest-only payment for 12 months; or a loan modification that, in the event of long-term hardship, reduces the interest rate on a loan to 4 percent for 24 months and/or permanently extends the maturity date of the loan. Historically we have utilized disaster forbearance for material events, including hurricanes, wildfires and floods. Disaster forbearance defers payments for as much as 90 days upon enrollment. We have invoked this same disaster forbearance program to assist our customers through COVID-19 and offer this program across our operations, including through mobile app and self-service channels such as chat and interactive voice response ("IVR"). Customers who receive a disaster forbearance will not progress in delinquency and will not be assessed late fees or other fees. During a disaster forbearance, a customer's credit file will continue to reflect the status of the loan as it was immediately prior to granting the disaster forbearance. During the period of the disaster forbearance, interest will continue to accrue, but will not be added to the loan balance until the end of the loan term. If the financial hardship extends beyond 90 days, additional assistance will be available for eligible customers. This program is applied across our Private Education Loan and Personal Loan portfolios.

Management continually monitors our credit administration practices and may periodically modify these practices based upon performance, industry conventions, and/or regulatory feedback. In light of these considerations, we previously announced that we plan to implement certain changes to our credit administration practices in the future. As discussed below, however, we have postponed until the fourth quarter of 2020 the implementation of the announced credit administration practices changes due to the COVID-19 pandemic.

Specifically, we previously announced that we plan to revise our credit administration practices limiting the number of forbearance months granted consecutively and the number of times certain extended or reduced repayment alternatives may be granted. For example, we currently grant forbearance to borrowers without requiring any period of prior principal and interest payments, meaning that, if a borrower satisfies all eligibility requirements, forbearance increments may be granted consecutively. We previously announced that, beginning in the second quarter of 2020, we would phase in a required six-month period between successive grants of forbearance and between forbearance grants and certain other repayment alternatives. We announced this required period will not apply, however, to forbearances granted during the first six months following a borrower's grace period and will not be required for a borrower to receive a contractual interest rate reduction. In addition, we announced we would limit the participation of delinquent borrowers in certain short-term extended or interest-only repayment alternatives to once in 12 months and twice in five years.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**3. Loans Held for Investment (Continued)**

As previously announced, prior to full implementation of the credit administration practices changes described above, management will conduct a controlled testing program on randomly selected borrowers to measure the impact of the changes on our customers, our credit operations, and key credit metrics. The testing commenced in October 2019 for some of the planned changes on a very small percentage of our total portfolio and we originally expected to expand the testing over subsequent quarters as the impacts are better understood. Due to the COVID-19 pandemic, however, we have postponed implementation of the credit administration practices changes and related testing until the fourth quarter of 2020 so that we can be more flexible in dealing with our customers' financial hardship. Management now expects to have completed implementation of the new policies and practices by mid-2021. However, we may modify or delay the contemplated practice changes, the proposed timeline, or the method of implementation as we learn more about the impacts during the progression of the testing program.

We also offer rate and term modifications to customers experiencing more severe hardship. Currently, we temporarily reduce the contractual interest rate on a loan to 4.0 percent (previously, to 2.0 percent) for a two-year period and, in the vast majority of cases, permanently extend the final maturity date of the loan. As part of demonstrating the ability and willingness to pay, the customer must make three consecutive monthly payments at the reduced payment to qualify for the program. The combination of the rate reduction and maturity extension helps reduce the monthly payment due from the borrower and increases the likelihood the borrower will remain current during the interest rate modification period as well as when the loan returns to its original contractual interest rate. At March 31, 2020 and December 31, 2019, 8.5 percent and 7.2 percent, respectively, of our loans then currently in full principal and interest repayment status were subject to interest rate reductions made under our rate modification program. We currently have no plans to change the basic elements of the rate and term modifications we offer to our customers experiencing more severe hardship.

While there are limitations to our estimate of the future impact of the credit administration practices changes described above, absent the effect of any mitigating measures, and based on an analysis of borrower behavior under our current credit administration practices, which may not be indicative of how borrowers will behave under revised credit administration practices, we expect that the credit administration practices changes described above will accelerate defaults and could increase life of loan defaults in our Private Education Loan portfolio by approximately 4 percent to 14 percent. Among the measures that we are planning to implement and expect may partly offset or moderate any acceleration of or increase in defaults will be greater focus on the risk assessment process to ensure borrowers are mapped to the appropriate program, better utilization of existing programs (e.g., GRP and rate modifications), and the introduction of a new program offering short-term payment reductions (permitting interest-only payments for up to six months) for certain early stage delinquencies.

The full impact of these changes to our collections practices described above may only be realized over the longer term, however. In particular, when we calculate the allowance for loan losses under CECL, which became effective on January 1, 2020, our loan loss reserves increased materially because we expect the life of loan defaults on our overall Private Education Loan portfolio to increase, in part as a result of the planned changes to our credit administration practices. As we progress with the controlled testing program of the planned changes to our credit administration practices, we expect to learn more about how our borrowers are reacting to these changes and, as we analyze such reactions, will continue to refine our estimates of the impact of those changes on our allowance for loan losses.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**4. Allowance for Loan Losses**

Our provision for credit losses represents the periodic expense of maintaining an allowance sufficient to absorb lifetime expected credit losses in the held-for-investment loan portfolios. The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. We believe the allowance for loan losses is appropriate to cover lifetime expected losses incurred in the loan portfolios. See Note 1, “Significant Accounting Policies — Allowance for Credit Losses — Allowance for Private Education Loan Losses, — Allowance for Personal Loans, — Allowance for FFELP Loan Losses, and — Allowance for Credit Card Loans” in this Form 10-Q for additional details.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**4. Allowance for Loan Losses (Continued)**

*Allowance for Loan Losses Metrics*

	Allowance for Loan Losses				
	Three Months Ended March 31, 2020				
	FFELP Loans	Private Education Loans	Personal Loans	Credit Cards	Total
<b>Allowance for Loan Losses</b>					
Beginning balance	\$ 1,633	\$ 374,300	\$ 65,877	\$ 102	\$ 441,912
Day 1 adjustment for the adoption of CECL	2,852	1,060,830	79,183	188	1,143,053
Transfer from unfunded commitment liability	—	142,075	—	—	142,075
Provisions:					
Provision for current period	37	143,862	25,318	291	169,508
Loan sale reduction to provision	—	(161,793)	—	—	(161,793)
Total provision <sup>(1)</sup>	37	(17,931)	25,318	291	7,715
Net charge-offs:					
Charge-offs	(226)	(51,469)	(19,247)	(7)	(70,949)
Recoveries	—	7,976	1,542	—	9,518
Net charge-offs	(226)	(43,493)	(17,705)	(7)	(61,431)
Ending Balance	\$ 4,296	\$ 1,515,781	\$ 152,673	\$ 574	\$ 1,673,324
<b>Allowance:</b>					
Ending balance: individually evaluated for impairment	\$ —	\$ 150,822	\$ —	\$ —	\$ 150,822
Ending balance: collectively evaluated for impairment	\$ 4,296	\$ 1,364,959	\$ 152,673	\$ 574	\$ 1,522,502
<b>Loans:</b>					
Ending balance: individually evaluated for impairment	\$ —	\$ 1,518,763	\$ —	\$ —	\$ 1,518,763
Ending balance: collectively evaluated for impairment	\$ 766,954	\$ 20,107,984	\$ 899,704	\$ 7,234	\$ 21,781,876
Net charge-offs as a percentage of average loans in repayment (annualized) <sup>(2)</sup>	0.15 %	1.05 %	7.27 %	0.52 %	
Allowance as a percentage of the ending total loan balance	0.56 %	7.01 %	16.97 %	7.93 %	
Allowance as a percentage of the ending loans in repayment <sup>(2)</sup>	0.74 %	10.11 %	16.97 %	7.93 %	
Allowance coverage of net charge-offs (annualized)	4.75	8.71	2.16	20.50	
Ending total loans, gross	\$ 766,954	\$ 21,626,747	\$ 899,704	\$ 7,234	
Average loans in repayment <sup>(2)</sup>	\$ 600,534	\$ 16,521,356	\$ 973,772	\$ 5,364	
Ending loans in repayment <sup>(2)</sup>	\$ 581,997	\$ 14,988,345	\$ 899,704	\$ 7,234	

<sup>(1)</sup> Below is a reconciliation of the provision for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for loan losses.

Consolidated Statements of Income Provisions for Credit Losses Reconciliation	
	Three Months Ended March 31, 2020
Provisions for credit losses for new loan commitments made during the quarter	\$ 53,543
Total provision for allowance for loan losses	7,715
Provisions for credit losses reported in consolidated statements of income	\$ 61,258

<sup>(2)</sup> Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**4. Allowance for Loan Losses (Continued)**

	Allowance for Loan Losses			
	Three Months Ended March 31, 2019			
	FFELP Loans	Private Education Loans	Personal Loans	Total
<b>Allowance for Loan Losses</b>				
Beginning balance	\$ 977	\$ 277,943	\$ 62,201	\$ 341,121
Total provision	1,017	41,883	22,760	65,660
Net charge-offs:				
Charge-offs	(234)	(39,577)	(15,251)	(55,062)
Recoveries	—	5,697	909	6,606
Net charge-offs	(234)	(33,880)	(14,342)	(48,456)
Ending Balance	<u>\$ 1,760</u>	<u>\$ 285,946</u>	<u>\$ 70,619</u>	<u>\$ 358,325</u>
<i>Allowance:</i>				
Ending balance: individually evaluated for impairment	\$ —	\$ 132,442	\$ —	\$ 132,442
Ending balance: collectively evaluated for impairment	\$ 1,760	\$ 153,504	\$ 70,619	\$ 225,883
<i>Loans:</i>				
Ending balance: individually evaluated for impairment	\$ —	\$ 1,327,668	\$ —	\$ 1,327,668
Ending balance: collectively evaluated for impairment	\$ 828,640	\$ 20,463,954	\$ 1,162,874	\$ 22,455,468
Net charge-offs as a percentage of average loans in repayment (annualized) <sup>(1)</sup>	0.14 %	0.89 %	4.88 %	
Allowance as a percentage of the ending total loan balance	0.21 %	1.31 %	6.07 %	
Allowance as a percentage of the ending loans in repayment <sup>(1)</sup>	0.27 %	1.87 %	6.07 %	
Allowance coverage of net charge-offs (annualized)	1.88	2.11	1.23	
Ending total loans, gross	\$ 828,640	\$ 21,791,622	\$ 1,162,874	
Average loans in repayment <sup>(1)</sup>	\$ 650,196	\$ 15,165,072	\$ 1,175,356	
Ending loans in repayment <sup>(1)</sup>	\$ 641,658	\$ 15,310,560	\$ 1,162,874	

<sup>(1)</sup> Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**4. Allowance for Loan Losses (Continued)**

*Troubled Debt Restructurings (“TDRs”)*

All of our loans are collectively assessed for impairment, except for loans classified as TDRs (where we conduct individual assessments of impairment). We adjust the terms of loans for certain borrowers when we believe such changes will help our customers manage their student loan obligations, achieve better student outcomes, and increase the collectability of the loan. These changes generally take the form of a temporary forbearance of payments, a temporary interest rate reduction, a temporary interest rate reduction with a permanent extension of the loan term, and/or a short-term extended repayment alternative.

When we give a borrower facing financial difficulty an interest rate reduction, we temporarily reduce the contractual interest rate on a loan to 4.0 percent (previously, to 2.0 percent) for a two-year period and, in the vast majority of cases, permanently extend the final maturity date of the loan. The combination of these two loan term changes helps reduce the monthly payment due from the borrower and increases the likelihood the borrower will remain current during the interest rate modification period as well as when the loan returns to its original contractual interest rate. At March 31, 2020 and March 31, 2019, 8.5 percent and 7.2 percent, respectively, of our loans then currently in full principal and interest repayment status were subject to interest rate reductions made under our rate modification program.

Once a loan qualifies for TDR status, it remains a TDR for allowance purposes for the remainder of its life. As of March 31, 2020 and December 31, 2019, approximately 48 percent and 50 percent, respectively, of TDRs were classified as such due to their forbearance status. For additional information, see Note 2, “Significant Accounting Policies — Allowance for Credit Losses — TDRs,” and Note 6, “Allowance for Loan Losses” in our 2019 Form 10-K.

Within the Private Education Loan portfolio, loans greater than 90 days past due are nonperforming. FFELP Loans are at least 97 percent guaranteed as to their principal and accrued interest by the federal government in the event of default and, therefore, we do not deem FFELP Loans as nonperforming from a credit risk perspective at any point in their life cycle prior to claim payment and continue to accrue interest on those loans through the date of claim.

At March 31, 2020 and December 31, 2019, all of our TDR loans had a related allowance recorded. The following table provides the recorded investment, unpaid principal balance and related allowance for our TDR loans.

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Allowance</u>
<b><u>March 31, 2020</u></b>			
TDR Loans	\$ 1,550,600	\$ 1,518,763	\$ 150,822
<b><u>December 31, 2019</u></b>			
TDR Loans	\$ 1,612,896	\$ 1,581,966	\$ 186,697

The following table provides the average recorded investment and interest income recognized for our TDR loans.

<b>Three Months Ended March 31,</b>					
<b>2020</b>		<b>2019</b>			
<b>Average Recorded Investment</b>	<b>Interest Income Recognized</b>	<b>Average Recorded Investment</b>	<b>Interest Income Recognized</b>		
TDR Loans	\$ 1,615,764	\$ 26,488	\$ 1,312,729	\$ 21,566	

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**4. Allowance for Loan Losses (Continued)**

The following table provides information regarding the loan status and aging of TDR loans.

	<b>March 31, 2020</b>		<b>December 31, 2019</b>	
	<b>Balance</b>	<b>%</b>	<b>Balance</b>	<b>%</b>
TDR loans in in-school/grace/deferment <sup>(1)</sup>	\$ 83,964		\$ 87,749	
TDR loans in forbearance <sup>(2)</sup>	162,048		99,054	
TDR loans in repayment <sup>(3)</sup> and percentage of each status:				
Loans current	1,113,104	87.5 %	1,230,954	88.2 %
Loans delinquent 31-60 days <sup>(4)</sup>	74,856	5.9	85,555	6.1
Loans delinquent 61-90 days <sup>(4)</sup>	50,237	3.9	49,626	3.6
Loans delinquent greater than 90 days <sup>(4)</sup>	34,554	2.7	29,028	2.1
Total TDR loans in repayment	1,272,751	100.0 %	1,395,163	100.0 %
Total TDR loans, gross	\$ 1,518,763		\$ 1,581,966	

<sup>(1)</sup> Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on the loans (e.g., residency periods for medical students or a grace period for bar exam preparation).

<sup>(2)</sup> Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

<sup>(3)</sup> Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

<sup>(4)</sup> The period of delinquency is based on the number of days scheduled payments are contractually past due.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**4. Allowance for Loan Losses (Continued)**

The following table provides the amount of modified loans (which include forbearance and reductions in interest rates) that became TDRs in the periods presented. Additionally, for the periods presented, the table summarizes charge-offs occurring in the TDR portfolio, as well as TDRs for which a payment default occurred in the relevant period presented and within 12 months of the loan first being designated as a TDR. We define payment default as 60 days past due for this disclosure.

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Modified Loans <sup>(1)</sup>	Charge-offs	Payment- Default	Modified Loans <sup>(1)</sup>	Charge-offs	Payment- Default
TDR Loans	\$ 132,815	\$ 19,375	\$ 30,725	\$ 111,208	\$ 16,005	\$ 25,462

<sup>(1)</sup> Represents the principal balance of loans that have been modified during the period and resulted in a TDR.

*Private Education Loan Key Credit Quality Indicators*

FFELP Loans are at least 97 percent guaranteed as to their principal and accrued interest in the event of default; therefore, there are no key credit quality indicators associated with FFELP Loans.

For Private Education Loans, the key credit quality indicators are FICO scores, the existence of a cosigner, the loan status, and loan seasoning. The FICO scores are assessed at original approval and periodically refreshed/updated through the loan's term. The following tables highlights the gross principal balance of our Private Education Loan portfolio, by year of origination, stratified by key credit quality indicators.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**4. Allowance for Loan Losses (Continued)**

Year of Origination	Private Education Loans Credit Quality Indicators							% of Balance
	March 31, 2020							
	2020	2019	2018	2017	2016	2015 and Prior	Total	
Cosigners:								
With cosigner	\$ 698,291	\$ 4,527,042	\$ 3,311,178	\$ 2,869,295	\$ 2,515,751	\$ 5,295,854	\$ 19,217,411	89 %
Without cosigner	126,138	676,071	489,070	353,832	268,799	495,426	2,409,336	11
Total	\$ 824,429	\$ 5,203,113	\$ 3,800,248	\$ 3,223,127	\$ 2,784,550	\$ 5,791,280	\$ 21,626,747	100 %
FICO at Origination:								
Less than 670	\$ 62,064	\$ 363,345	\$ 274,016	\$ 237,052	\$ 197,390	\$ 446,246	\$ 1,580,113	7 %
670-699	123,512	757,806	555,719	502,930	435,075	955,404	3,330,446	15
700-749	268,388	1,688,114	1,243,712	1,068,091	937,643	1,933,589	7,139,537	33
Greater than or equal to 750	370,465	2,393,848	1,726,801	1,415,054	1,214,442	2,456,041	9,576,651	45
Total	\$ 824,429	\$ 5,203,113	\$ 3,800,248	\$ 3,223,127	\$ 2,784,550	\$ 5,791,280	\$ 21,626,747	100 %
FICO Refreshed:								
Less than 670	\$ 86,212	\$ 544,160	\$ 442,893	\$ 419,466	\$ 400,833	\$ 1,029,741	\$ 2,923,305	14 %
670-699	127,503	735,546	495,808	400,096	324,334	651,732	2,735,019	13
700-749	261,585	1,633,986	1,145,724	952,467	795,350	1,542,487	6,331,599	29
Greater than or equal to 750	349,129	2,289,421	1,715,823	1,451,098	1,264,033	2,567,320	9,636,824	44
Total	\$ 824,429	\$ 5,203,113	\$ 3,800,248	\$ 3,223,127	\$ 2,784,550	\$ 5,791,280	\$ 21,626,747	100 %
Seasoning <sup>(2)</sup> :								
1-12 payments	\$ 460,330	\$ 2,838,628	\$ 469,314	\$ 529,441	\$ 460,742	\$ 715,809	\$ 5,474,264	25 %
13-24 payments	—	255,403	1,979,761	277,499	258,606	580,426	3,351,695	15
25-36 payments	—	—	169,436	1,494,597	268,357	538,209	2,470,599	11
37-48 payments	—	—	—	117,409	1,194,038	568,792	1,880,239	9
More than 48 payments	—	—	—	—	87,201	2,714,272	2,801,473	13
Not yet in repayment	364,099	2,109,082	1,181,737	804,181	515,606	673,772	5,648,477	27
Total	\$ 824,429	\$ 5,203,113	\$ 3,800,248	\$ 3,223,127	\$ 2,784,550	\$ 5,791,280	\$ 21,626,747	100 %
Current period gross charge-offs	\$ —	\$ (1,597)	\$ (5,241)	\$ (8,136)	\$ (10,284)	\$ (26,211)	\$ (51,469)	
Current period recoveries	—	92	599	1,080	1,505	4,700	7,976	
Current period net charge-offs	\$ —	\$ (1,505)	\$ (4,642)	\$ (7,056)	\$ (8,779)	\$ (21,511)	\$ (43,493)	
Total accrued interest by origination vintage								
	\$ 9.927	\$ 181.551	\$ 281.619	\$ 279.039	\$ 217.988	\$ 288.627	\$ 1,258.751	

<sup>(1)</sup> Balance represents gross Private Education Loans.

<sup>(2)</sup> Represents the higher credit score of the cosigner or the borrower.

<sup>(3)</sup> Represents the FICO score updated as of the first-quarter 2020.

<sup>(4)</sup> Number of months in active repayment (whether interest only payment, fixed payment, or full principal and interest payment status) for which a scheduled payment was due.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**4. Allowance for Loan Losses (Continued)**

Year of Origination	Private Education Loans Credit Quality Indicators							% of Balance
	December 31, 2019							
	2019	2018	2017	2016	2015	2014 and Prior	Total	
Cosigners:								
With cosigner	\$ 3,475,256	\$ 4,303,772	\$ 3,575,973	\$ 3,112,873	\$ 2,579,214	\$ 3,662,547	\$ 20,709,635	89 %
Without cosigner	571,792	584,601	427,512	320,985	241,958	333,108	2,479,956	11
Total	<u>\$ 4,047,048</u>	<u>\$ 4,888,373</u>	<u>\$ 4,003,485</u>	<u>\$ 3,433,858</u>	<u>\$ 2,821,172</u>	<u>\$ 3,995,655</u>	<u>\$ 23,189,591</u>	<u>100 %</u>
FICO at Origination:								
Less than 670	\$ 283,040	\$ 343,613	\$ 285,747	\$ 236,457	\$ 203,145	\$ 313,587	\$ 1,665,589	7 %
670-699	592,376	714,779	617,676	529,575	439,050	676,569	3,570,025	16
700-749	1,319,563	1,601,904	1,325,387	1,155,253	944,135	1,324,506	7,670,748	33
Greater than or equal to 750	1,852,069	2,228,077	1,774,675	1,512,573	1,234,842	1,680,993	10,283,229	44
Total	<u>\$ 4,047,048</u>	<u>\$ 4,888,373</u>	<u>\$ 4,003,485</u>	<u>\$ 3,433,858</u>	<u>\$ 2,821,172</u>	<u>\$ 3,995,655</u>	<u>\$ 23,189,591</u>	<u>100 %</u>
FICO Refreshed:								
Less than 670	\$ 401,979	\$ 515,901	\$ 475,007	\$ 449,568	\$ 419,308	\$ 717,674	\$ 2,979,437	13 %
670-699	582,256	645,422	497,497	397,889	308,607	451,451	2,883,122	13
700-749	1,284,867	1,506,849	1,199,564	994,309	772,205	1,048,808	6,806,602	29
Greater than or equal to 750	1,777,946	2,220,201	1,831,417	1,592,092	1,321,052	1,777,722	10,520,430	45
Total	<u>\$ 4,047,048</u>	<u>\$ 4,888,373</u>	<u>\$ 4,003,485</u>	<u>\$ 3,433,858</u>	<u>\$ 2,821,172</u>	<u>\$ 3,995,655</u>	<u>\$ 23,189,591</u>	<u>100 %</u>
Seasoning <sup>(2)</sup> :								
1-12 payments	\$ 2,376,404	\$ 719,158	\$ 705,181	\$ 617,174	\$ 462,946	\$ 470,839	\$ 5,351,702	23 %
13-24 payments	—	2,588,702	424,953	305,078	285,513	399,905	4,004,151	17
25-36 payments	—	—	1,862,587	418,048	227,391	394,339	2,902,365	12
37-48 payments	—	—	—	1,457,760	413,508	342,676	2,213,944	10
More than 48 payments	—	—	—	—	1,056,229	1,973,795	3,030,024	13
Not yet in repayment	1,670,644	1,580,513	1,010,764	635,798	375,585	414,101	5,687,405	25
Total	<u>\$ 4,047,048</u>	<u>\$ 4,888,373</u>	<u>\$ 4,003,485</u>	<u>\$ 3,433,858</u>	<u>\$ 2,821,172</u>	<u>\$ 3,995,655</u>	<u>\$ 23,189,591</u>	<u>100 %</u>
2019 gross charge-offs								
2019 gross charge-offs	\$ (1,697)	\$ (14,650)	\$ (29,119)	\$ (40,576)	\$ (41,141)	\$ (81,795)	\$ (208,978)	
2019 recoveries	69	1,016	2,622	4,431	5,175	12,452	25,765	
2019 net charge-offs	<u>\$ (1,628)</u>	<u>\$ (13,634)</u>	<u>\$ (26,497)</u>	<u>\$ (36,145)</u>	<u>\$ (35,966)</u>	<u>\$ (69,343)</u>	<u>\$ (183,213)</u>	
Total accrued interest by origination vintage								
Total accrued interest by origination vintage	\$ 116,423	\$ 321,568	\$ 327,002	\$ 261,083	\$ 165,764	\$ 174,318	\$ 1,366,158	

<sup>(1)</sup> Balance represents gross Private Education Loans.

<sup>(2)</sup> Represents the higher credit score of the cosigner or the borrower.

<sup>(3)</sup> Represents the FICO score updated as of the fourth-quarter 2019.

<sup>(4)</sup> Number of months in active repayment (whether interest only payment, fixed payment, or full principal and interest payment status) for which a scheduled payment was due.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**4. Allowance for Loan Losses (Continued)**

*Private Education Loan Delinquencies*

The following tables provide information regarding the loan status of our Private Education Loans, by year of origination. Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

	Private Education Loan Delinquencies by Origination Vintage						
	March 31, 2020						Total
	2020	2019	2018	2017	2016	2015 and Prior	
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 364,100	\$ 2,109,092	\$ 1,181,737	\$ 804,181	\$ 515,606	\$ 673,761	\$ 5,648,477
Loans in forbearance <sup>(2)</sup>	4,370	51,418	144,691	180,617	186,362	422,467	989,925
Loans in repayment:							
Loans current	454,436	3,020,099	2,422,162	2,162,435	1,999,047	4,458,032	14,516,211
Loans delinquent 31-60 days <sup>(3)</sup>	1,524	15,771	27,690	40,349	43,630	125,661	254,625
Loans delinquent 61-90 days <sup>(3)</sup>	—	4,760	15,016	22,286	24,645	69,189	135,896
Loans delinquent greater than 90 days <sup>(3)</sup>	—	1,983	8,952	13,259	15,260	42,159	81,613
Total Private Education Loans in repayment	455,960	3,042,613	2,473,820	2,238,329	2,082,582	4,695,041	14,988,345
Total Private Education Loans, gross	824,430	5,203,123	3,800,248	3,223,127	2,784,550	5,791,269	21,626,747
Private Education Loans deferred origination costs and unamortized premium/(discount)	4,958	20,484	12,515	9,491	7,960	9,859	65,267
Total Private Education Loans	829,388	5,223,607	3,812,763	3,232,618	2,792,510	5,801,128	21,692,014
Private Education Loans allowance for losses	(59,208)	(369,890)	(275,259)	(234,085)	(195,324)	(382,015)	(1,515,781)
Private Education Loans, net	\$ 770,180	\$ 4,853,717	\$ 3,537,504	\$ 2,998,533	\$ 2,597,186	\$ 5,419,113	\$ 20,176,233
Percentage of Private Education Loans in repayment	55.3 %	58.5 %	65.1 %	69.4 %	74.8 %	81.1 %	69.3 %
Delinquencies as a percentage of Private Education Loans in repayment	0.3 %	0.7 %	2.1 %	3.4 %	4.0 %	5.0 %	3.2 %
Loans in forbearance as a percentage of loans in repayment and forbearance	0.9 %	1.7 %	5.5 %	7.5 %	8.2 %	8.3 %	6.2 %

<sup>(1)</sup> Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on the loans (e.g., residency periods for medical students or a grace period for bar exam preparation).

<sup>(2)</sup> Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

<sup>(3)</sup> The period of delinquency is based on the number of days scheduled payments are contractually past due.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**4. Allowance for Loan Losses (Continued)**

	Private Education Loan Delinquencies by Origination Vintage						
	December 31, 2019						Total
	2019	2018	2017	2016	2015	2014 and Prior	
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 1,670,644	\$ 1,580,513	\$ 1,010,764	\$ 635,798	\$ 375,585	\$ 414,101	\$ 5,687,405
Loans in forbearance <sup>(2)</sup>	21,009	108,509	142,341	146,114	127,799	168,744	714,516
Loans in repayment:							
Loans current	2,340,221	3,159,878	2,781,132	2,566,815	2,225,721	3,241,884	16,315,651
Loans delinquent 31-60 days <sup>(3)</sup>	11,152	26,096	44,382	51,656	54,559	100,206	288,051
Loans delinquent 61-90 days <sup>(3)</sup>	3,087	9,527	17,048	21,161	24,562	45,917	121,302
Loans delinquent greater than 90 days <sup>(3)</sup>	935	3,850	7,818	12,314	12,946	24,803	62,666
Total Private Education Loans in repayment	2,355,395	3,199,351	2,850,380	2,651,946	2,317,788	3,412,810	16,787,670
Total Private Education Loans, gross	4,047,048	4,888,373	4,003,485	3,433,858	2,821,172	3,995,655	23,189,591
Private Education Loans deferred origination costs and unamortized premium/(discount)	23,661	17,699	13,843	12,304	8,564	5,153	81,224
Total Private Education Loans	4,070,709	4,906,072	4,017,328	3,446,162	2,829,736	4,000,808	23,270,815
Private Education Loans allowance for losses	(3,013)	(19,105)	(44,858)	(71,598)	(80,974)	(154,752)	(374,300)
Private Education Loans, net	\$ 4,067,696	\$ 4,886,967	\$ 3,972,470	\$ 3,374,564	\$ 2,748,762	\$ 3,846,056	\$ 22,896,515
Percentage of Private Education Loans in repayment	58.2 %	65.4 %	71.2 %	77.2 %	82.2 %	85.4 %	72.4 %
Delinquencies as a percentage of Private Education Loans in repayment	0.6 %	1.2 %	2.4 %	3.2 %	4.0 %	5.0 %	2.8 %
Loans in forbearance as a percentage of loans in repayment and forbearance	0.9 %	3.3 %	4.8 %	5.2 %	5.2 %	4.7 %	4.1 %

- <sup>(1)</sup> Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on the loans (e.g., residency periods for medical students or a grace period for bar exam preparation).
- <sup>(2)</sup> Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.
- <sup>(3)</sup> The period of delinquency is based on the number of days scheduled payments are contractually past due.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**4. Allowance for Loan Losses (Continued)**

*Personal Loan Key Credit Quality Indicators*

For Personal Loans, the key credit quality indicators are FICO scores, loan seasoning, and loan delinquency status. The FICO scores are assessed at original approval and periodically refreshed/updated through the loan's term. The following tables highlights the gross principal balance of our Personal Loan portfolio, by year of origination, stratified by key credit quality indicators.

Year of Origination	Personal Loans Credit Quality Indicators						% of Balance
	March 31, 2020						
	2020 <sup>(1)</sup>	2019 <sup>(1)</sup>	2018 <sup>(1)</sup>	2017 <sup>(1)</sup>	2016 <sup>(1)</sup>	Total <sup>(1)</sup>	
FICO at Origination:							
Less than 670	\$ —	\$ 7,501	\$ 26,745	\$ 5,072	\$ —	\$ 39,318	4 %
670-699	—	70,479	128,797	21,295	47	220,618	25
700-749	40	195,857	215,424	37,261	456	449,038	50
Greater than or equal to 750	—	91,012	84,726	14,708	284	190,730	21
Total	<u>\$ 40</u>	<u>\$ 364,849</u>	<u>\$ 455,692</u>	<u>\$ 78,336</u>	<u>\$ 787</u>	<u>\$ 899,704</u>	<u>100 %</u>
Seasoning <sup>(2)</sup> :							
1-12 payments	\$ 40	\$ 331,474	\$ 400	\$ —	\$ —	\$ 331,914	37 %
13-24 payments	—	33,375	393,608	6	—	426,989	48
25-36 payments	—	—	61,684	76,924	—	138,608	15
37-48 payments	—	—	—	1,406	787	2,193	—
More than 48 payments	—	—	—	—	—	—	—
Not yet in repayment	—	—	—	—	—	—	—
Total	<u>\$ 40</u>	<u>\$ 364,849</u>	<u>\$ 455,692</u>	<u>\$ 78,336</u>	<u>\$ 787</u>	<u>\$ 899,704</u>	<u>100 %</u>
Current period gross charge-offs							
Current period gross charge-offs	\$ —	\$ (2,885)	\$ (13,758)	\$ (2,563)	\$ (41)	\$ (19,247)	
Current period recoveries	—	15	1,127	389	11	1,542	
Current period net charge-offs	<u>\$ —</u>	<u>\$ (2,870)</u>	<u>\$ (12,631)</u>	<u>\$ (2,174)</u>	<u>\$ (30)</u>	<u>\$ (17,705)</u>	
Total accrued interest by origination vintage							
Total accrued interest by origination vintage	\$ —	\$ 3,161	\$ 3,443	\$ 414	\$ 3	\$ 7,021	

<sup>(1)</sup> Balance represents gross Personal Loans.

<sup>(2)</sup> Number of months in active repayment for which a scheduled payment was due.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**4. Allowance for Loan Losses (Continued)**

Year of Origination	Personal Loans Credit Quality Indicators					% of Balance
	December 31, 2019					
	2019 <sup>(1)</sup>	2018 <sup>(1)</sup>	2017 <sup>(1)</sup>	2016 <sup>(1)</sup>	Total <sup>(1)</sup>	
FICO at Origination:						
Less than 670	\$ 8,315	\$ 32,021	\$ 7,030	\$ 1	\$ 47,367	4 %
670-699	77,746	152,909	28,384	59	259,098	25
700-749	217,642	255,374	48,254	586	521,856	50
Greater than or equal to 750	101,073	100,480	18,795	338	220,686	21
Total	<u>\$ 404,776</u>	<u>\$ 540,784</u>	<u>\$ 102,463</u>	<u>\$ 984</u>	<u>\$ 1,049,007</u>	<u>100 %</u>
Seasoning <sup>(2)</sup> :						
1-12 payments	\$ 404,776	\$ 65,164	\$ —	\$ —	\$ 469,940	45 %
13-24 payments	—	475,620	29,698	—	505,318	48
25-36 payments	—	—	72,765	984	73,749	7
37-48 payments	—	—	—	—	—	—
More than 48 payments	—	—	—	—	—	—
Not yet in repayment	—	—	—	—	—	—
Total	<u>\$ 404,776</u>	<u>\$ 540,784</u>	<u>\$ 102,463</u>	<u>\$ 984</u>	<u>\$ 1,049,007</u>	<u>100 %</u>
2019 gross charge-offs						
2019 recoveries	<u>48</u>	<u>3,397</u>	<u>1,722</u>	<u>39</u>	<u>5,206</u>	
2019 net charge-offs	<u>\$ (2,302)</u>	<u>\$ (54,737)</u>	<u>\$ (11,971)</u>	<u>\$ (97)</u>	<u>\$ (69,107)</u>	
Total accrued interest by origination vintage						
	\$ 3,431	\$ 4,166	\$ 572	\$ 5	\$ 8,174	

<sup>(1)</sup> Balance represents gross Personal Loans.

<sup>(2)</sup> Number of months in active repayment for which a scheduled payment was due.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**4. Allowance for Loan Losses (Continued)**

*Personal Loan Delinquencies*

The following tables provides information regarding the loan status of our Personal Loans, by vintage.

	Personal Loan Delinquencies by Origination Vintage						% of Balance
	March 31, 2020						
	2020	2019	2018	2017	2016	Total	
Loans in Forbearance	\$ —	\$ 12,380	\$ 7,137	\$ —	\$ —	\$ 19,517	
Loans in repayment:							
Loans current	40	346,123	433,664	76,188	787	856,802	97.4 %
Loans delinquent 31-60 days <sup>(1)</sup>	—	3,321	7,448	810	—	11,579	1.3
Loans delinquent 61-90 days <sup>(1)</sup>	—	991	2,663	701	—	4,355	0.5
Loans delinquent greater than 90 days <sup>(1)</sup>	—	2,034	4,781	636	—	7,451	0.8
Total Personal Loans in repayment	40	352,469	448,556	78,335	787	880,187	100.0 %
Total Personal Loans, gross	40	364,849	455,693	78,335	787	899,704	
Personal Loans deferred origination costs and unamortized premium/(discount)	—	335	78	—	—	413	
Total Personal Loans	40	365,184	455,771	78,335	787	900,117	
Personal Loans allowance for loan losses	(6)	(51,280)	(89,194)	(12,110)	(83)	(152,673)	
Personal Loans, net	\$ 34	\$ 313,904	\$ 366,577	\$ 66,225	\$ 704	\$ 747,444	
Delinquencies as a percentage of Personal Loans in repayment	— %	1.8 %	3.3 %	2.7 %	— %	2.6 %	

<sup>(1)</sup> The period of delinquency is based on the number of days scheduled payments are contractually past due.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**4. Allowance for Loan Losses (Continued)**

	Personal Loan Delinquencies by Origination Vintage					% of Balance
	December 31, 2019					
	2019	2018	2017	2016	Total	
Loans in Forbearance	\$ —	\$ —	\$ —	\$ —	\$ —	
Loans in repayment:						
Loans current	400,216	522,778	99,581	942	1,023,517	97.6 %
Loans delinquent 31-60 days <sup>(1)</sup>	2,164	6,213	1,045	13	9,435	0.9
Loans delinquent 61-90 days <sup>(1)</sup>	1,074	5,148	943	7	7,172	0.7
Loans delinquent greater than 90 days <sup>(1)</sup>	1,322	6,645	895	21	8,883	0.8
Total Personal Loans in repayment	404,776	540,784	102,464	983	1,049,007	100.0 %
Total Personal Loans, gross	404,776	540,784	102,464	983	1,049,007	
Personal Loans deferred origination costs and unamortized premium/(discount)	380	133	—	—	513	
Total Personal Loans	405,156	540,917	102,464	983	1,049,520	
Personal Loans allowance for loan losses	(21,589)	(37,492)	(6,722)	(74)	(65,877)	
Personal Loans, net	\$ 383,567	\$ 503,425	\$ 95,742	\$ 909	\$ 983,643	
Delinquencies as a percentage of Personal Loans in repayment	1.1 %	3.3 %	2.8 %	4.2 %	2.4 %	

<sup>(1)</sup> The period of delinquency is based on the number of days scheduled payments are contractually past due.

**Accrued Interest Receivable**

The following table provides information regarding accrued interest receivable on our Private Education Loans. The table also discloses the amount of accrued interest on loans greater than 90 days past due as compared to our allowance for uncollectible interest on loans making full interest payments. The majority of the total accrued interest receivable represents accrued interest on deferred loans where no payments are due while the borrower is in school and fixed-pay loans where the borrower makes a \$25 monthly payment that is smaller than the interest accruing on the loan in that month. The accrued interest on these loans will be capitalized to the balance of the loans when the borrower exits the grace period after separation from school. The allowance for this portion of interest is included in our loan loss reserve. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due Private Education Loan portfolio for all periods presented.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**4. Allowance for Loan Losses (Continued)**

	Private Education Loans Accrued Interest Receivable		
	Total Interest Receivable	Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
March 31, 2020	\$ 1,258,751	\$ 3,127	\$ 3,479
December 31, 2019	\$ 1,366,158	\$ 2,390	\$ 5,309

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**5. Deposits**

The following table summarizes total deposits at March 31, 2020 and December 31, 2019.

	March 31, 2020	December 31, 2019
Deposits - interest bearing	\$ 24,443,963	\$ 24,282,906
Deposits - non-interest bearing	1,651	1,077
Total deposits	<u>\$ 24,445,614</u>	<u>\$ 24,283,983</u>

Our total deposits of \$24.4 billion were comprised of \$13.7 billion in brokered deposits and \$10.7 billion in retail and other deposits at March 31, 2020, compared to total deposits of \$24.3 billion, which were comprised of \$13.8 billion in brokered deposits and \$10.5 billion in retail and other deposits, at December 31, 2019.

Interest bearing deposits as of March 31, 2020 and December 31, 2019 consisted of retail and brokered non-maturity savings deposits, retail and brokered non-maturity money market deposits ("MMDAs") and retail and brokered certificates of deposit ("CDs"). Interest bearing deposits include deposits from Educational 529 and Health Savings plans that diversify our funding sources and additional deposits we consider to be core. These and other large omnibus accounts, aggregating the deposits of many individual depositors, represented \$6.8 billion of our deposit total as of March 31, 2020 and December 31, 2019.

Some of our deposit products are serviced by third-party providers. Placement fees associated with the brokered CDs are amortized into interest expense using the effective interest rate method. We recognized placement fee expense of \$5 million and \$4 million in the three months ended March 31, 2020 and 2019, respectively. Fees paid to third-party brokers related to brokered CDs were \$2 million and \$1 million for the three months ended March 31, 2020 and 2019, respectively.

Interest bearing deposits at March 31, 2020 and December 31, 2019 are summarized as follows:

	March 31, 2020		December 31, 2019	
	Amount	Qtr.-End Weighted Average Stated Rate <sup>(1)</sup>	Amount	Year-End Weighted Average Stated Rate <sup>(1)</sup>
Money market	\$ 9,561,715	1.74 %	\$ 9,616,547	2.04 %
Savings	752,357	1.44	718,616	1.71
Certificates of deposit	14,129,891	1.95	13,947,743	2.44
Deposits - interest bearing	<u>\$ 24,443,963</u>		<u>\$ 24,282,906</u>	

<sup>(1)</sup> Includes the effect of interest rate swaps in effective hedge relationships.

As of March 31, 2020, and December 31, 2019, there were \$1.1 billion and \$963 million, respectively, of deposits exceeding FDIC insurance limits. Accrued interest on deposits was \$82 million and \$68 million at March 31, 2020 and December 31, 2019, respectively.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**6. Borrowings**

Outstanding borrowings consist of unsecured debt and secured borrowings issued through our term asset-backed securitization (“ABS”) program and our Private Education Loan multi-lender secured borrowing facility (the “Secured Borrowing Facility,” which was previously called the asset-backed commercial paper facility or ABCP Facility). The following table summarizes our borrowings at March 31, 2020 and December 31, 2019.

	March 31, 2020			December 31, 2019		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt (fixed-rate)	\$ —	\$ 198,362	\$ 198,362	\$ —	\$ 198,159	\$ 198,159
Total unsecured borrowings	—	198,362	198,362	—	198,159	198,159
Secured borrowings:						
Private Education Loan term securitizations:						
Fixed-rate	—	2,912,346	2,912,346	—	2,629,902	2,629,902
Variable-rate	—	1,597,328	1,597,328	—	1,525,976	1,525,976
Total Private Education Loan term securitizations	—	4,509,674	4,509,674	—	4,155,878	4,155,878
Secured Borrowing Facility	—	—	—	289,230	—	289,230
Total secured borrowings	—	4,509,674	4,509,674	289,230	4,155,878	4,445,108
Total	\$ —	\$ 4,708,036	\$ 4,708,036	\$ 289,230	\$ 4,354,037	\$ 4,643,267

**Short-term Borrowings**

*Secured Borrowing Facility*

On February 19, 2020, we amended our Secured Borrowing Facility to, among other things, increase the amount that can be borrowed under the facility to \$2 billion (from \$750 million) and extend the maturity of the facility. We hold 100 percent of the residual interest in the Secured Borrowing Facility trust. Under the amended Secured Borrowing Facility, we incur financing costs on unused borrowing capacity and on outstandings. The amended Secured Borrowing Facility extended the revolving period, during which we may borrow, repay and reborrow funds, until February 17, 2021. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on February 17, 2022 (or earlier, if certain material adverse events occur). At March 31, 2020, there were no borrowings outstanding under the Secured Borrowing Facility and at December 31, 2019, there were \$289 million borrowings outstanding under the Secured Borrowing Facility.

**Long-term Borrowings**

*Secured Financings*

*2020 Transactions*

On February 12, 2020, we executed our \$636 million SMB Private Education Loan Trust 2020-A term ABS transaction, which was accounted for as a secured financing. We sold \$636 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately \$634 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.18 years and priced at a weighted average LIBOR equivalent cost of 1-

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**6. Borrowings (Continued)**

month LIBOR plus 0.88 percent. At March 31, 2020, \$665 million of our Private Education Loans, including \$622 million of principal and \$43 million in capitalized interest, were encumbered because of this transaction.

*Secured Financings at Issuance*

The following summarizes our secured financings issued in 2019 and through March 31, 2020:

Issue	Date Issued	Total Issued	Weighted Average Cost of Funds <sup>(1)</sup>	Weighted Average Life (in years)
<b>Private Education:</b>				
2019-A	March 2019	\$ 453,000	1-month LIBOR plus 0.92%	4.26
2019-B	June 2019	657,000	1-month LIBOR plus 1.01%	4.41
Total notes issued in 2019		<u>\$ 1,110,000</u>		
Total loan and accrued interest amount securitized at inception in 2019		<u>\$ 1,208,963</u>		
2020-A	February 2020	\$ 636,000	1-month LIBOR plus 0.88%	4.18
Total notes issued in 2020		<u>\$ 636,000</u>		
Total loan and accrued interest amount securitized at inception in 2020		<u>\$ 676,089</u>		

<sup>(1)</sup> Represents LIBOR equivalent cost of funds for floating and fixed-rate bonds, excluding issuance costs.

**Consolidated Funding Vehicles**

We consolidate our financing entities that are VIEs as a result of our being the entities' primary beneficiary. As a result, these financing VIEs are accounted for as secured borrowings. We consolidate the following financing VIEs as of March 31, 2020 and December 31, 2019, respectively:

	March 31, 2020						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short-Term	Long-Term	Total	Loans	Restricted Cash	Other Assets <sup>(1)</sup>	Total
Secured borrowings:							
Private Education Loan term securitizations	\$ —	\$ 4,509,674	\$ 4,509,674	\$ 5,594,488	\$ 172,546	\$ 370,795	\$ 6,137,829
Secured Borrowing Facility	—	—	—	—	9,316	1,835	11,151
Total	<u>\$ —</u>	<u>\$ 4,509,674</u>	<u>\$ 4,509,674</u>	<u>\$ 5,594,488</u>	<u>\$ 181,862</u>	<u>\$ 372,630</u>	<u>\$ 6,148,980</u>

(1) Other assets primarily represent accrued interest receivable.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**6. Borrowings (Continued)**

	December 31, 2019						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short-Term	Long-Term	Total	Loans	Restricted Cash	Other Assets <sup>(1)</sup>	Total
Secured borrowings:							
Private Education Loan term securitizations	\$ —	\$ 4,155,878	\$ 4,155,878	\$ 5,246,986	\$ 145,760	\$ 333,173	\$ 5,725,919
Secured Borrowing Facility	289,230	—	289,230	339,666	8,803	23,832	372,301
Total	<u>\$ 289,230</u>	<u>\$ 4,155,878</u>	<u>\$ 4,445,108</u>	<u>\$ 5,586,652</u>	<u>\$ 154,563</u>	<u>\$ 357,005</u>	<u>\$ 6,098,220</u>

(1) Other assets primarily represent accrued interest receivable.

**Other Borrowing Sources**

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled \$125 million at March 31, 2020. The interest rate we are charged on these lines of credit is priced at Fed Funds plus a spread at the time of borrowing and is payable daily. We did not utilize these lines of credit in the three months ended March 31, 2020 or in the year ended December 31, 2019.

We established an account at the FRB to meet eligibility requirements for access to the Primary Credit borrowing facility at the FRB's Discount Window (the "Window"). The Primary Credit borrowing facility is a lending program available to depository institutions that are in generally sound financial condition. All borrowings at the Window must be fully collateralized. We can pledge asset-backed and mortgage-backed securities, as well as FFELP Loans and Private Education Loans, to the FRB as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At March 31, 2020 and December 31, 2019, the value of our pledged collateral at the FRB totaled \$2.4 billion and \$3.2 billion, respectively. The interest rate charged to us is the discount rate set by the FRB. We did not utilize this facility in the three months ended March 31, 2020 or in the year ended December 31, 2019.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**7. Derivative Financial Instruments**

***Risk Management Strategy***

We maintain an overall interest rate risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate changes. Our goal is to manage interest rate sensitivity by modifying the repricing frequency and underlying index characteristics of certain balance sheet assets or liabilities so any adverse impacts related to movements in interest rates are managed within low to moderate limits. As a result of interest rate fluctuations, hedged balance sheet positions will appreciate or depreciate in market value or create variability in cash flows. Income or loss on the derivative instruments linked to the hedged item will generally offset the effect of this unrealized appreciation or depreciation or volatility in cash flows for the period the item is being hedged. We view this strategy as a prudent management of interest rate risk. Please refer to Note 10, “Derivative Financial Instruments” in our 2019 Form 10-K for a full discussion of our risk management strategy.

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) requires all standardized derivatives, including most interest rate swaps, to be submitted for clearing to central counterparties to reduce counterparty risk. Two of the central counterparties we use are the Chicago Mercantile Exchange (“CME”) and the London Clearing House (“LCH”). All variation margin payments on derivatives cleared through the CME and LCH are accounted for as legal settlement. As of March 31, 2020, \$9.3 billion notional of our derivative contracts were cleared on the CME and \$0.5 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 95.2 percent and 4.8 percent respectively, of our total notional derivative contracts of \$9.8 billion at March 31, 2020.

For derivatives cleared through the CME and LCH, the net gain (loss) position includes the variation margin amounts as settlement of the derivative and not collateral against the fair value of the derivative. The amount of variation margin included as settlement as of March 31, 2020 was \$(268) million and \$24 million for the CME and LCH, respectively. Changes in fair value for derivatives not designated as hedging instruments will be presented as realized gains (losses).

Our exposure is limited to the value of the derivative contracts in a gain position less any collateral held and plus any collateral posted. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At March 31, 2020 and December 31, 2019, we had a net positive exposure (derivative gain positions to us, less collateral held by us and plus collateral posted with counterparties) related to derivatives of \$96 million and \$52 million, respectively.

***Summary of Derivative Financial Statement Impact***

The following tables summarize the fair values and notional amounts of all derivative instruments at March 31, 2020 and December 31, 2019, and their impact on earnings and other comprehensive income for the three months ended March 31, 2020 and 2019. Please refer to Note 10, “Derivative Financial Instruments” in our 2019 Form 10-K for a full discussion of cash flow hedges, fair value hedges, and trading activities.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**7. Derivative Financial Instruments (Continued)**

*Impact of Derivatives on the Consolidated Balance Sheets*

		Cash Flow Hedges		Fair Value Hedges		Trading		Total	
		March 31,	December 31,	March 31,	December 31,	March 31,	December 31,	March 31,	December 31,
		2020	2019	2020	2019	2020	2019	2020	2019
<b>Fair Values<sup>(1)</sup></b>	<b>Hedged Risk Exposure</b>								
<i>Derivative Assets:<sup>(2)</sup></i>									
Interest rate swaps	Interest rate	\$ —	\$ 715	\$ 2,902	\$ —	\$ 751	\$ —	\$ 3,653	\$ 715
<i>Derivative Liabilities:<sup>(2)</sup></i>									
Interest rate swaps	Interest rate	(275)	—	—	(896)	—	(268)	(275)	(1,164)
Total net derivatives		<u>\$ (275)</u>	<u>\$ 715</u>	<u>\$ 2,902</u>	<u>\$ (896)</u>	<u>\$ 751</u>	<u>\$ (268)</u>	<u>\$ 3,378</u>	<u>\$ (449)</u>

(1) Fair values reported include variation margin as legal settlement of the derivative contract. Assets and liabilities are presented without consideration of master netting agreements. Derivatives are carried on the balance sheet based on net position by counterparty under master netting agreements and classified in other assets or other liabilities depending on whether in a net positive or negative position.

(2) The following table reconciles gross positions with the impact of master netting agreements to the balance sheet classification:

	Other Assets		Other Liabilities	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Gross position <sup>(1)</sup>	\$ 3,653	\$ 715	\$ (275)	\$ (1,164)
Impact of master netting agreement	(222)	(519)	222	519
Derivative values with impact of master netting agreements (as carried on balance sheet)	3,431	196	(53)	(645)
Cash collateral pledged <sup>(2)</sup>	92,969	52,564	—	—
Net position	<u>\$ 96,400</u>	<u>\$ 52,760</u>	<u>\$ (53)</u>	<u>\$ (645)</u>

(1) Gross position amounts include accrued interest and variation margin as legal settlement of the derivative contract.

(2) Cash collateral pledged excludes amounts that represent legal settlement of the derivative contracts.

	Cash Flow		Fair Value		Trading		Total	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
<b>Notional Values</b>								
Interest rate swaps	\$ 1,117,945	\$ 1,150,518	\$ 5,193,323	\$ 5,031,429	\$ 3,452,241	\$ 3,744,917	\$ 9,763,509	\$ 9,926,864

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**7. Derivative Financial Instruments (Continued)**

As of March 31, 2020 and December 31, 2019, the following amounts were recorded on the consolidated balance sheet related to cumulative basis adjustments for fair value hedges:

Line Item in the Balance Sheet in Which the Hedged Item is Included:	Carrying Amount of the Hedged Assets/(Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Deposits	\$ (5,391,335)	\$ (5,085,426)	\$ (206,396)	\$ (63,148)

*Impact of Derivatives on the Consolidated Statements of Income*

	Three Months Ended March 31,	
	2020	2019
<b><u>Fair Value Hedges</u></b>		
Interest rate swaps:		
Interest recognized on derivatives	\$ 4,623	\$ (3,827)
Hedged items recorded in interest expense	(143,248)	(23,986)
Derivatives recorded in interest expense	144,183	23,888
Total	\$ 5,558	\$ (3,925)
<b><u>Cash Flow Hedges</u></b>		
Interest rate swaps:		
Amount of gain (loss) reclassified from accumulated other comprehensive income into interest expense	\$ (1,528)	\$ 1,296
Total	\$ (1,528)	\$ 1,296
<b><u>Trading</u></b>		
Interest rate swaps:		
Change in fair value of future interest payments recorded in earnings	\$ 42,312	\$ 4,202
Total	42,312	4,202
<b>Total</b>	<b>\$ 46,342</b>	<b>\$ 1,573</b>

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**7. Derivative Financial Instruments (Continued)**

*Impact of Derivatives on the Statements of Changes in Stockholders' Equity*

	Three Months Ended	
	March 31,	
	2020	2019
Amount of loss recognized in other comprehensive income (loss)	\$ (47,222)	\$ (12,821)
Less: amount of gain (loss) reclassified in interest expense	(1,528)	1,296
Total change in other comprehensive income (loss) for unrealized gains (losses) on derivatives, before income tax (expense) benefit	\$ (45,694)	\$ (14,117)

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate deposits. During the next 12 months, we estimate that \$18 million will be reclassified as an increase to interest expense.

***Cash Collateral***

As of March 31, 2020, cash collateral held and pledged excludes amounts that represent legal settlement of the derivative contracts held with the CME and LCH. There was no cash collateral held related to derivative exposure between us and our derivatives counterparties at March 31, 2020 and December 31, 2019, respectively. Cash collateral pledged related to derivative exposure between us and our derivatives counterparties was \$93 million and \$53 million at March 31, 2020 and December 31, 2019, respectively. Collateral pledged is recorded in "Other interest-earning assets" on the consolidated balance sheets.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**8. Stockholders' Equity**

The following table summarizes our common share repurchases and issuances.

<b>(Shares and per share amounts in actuals)</b>	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Common stock repurchased under repurchase program <sup>(1)(2)</sup>	47,736,847	5,435,476
Average purchase price per share <sup>(3)</sup>	\$ 9.66	\$ 11.04
Shares repurchased related to employee stock-based compensation plans <sup>(4)</sup>	1,105,119	1,289,391
Average purchase price per share	\$ 10.98	\$ 10.95
Common shares issued <sup>(5)</sup>	2,837,562	3,470,664

<sup>(1)</sup> Common shares purchased under our share repurchase programs. \$75 million of capacity under the 2020 Share Repurchase Program remained available as of March 31, 2020.

<sup>(2)</sup> For the three months ended March 31, 2020, the amount includes 44.9 million shares related to the initial delivery of shares under our accelerated share repurchase agreement, described below.

<sup>(3)</sup> Average purchase price per share includes purchase commission costs.

<sup>(4)</sup> Comprised of shares withheld from stock option exercises and vesting of restricted stock for employees' tax withholding obligations and shares tendered by employees to satisfy option exercise costs.

<sup>(5)</sup> Common shares issued under our various compensation and benefit plans.

The closing price of our common stock on March 31, 2020 was \$7.19.

***Dividend and Share Repurchases***

In both March 2020 and 2019, we paid a common stock dividend of \$0.03 per common share.

The January 23, 2019 share repurchase program (the "2019 Share Repurchase Program"), which was effective upon announcement and expires on January 22, 2021, permits us to repurchase from time to time shares of our common stock up to an aggregate repurchase price not to exceed \$200 million. Under the 2019 Share Repurchase Program, we repurchased 3 million shares of common stock for \$33 million in the three months ended March 31, 2020 and 5 million shares of common stock for \$60 million in the three months ended March 31, 2019. We have now utilized all capacity under the 2019 Share Repurchase Program.

On January 22, 2020, we announced a new share repurchase program (the "2020 Share Repurchase Program"), which was effective upon announcement and expires on January 21, 2022, and permits us to repurchase shares of common stock from time to time up to an aggregate repurchase price not to exceed \$600 million.

On March 10, 2020, we entered into an accelerated share repurchase agreement ("ASR") with a third-party financial institution under which we purchased \$525 million of our outstanding common stock. On March 11, 2020, the third-party financial institution delivered to us approximately 44.9 million shares. The final total actual number of shares of common stock to be delivered to us will be based generally upon a discount to the Rule 10b-18 volume-weighted average price at which the shares of our common stock trade during the regular trading sessions on the NASDAQ Global Select Market during the term of the ASR. At settlement, the third-party financial institution may be obligated to deliver additional shares of common stock to us or we may be obligated to make delivery of common stock or a cash payment to them, at our option. The transactions are

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**8. Stockholders' Equity (Continued)**

accounted for as equity transactions and are included in treasury stock when the shares are received, at which time there is an immediate reduction in the weighted average common shares calculation for basic and diluted earnings per share. We expect final settlement of the share repurchases under the ASR to occur before or during the first quarter of 2021.

Under the 2020 Share Repurchase Program, repurchases may occur from time to time and through a variety of methods, including open market repurchases, repurchases effected through Rule 10b5-1 trading plans, negotiated block purchases, accelerated share repurchase programs, tender offers or other similar transactions.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**9. Earnings per Common Share**

Basic earnings per common share ("EPS") are calculated using the weighted average number of shares of common stock outstanding during each period. A reconciliation of the numerators and denominators of the basic and diluted EPS calculations follows.

<u>(In thousands, except per share data)</u>	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Numerator:</b>		
Net income	\$ 362,173	\$ 158,189
Preferred stock dividends	3,464	4,468
Net income attributable to SLM Corporation common stock	<u>\$ 358,709</u>	<u>\$ 153,721</u>
<b>Denominator:</b>		
Weighted average shares used to compute basic EPS	409,786	434,574
Effect of dilutive securities:		
Dilutive effect of stock options, restricted stock, restricted stock units, performance stock units and Employee Stock Purchase Plan ("ESPP") <sup>(1)(2)</sup>	2,969	3,674
Weighted average shares used to compute diluted EPS	<u>412,755</u>	<u>438,248</u>
<b>Basic earnings per common share attributable to SLM Corporation</b>	<u>\$ 0.88</u>	<u>\$ 0.35</u>
<b>Diluted earnings per common share attributable to SLM Corporation</b>	<u>\$ 0.87</u>	<u>\$ 0.35</u>

<sup>(1)</sup> Includes the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options, restricted stock, restricted stock units, performance stock units and the outstanding commitment to issue shares under the ESPP, determined by the treasury stock method.

<sup>(2)</sup> For the three months ended March 31, 2020 and 2019, securities covering approximately 2 million shares were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**10. Fair Value Measurements**

We use estimates of fair value in applying various accounting standards for our consolidated financial statements.

We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. For additional information regarding our policies for determining fair value and the hierarchical framework, see Note 2, “Significant Accounting Policies - Fair Value Measurement” in our 2019 Form 10-K.

During the three months ended March 31, 2020, there were no significant transfers of financial instruments between levels or changes in our methodology or assumptions used to value our financial instruments.

The following table summarizes the valuation of our financial instruments that are marked to fair value on a recurring basis.

	Fair Value Measurements on a Recurring Basis							
	March 31, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets</b>								
Available-for-sale investments	\$ —	\$ 538,742	\$ 75,840	\$ 614,582	\$ —	\$ 487,669	\$ —	\$ 487,669
Derivative instruments	—	3,653	—	3,653	—	715	—	715
<b>Total</b>	<b>\$ —</b>	<b>\$ 542,395</b>	<b>\$ 75,840</b>	<b>\$ 618,235</b>	<b>\$ —</b>	<b>\$ 488,384</b>	<b>\$ —</b>	<b>\$ 488,384</b>
<b>Liabilities</b>								
Derivative instruments	\$ —	\$ (275)	\$ —	\$ (275)	\$ —	\$ (1,164)	\$ —	\$ (1,164)
<b>Total</b>	<b>\$ —</b>	<b>\$ (275)</b>	<b>\$ —</b>	<b>\$ (275)</b>	<b>\$ —</b>	<b>\$ (1,164)</b>	<b>\$ —</b>	<b>\$ (1,164)</b>

## 10. Fair Value Measurements (Continued)

	March 31, 2020			December 31, 2019		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
<b>Earning assets:</b>						
Loans held for investment, net:						
Private Education Loans	\$ 21,826,300	\$ 20,176,233	\$ 1,650,067	\$ 24,988,941	\$ 22,896,515	\$ 2,092,426
FFELP Loans	755,449	764,771	(9,322)	795,055	783,816	11,239
Personal Loans	851,750	747,444	104,306	1,047,119	983,643	63,476
Credit Cards	6,959	7,403	(444)	3,818	3,818	—
Cash and cash equivalents	7,292,929	7,292,929	—	5,563,877	5,563,877	—
Trading investments	11,360	11,360	—	—	—	—
Available-for-sale investments	614,582	614,582	—	487,669	487,669	—
Accrued interest receivable	1,291,972	1,281,746	10,226	1,491,471	1,392,725	98,746
Tax indemnification receivable	27,727	27,727	—	27,558	27,558	—
Derivative instruments	3,653	3,653	—	715	715	—
Total earning assets	\$ 32,682,681	\$ 30,927,848	\$ 1,754,833	\$ 34,406,223	\$ 32,140,336	\$ 2,265,887
<b>Interest-bearing liabilities:</b>						
Money-market and savings accounts	\$ 10,360,970	\$ 10,314,072	\$ (46,898)	\$ 10,363,691	\$ 10,335,163	\$ (28,528)
Certificates of deposit	14,202,601	14,129,891	(72,710)	14,065,007	13,947,743	(117,264)
Short-term borrowings	—	—	—	289,230	289,230	—
Long-term borrowings	4,572,625	4,708,036	135,411	4,434,323	4,354,037	(80,286)
Accrued interest payable	93,768	93,768	—	75,158	75,158	—
Derivative instruments	275	275	—	1,164	1,164	—
Total interest-bearing liabilities	\$ 29,230,239	\$ 29,246,042	\$ 15,803	\$ 29,228,573	\$ 29,002,495	\$ (226,078)
<b>Excess of net asset fair value over carrying value</b>			\$ 1,770,636	\$ 2,039,809		

53

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**11. Regulatory Capital**

Sallie Mae Bank (the “Bank”) is subject to various regulatory capital requirements administered by the FDIC and the Utah Department of Financial Institutions (“UDFI”). Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on our business, results of operations and financial condition. Under the FDIC’s regulations implementing the Basel III capital framework (“U.S. Basel III”) and the regulatory framework for prompt corrective action, the Bank must meet specific capital standards that involve quantitative measures of its assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank’s capital amounts and its classification under the prompt corrective action framework are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors.

U.S. Basel III is aimed at increasing both the quantity and quality of regulatory capital. Certain aspects of U.S. Basel III, including new deductions from and adjustments to regulatory capital and a capital conservation buffer, have been phased in over several years.

The Bank is subject to the following minimum capital ratios under U.S. Basel III: a Common Equity Tier 1 risk-based capital ratio of 4.5 percent, a Tier 1 risk-based capital ratio of 6.0 percent, a Total risk-based capital ratio of 8.0 percent, and a Tier 1 leverage ratio of 4.0 percent. In addition, as of January 1, 2019, the Bank is subject to a fully phased-in Common Equity Tier 1 capital conservation buffer of greater than 2.5 percent. (As of December 31, 2018, the Bank was subject to a Common Equity Tier 1 capital conservation buffer of greater than 1.875 percent.) Failure to maintain the buffer will result in restrictions on the Bank’s ability to make capital distributions, including the payment of dividends, and to pay discretionary bonuses to executive officers. Including the buffer, as of January 1, 2019, the Bank is required to maintain the following minimum capital ratios under U.S. Basel III in order to avoid such restrictions: a Common Equity Tier 1 risk-based capital ratio of greater than 7.0 percent, a Tier 1 risk-based capital ratio of greater than 8.5 percent and a Total risk-based capital ratio of greater than 10.5 percent.

To qualify as “well capitalized” under the prompt corrective action framework for insured depository institutions, the Bank must maintain a Common Equity Tier 1 risk-based capital ratio of at least 6.5 percent, a Tier 1 risk-based capital ratio of at least 8.0 percent, a Total risk-based capital ratio of at least 10.0 percent, and a Tier 1 leverage ratio of at least 5.0 percent.

On March 27, 2020, the FDIC and other federal banking agencies published an interim final rule that provides those banking organizations adopting CECL during 2020 with the option to delay for two years the estimated impact of CECL on regulatory capital and to phase in the aggregate impact of the deferral on regulatory capital over a subsequent three year period. Under this interim final rule, because we have elected to use the deferral option, the regulatory capital impact of our transition adjustments recorded on January 1, 2020 from the adoption of CECL will be deferred for two years. In addition, 25 percent of the ongoing impact, from January 1, 2020 through the end of the two-year deferral period, of CECL on our allowance for loan losses, retained earnings, and average total consolidated assets, each as reported for regulatory capital purposes, will be added to the deferred transition amounts (“adjusted transition amounts”) and deferred for the two-year period. At the conclusion of the two-year period (January 1, 2022), the adjusted transition amounts will be phased-in for regulatory capital purposes at a rate of 25 percent per year, with the phased-in amounts included in regulatory capital at the beginning of each year. Our January 1, 2020 CECL transition amounts increased the allowance for loan losses by \$1.1 billion, increased the liability representing our off-balance sheet exposure for unfunded commitments by \$116 million, and increased our deferred tax asset by \$306 million, resulting in a cumulative effect adjustment that reduced retained earnings by \$953 million.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Dollars in thousands, unless otherwise noted)

**11. Regulatory Capital (Continued)**

The following capital amounts and ratios are based upon the Bank's average assets and risk-weighted assets, as indicated.

	Actual		U.S. Basel III Minimum Requirements Plus Buffer <sup>(1)(2)</sup>	
	Amount	Ratio	Amount	Ratio
<b>As of March 31, 2020:</b>				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,112,763	12.4 %	\$ 1,757,168	≥ 7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,112,763	12.4 %	\$ 2,133,704	≥ 8.5 %
Total Capital (to Risk-Weighted Assets)	\$ 3,428,154	13.7 %	\$ 2,635,752	≥ 10.5 %
Tier 1 Capital (to Average Assets)	\$ 3,112,763	9.4 %	\$ 1,326,107	≥ 4.0 %
<b>As of December 31, 2019:</b>				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,264,309	12.2 %	\$ 1,876,050	≥ 7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,264,309	12.2 %	\$ 2,278,060	≥ 8.5 %
Total Capital (to Risk-Weighted Assets)	\$ 3,600,668	13.4 %	\$ 2,814,074	≥ 10.5 %
Tier 1 Capital (to Average Assets)	\$ 3,264,309	10.2 %	\$ 1,284,642	≥ 4.0 %

<sup>(1)</sup> Reflects the U.S. Basel III minimum required ratio plus the applicable capital conservation buffer.

<sup>(2)</sup> The Bank's regulatory capital ratios also exceeded all applicable standards for the Bank to qualify as "well capitalized" under the prompt corrective action framework.

*Bank Dividends*

The Bank is chartered under the laws of the State of Utah and its deposits are insured by the FDIC. The Bank's ability to pay dividends is subject to the laws of Utah and the regulations of the FDIC. Generally, under Utah's industrial bank laws and regulations as well as FDIC regulations, the Bank may pay dividends from its net profits without regulatory approval if, following the payment of the dividend, the Bank's capital and surplus would not be impaired. The Bank declared \$541 million in dividends to the Company for the three months ended March 31, 2020, and \$85 million in dividends for the three months ended March 31, 2019. In the future, we expect that the Bank will pay dividends to the Company as may be necessary to enable the Company to pay any declared dividends on its Series B Preferred Stock and common stock and to consummate any common share repurchases by the Company under its share repurchase program.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

## **12. Commitments, Contingencies and Guarantees**

### *Commitments*

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of such approval, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). We estimate expected credit losses over the contractual period in which we are exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by us. At March 31, 2020, we had \$450 million of outstanding contractual loan commitments which we expect to fund during the remainder of the 2019/2020 academic year. At March 31, 2020, we had a \$30 million reserve recorded in “Other Liabilities” to cover lifetime expected credit losses on these unfunded commitments. See Note 1, “Significant Accounting Policies — Allowance for Credit Losses — Off-Balance Sheet Exposure for Contractual Loan Commitments” for additional information.

### *Regulatory Matters*

On July 17, 2018, the Mississippi Attorney General filed a lawsuit in Mississippi state court against Navient, Navient Solutions, LLC, and the Bank arising out of the Multi-State Investigation. The complaint alleges unfair and deceptive trade practices against all three defendants as to private loan origination practices from 2000 to 2009, and against the two Navient defendants as to servicing practices between 2010 and the present. The complaint further alleges that Navient assumed responsibility for these matters under the Separation and Distribution Agreement for alleged conduct that pre-dated the Spin-Off. On September 27, 2018, the Mississippi Attorney General filed an amended complaint. On October 8, 2018, the Bank moved to dismiss the Mississippi Attorney General’s action as to the Bank, arguing, among other things, that the complaint failed to allege with sufficient particularity or specificity how the Bank was responsible for any of the alleged conduct, most of which predated the Bank’s existence. On November 20, 2018, the Mississippi Attorney General filed an opposition brief and the Bank filed a reply on December 21, 2018. The court heard oral argument on the Bank’s motion to dismiss on April 11, 2019. On August 15, 2019, the court entered an order denying the Bank’s motion to dismiss. On September 5, 2019, the Bank filed with the Supreme Court of Mississippi a petition for interlocutory appeal. The Mississippi Attorney General filed an opposition to the petition for interlocutory appeal on September 19, 2019. On October 16, 2019, the Supreme Court of Mississippi granted the Bank’s petition for interlocutory appeal and stayed the trial court proceedings. The Mississippi Attorney General has since agreed to dismiss with prejudice all claims against the Bank in the underlying case. On March 31, 2020, the Mississippi Attorney General and the Bank filed a Joint Motion to Dismiss Interlocutory Appeal with the Supreme Court of Mississippi. On April 10, 2020, the Mississippi Attorney General filed with the trial court a Notice of Voluntary Dismissal with Prejudice as to the Bank.

For additional information regarding our regulatory matters, see Note 18, “Commitments, Contingencies and Guarantees” in our 2019 Form 10-K.

### *Contingencies*

In the ordinary course of business, we and our subsidiaries are routinely defendants in or parties to pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. These actions and proceedings may be based on alleged violations of consumer protection, securities, employment and other laws. In certain of these actions and proceedings, claims for substantial monetary damages may be asserted against us and our subsidiaries.

It is common for the Company, our subsidiaries and affiliates to receive information and document requests and investigative demands from state attorneys general, legislative committees, and administrative agencies. These requests may be for informational or regulatory purposes and may relate to our business practices, the industries in which we operate, or other companies with whom we conduct business. Our practice has been and continues to be to cooperate with these bodies and be responsive to any such requests.

**SLM CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Dollars in thousands, unless otherwise noted)**

**12. Commitments, Contingencies and Guarantees (Continued)**

We are required to establish reserves for litigation and regulatory matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves.

Based on current knowledge, management does not believe there are loss contingencies, if any, arising from pending investigations, litigation or regulatory matters for which reserves should be established.

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

The following information is current as of April 22, 2020 (unless otherwise noted) and should be read in connection with SLM Corporation's Annual Report on Form 10-K for the year ended December 31, 2019 (filed with the Securities and Exchange Commission (the "SEC") on February 28, 2020) (the "2019 Form 10-K"), and subsequent reports filed with the SEC. Definitions for capitalized terms used in this report not defined herein can be found in the 2019 Form 10-K.

References in this Form 10-Q to "we," "us," "our," "Sallie Mae," "SLM" and the "Company" refer to SLM Corporation and its subsidiaries, except as otherwise indicated or unless the context otherwise requires.

This report contains "forward-looking" statements and information based on management's current expectations as of the date of this report. Statements that are not historical facts, including statements about our beliefs, opinions or expectations and statements that assume or are dependent upon future events, are forward-looking statements. This includes, but is not limited to: statements regarding future developments surrounding COVID-19 or any other pandemic, including, without limitation, statements regarding the potential impact of COVID-19 or any other pandemic on the Company's business, results of operations, financial condition and/or cash flows; our expectation and ability to pay a quarterly cash dividend on our common stock in the future, subject to the determination by our Board of Directors, and based on an evaluation of our earnings, financial condition and requirements, business conditions, capital allocation determinations, and other factors, risks and uncertainties; the Company's 2020 guidance; the Company's three-year horizon outlook; the Company's expectation and ability to execute loan sales and share repurchases; the Company's projections regarding originations, earnings and balance sheet position; and any estimates related to accounting standard changes. Forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause actual results to be materially different from those reflected in such forward-looking statements. These factors include, among others, the risks and uncertainties set forth in Item 1A. "Risk Factors" and elsewhere in our 2019 Form 10-K and subsequent filings with the SEC; the societal, business, and legislative/regulatory impact of pandemics and other public health crises; increases in financing costs; limits on liquidity; increases in costs associated with compliance with laws and regulations; failure to comply with consumer protection, banking and other laws; changes in accounting standards and the impact of related changes in significant accounting estimates, including any regarding the measurement of our allowance for loan losses and the related provision expense; any adverse outcomes in any significant litigation to which we are a party; credit risk associated with our exposure to third-parties, including counterparties to our derivative transactions; and changes in the terms of education loans and the educational credit marketplace (including changes resulting from new laws and the implementation of existing laws). We could also be affected by, among other things: changes in our funding costs and availability; reductions to our credit ratings; cybersecurity incidents, cyberattacks and other failures or breaches of our operating systems or infrastructure, including those of third-party vendors; damage to our reputation; risks associated with restructuring initiatives, including failures to successfully implement cost-cutting programs and the adverse effects of such initiatives on our business; changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; changes in law and regulations with respect to the student lending business and financial institutions generally; changes in banking rules and regulations, including increased capital requirements; increased competition from banks and other consumer lenders; the creditworthiness of our customers; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments and those of our earning assets versus our funding arrangements; rates of prepayment on the loans that we own; changes in general economic conditions and our ability to successfully effectuate any acquisitions; and other strategic initiatives. The preparation of our consolidated financial statements also requires us to make certain estimates and assumptions, including estimates and assumptions about future events. These estimates or assumptions may prove to be incorrect. All forward-looking statements contained in this quarterly report on Form 10-Q are qualified by these cautionary statements and are made only as of the date of this report. We do not undertake any obligation to update or revise these forward-looking statements to conform such statements to actual results or changes in our expectations.

We report financial results on a GAAP basis and also provide certain non-GAAP core earnings performance measures. The difference between our "Core Earnings" and GAAP results for the periods presented were the unrealized, mark-to-fair value gains/losses on derivative contracts (excluding current period accruals on the derivative instruments), net of tax. These are recognized in GAAP, but not in "Core Earnings" results. We provide "Core Earnings" measures because this is what management uses when making management decisions regarding our performance and the allocation of corporate resources. Our "Core Earnings" are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. For additional information, see "—Key Financial Measures" and "—'Core Earnings'" in this Form 10-Q for

the quarter ended March 31, 2020 for a further discussion and a complete reconciliation between GAAP net income and “Core Earnings.”

Through this discussion and analysis, we intend to provide the reader with some narrative context for how our management views our consolidated financial statements, additional context within which to assess our operating results, and information on the quality and variability of our earnings, liquidity and cash flows.

### **Impact of COVID-19 on Sallie Mae**

During the first quarter of 2020, the respiratory disease caused by a novel coronavirus, coronavirus 2019 or COVID-19 (“COVID-19”), began to spread worldwide and has caused significant disruptions to the U.S. and world economies. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. On March 13, 2020, President Trump declared a national emergency, which made federal funds available to respond to the crisis. Beginning on March 15, 2020, many businesses closed or reduced hours throughout the U.S. to combat the spread of COVID-19. All 50 states have reported cases of COVID-19 and the states have implemented various containment efforts, including lockdowns on non-essential businesses. Economists expect that the impact of COVID-19 on the U.S. economy will be significant during the remainder of 2020. We used Moody’s Analytics economic forecasts as of March 31, 2020 in estimating the losses on our loan portfolio; however, more recent forecasts of economic conditions appear to have worsened. As the economic impact of the COVID-19 pandemic becomes clearer as the year progresses, we could see significant changes in our allowance for loan losses. As the largest private student lender in the U.S., we, along with our customers and employees, are feeling the impact of COVID-19. In response to COVID-19, we have implemented efforts to safeguard our workforce as well as to help our customers in this time of crisis. The following discussion highlights how we are responding and the expected impacts of COVID-19 on our business.

The COVID-19 crisis is unprecedented and has had a significant impact on the economic environment globally and in the U.S. While we have highlighted below how we have responded to the pandemic and described its financial impact, there is a significant amount of uncertainty as to the length and breadth of the impact to the U.S. economy and, consequently, on us. Accordingly, the information below should be read in conjunction with our COVID-19 Pandemic risk factor. See Part II, Item 1A. “Risk Factors — COVID-19 Pandemic” in this quarterly report on Form 10-Q for risks associated with COVID-19. See also Part I, Item 1A. “Risk Factors” in our 2019 Form 10-K. In addition, see the forward-looking and cautionary statements discussion above. Forward-looking statements are subject to risks, uncertainties, assumptions, and other factors that may cause actual results to be materially different from those reflected in such forward-looking statements. These factors include, among others, the risks and uncertainties set forth in Item 1A. “Risk Factors” and elsewhere in the 2019 Form 10-K and this quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2020.

#### Customers and Credit Performance

COVID-19 is having far reaching, negative impacts on individuals, businesses, and, consequently, the overall economy. Specifically, COVID-19 has materially disrupted business operations, resulting in significantly higher levels of unemployment or underemployment. As a result, we expect many of our individual customers will experience financial hardship, making it difficult, if not impossible, to meet their payment obligations to us without temporary assistance. We are monitoring key metrics as early warning indicators of financial hardship, including changes in weekly unemployment claims, enrollment in auto-debit payments, requests for new forbearances, enrollment in hardship payment plans and early delinquency metrics.

As a result of the negative impact on employment from COVID-19, we are anticipating higher levels of financial hardship for our customers, which we expect will lead to higher levels of forbearance, delinquency and defaults. We expect that, left unabated, this deterioration in forbearance, delinquency and default rates will persist until such time as the economy and employment return to relatively normal levels. We maintain an allowance for credit losses that incorporates multiple economic scenarios. The process for determining our allowance contemplates material external factors that may require management adjustments.

Historically we have utilized disaster forbearance for material events, including hurricanes, wildfires and floods. Disaster forbearance defers payments for as much as 90 days upon enrollment. In accordance with regulatory guidance that encourages lenders to work constructively with borrowers who have been impacted by COVID-19, we have invoked this same disaster forbearance program to assist our customers through COVID-19 and offer this program across our operations, including through mobile and self-service channels such as chat and IVR. Customers who receive a disaster forbearance will not progress in delinquency and will not be assessed late fees or other fees. During a disaster forbearance, a customer’s credit file will continue to reflect the status of the loan as it was immediately prior to granting the disaster forbearance. During the period of

the disaster forbearance, interest will continue to accrue, but will not be added to the loan balance until the end of the loan term. If the financial hardship extends beyond 90 days, additional assistance will be available for eligible customers. This program is applied across our Private Education Loan and Personal Loan portfolios.

We have observed a significant increase in the use of disaster forbearance as businesses have closed in accordance with broadly adopted ‘shelter at home’ policies and unemployment has risen. While the pandemic persists, we expect to see corresponding reductions in the usage of other payment programs, given the availability of the disaster forbearance. Additionally, we expect to see lower usage of automatic direct debit payments as customers manage the uncertainty associated with the pandemic. For customers experiencing financial hardship unrelated to COVID-19, our normal collection efforts and programs are in place.

We previously disclosed that, beginning in the second quarter of 2020, we planned to revise our credit administration practices to phase in (i) a required six-month period between successive grants of forbearance and between forbearance grants and certain other repayment alternatives (with exceptions for forbearances granted during the first six months following a customer’s grace period and exceptions for contractual interest rate reductions), and (ii) a limitation on the participation of delinquent customers in certain short-term extended or interest-only repayment alternatives to once in 12 months and twice in five years. We also disclosed that prior to full implementation of the planned credit administration practices changes, which we originally expected to have been completed by year-end 2020, we planned to conduct a controlled testing program on randomly selected customers to measure the impact of the changes on our customers, our credit operations, and key credit metrics. We commenced the testing in October 2019 for some of the planned changes. We have postponed implementation of the credit administration practices changes and related testing until the fourth quarter of 2020 so that we can be more flexible in dealing with our customers’ financial hardship.

We sent all our customers an email explaining their self-serve options and how to contact us if they need assistance. We are also regularly updating [www.SallieMae.com/coronavirus](http://www.SallieMae.com/coronavirus) with the latest information on how our customers can access their account and get assistance or payment relief, if needed. We expect that, as the economic impact of COVID-19 evolves, we will continue to evaluate the measures we have put in place to assist our customers during this unprecedented challenge. We continue to adapt and evolve our customer care and collections practices to meet the needs of our customers.

### Employees

Our employees have been affected by COVID-19 in many ways, including disruptions due to unexpected school and day-care closings, family underemployment or unemployment, and learning how to work remotely and, in some cases, with new tools and technology to learn and support that work. Our goal has been to support our people during the present uncertainty while remaining focused on meeting the needs of our customers and business continuity. Early in the crisis, we provided employees with information about best practices to prevent the spread of COVID-19 and other viruses or illnesses. We recommended non-customer facing employees work from home and reduced the density and provided space for us to implement social distancing protocols for the employees who were required to work in our offices. Later, we enabled substantially all of our workforce to work remotely. In addition, we have limited in-person meetings, non-employee visits to our locations, and non-essential business travel.

To further protect the health and welfare of our employees and respond to their individual circumstances, we have provided additional wellness assistance. For employees who were required to work in our offices, we provided up to five additional days of paid time off for illness or to resolve family issues. We have also encouraged employees who potentially have been exposed to COVID-19 to self-quarantine for 14 days while we continue to pay them. To ease access to medical assistance, we are waiving co-payments for COVID-19 testing and telemedicine for those employees enrolled in our health insurance plans.

### Operations

We have robust pandemic and business continuity plans that include our business units and technology environments. When COVID-19 advanced to a pandemic, we activated our business continuity plan (the “Plan”). As an element of the Plan, we activated our Executive Crisis Management Team (“ECMT”), a group of the senior most managers across the enterprise. The ECMT directed a series of activities to address the health and safety of our workforce, to assist customers, to sustain business operations and to address our management of other ongoing pandemic activities.

In response to a growing infected population across the United States, we executed plans for social-distancing in our facilities and implemented work-from-home contingencies. As the virus spread, we created remote-working capabilities for our call center agents. We also completed a series of additional steps to appropriately ensure compliance with our telecommuting

policy. The policy is designed to create a secure at-home work environment that protects our customers' information and transactions while also providing the necessary technology capabilities to enable effective remote-working for our staff.

In addition, we quickly trained more customer service agents on our chat functionality to increase their ability to work efficiently in a work-from-home environment, and we enhanced the functionality of our chatbot, IVR, mobile app, and website features to help our customers manage their accounts, make or postpone payments, and request hardship relief all on a self-service basis.

There has been a modest decline in productivity as our people adjust to this significant change in work environment. We currently believe our technology infrastructure is sufficient to maintain a remote-working environment for the vast majority of our workforce for the foreseeable future and that productivity should improve as our people adjust to this significant change in work environment. The level and ability of our employees to continue working from home could change, however, as conditions surrounding COVID-19 evolve and infections increase, or if there are interruptions in the internet infrastructure where our employees live or if our internet service providers are otherwise adversely affected.

#### Liquidity and Capital

Over the course of 2019, we significantly increased our overall liquidity position for risk management purposes and enhanced our liquidity stress testing regime. As a result of these efforts and the activities that occurred in the first quarter of 2020, described below, we currently believe our liquidity position is stable and we expect to be able to fund our business operations in 2020. However, because of disruptions in the capital markets, we have implemented our Contingency Funding Plan, which entails monitoring and reporting to management our liquidity position and the health of deposit and asset-backed securities markets. In times of financial distress, we often see a flight to quality, where investors seek safer places to invest their money, such as banks and in guaranteed securities such as U.S. Treasuries and government-sponsored debt and mortgage-backed securities. We are currently seeing similar trends in the marketplace during this crisis and expect that as a well-capitalized insured depository institution, we will have ample access to deposit markets. We manage our capital position through a rigorous capital stress testing regime. As a result, we believe that, given the high quality of our Private Education Loan portfolio, we have sufficient capital to withstand our current estimate of the expected downturn. If circumstances surrounding COVID-19 continue to change in a significantly adverse way, however, it is possible our liquidity and regulatory capital position could be materially and adversely affected, which could materially and adversely impact our business operations and our overall financial condition.

Regulatory agencies have also provided regulatory capital relief to financial institutions as a result of the crisis. See “— Financial Results” for additional discussion regarding the regulatory relief.

#### 2020-A Securitization

On February 12, 2020, we executed the \$636 million SMB Private Education Loan Trust 2020-A term ABS transaction, which was accounted for as a secured financing. We sold \$636 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately \$634 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.18 years and priced at a weighted average LIBOR equivalent cost of 1- month LIBOR plus 0.88 percent.

#### Amended and Increased Secured Borrowing Facility

On February 19, 2020, we amended and extended the maturity of our Secured Borrowing Facility, discussed in Note 6, “Borrowings.” The amended Secured Borrowing Facility is a \$2 billion Secured Borrowing Facility (previously \$750 million before the amendment), under which the full \$2 billion is available for us to draw. Under the amended Secured Borrowing Facility, we incur financing costs on unused borrowing capacity and on outstanding advances. The amended Secured Borrowing Facility extended the revolving period, during which we may borrow, repay, and reborrow funds, until February 17, 2021. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on February 17, 2022 (or earlier, if certain material adverse events occur).

#### 2020 Loan Sales

In the first quarter of 2020, we sold \$3.1 billion of our Private Education Loans, including \$2.9 billion of principal and \$199 million in capitalized interest, as well as \$12 million in accrued interest to unaffiliated third parties. There were VIEs created in the execution of certain of these loans sales; however, based on our consolidation analysis, we are not the primary beneficiary of these VIEs. These transactions qualified for sale treatment and removed the balance of the loans from our balance sheet on the respective settlement dates, and we recognized a \$239 million gain from the sale of these loans. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales.

### *Share Repurchase Programs and Common Stock Dividends*

Under the 2019 Share Repurchase Program, we repurchased 3 million shares in the first quarter of 2020 with the \$33 million of remaining capacity under the 2019 Share Repurchase Program that was available as of December 31, 2019.

On January 22, 2020, we announced the 2020 Share Repurchase Program, which was effective upon announcement and expires on January 21, 2022, and permits us to repurchase shares of our common stock from time to time up to an aggregate repurchase price not to exceed \$600 million.

On March 10, 2020, we entered into an ASR with a third-party financial institution under which we purchased \$525 million of our outstanding common stock. On March 11, 2020, the third-party financial institution delivered to us approximately 44.9 million shares. The final total actual number of shares of common stock to be delivered to us will be based generally upon a discount to the Rule 10b-18 volume-weighted average price at which the shares of our common stock trade during the regular trading sessions on the NASDAQ Global Select Market during the term of the ASR. At settlement, the third-party financial institution may be obligated to deliver additional shares of common stock to us or we may be obligated to make delivery of common stock or a cash payment to them, at our option. The transactions are accounted for as equity transactions and are included in treasury stock when the shares are received, at which time there is an immediate reduction in the weighted average common shares calculation for basic and diluted earnings per share. We expect final settlement of the share repurchases under the ASR to occur before or during the first quarter of 2021.

We expect that the Bank will pay dividends to the Company as may be necessary to enable the Company to pay any declared dividends on its Series B Preferred Stock and common stock and to consummate any common share repurchases by the Company under its share repurchase programs. The Bank declared \$541 million in dividends for the quarter ended March 31, 2020, with the proceeds primarily used to fund the 2020 Share Repurchase Program and stock dividends.

### Regulatory

We are regulated by the FDIC, the UDFI and the Consumer Financial Protection Bureau. These agencies have encouraged regulated entities to work constructively with customers affected by COVID-19 and have provided guidance regarding loan modifications.

The federal banking regulators have stated that working with customers who are current on existing loans, either individually or as part of a program for creditworthy customers who are experiencing short-term financial or operational problems as a result COVID-19, generally would not be considered TDRs. For modification programs, such as forbearance, designed to provide temporary relief for current customers affected by COVID-19, we may presume that customers who are current on payments are not experiencing financial difficulties at the time of the modification for purposes of determining TDR status, and thus no further TDR analysis is required for each loan modification in the program.

In addition, the regulators have indicated their examiners will exercise judgment in reviewing loan modifications, including TDRs, and will not automatically adversely risk-rate credits that are affected by COVID-19, including those considered TDRs. Regardless of whether modifications result in loans being considered TDRs or adversely classified, bank examiners have indicated they will not criticize prudent efforts to modify the terms of existing loans to affected customers.

We have briefed our regulators on the actions taken to date, including the vast majority of our employees working from home and the exceptions we have granted to our existing policies, and on privacy and security issues and how these risks have been mitigated in a work-from-home environment.

### Community

We understand that the communities in which our employees live, work, and serve are also suffering financial distress as a result of COVID-19. Due to the growing needs of our neighbors, many of the organizations in place to provide assistance are overburdened. In March 2020, The Sallie Mae Fund donated a total of \$1 million to local food banks in states home to Sallie Mae facilities. Each of the five organizations received a \$200,000 grant from The Sallie Mae Fund to support emergency response efforts to combat food insecurity for those in the community impacted by the COVID-19 pandemic.

### Financial Results

We estimate that the expected losses related to the financial crisis caused by COVID-19 have resulted in an increase in our provision for credit losses by approximately \$153 million. Offsetting the increase in the provision for credit losses was a \$162 million negative provision for credit losses from the sale of \$3.1 billion in loans in the first quarter of 2020. Higher forbearance rates in the first quarter of 2020 compared with the year-ago period are primarily a result of our working with

customers affected by COVID-19. The use of forbearance in our Private Education Loan portfolio increased to 6.2 percent at March 31, 2020 compared with 3.8 percent at March 31, 2019.

Colleges, universities, and trades schools have largely moved to on-line classes for their students. It is unclear at this time whether schools will be back to on-campus learning beginning with the 2020/2021 academic year. Our application volumes have begun to decrease and our current expectation is that our Private Education Loan origination volumes will decline in 2020 compared with 2019 originations. The magnitude of the expected decline in originations depends upon many factors, including the economic impact caused by the pandemic coupled with uncertainty regarding on-line versus in person classes.

On March 27, 2020, President Trump signed into law the CARES Act, which, among other things, allows us to (i) elect to suspend the requirements under GAAP for loan modifications related to COVID-19 that would otherwise be categorized as TDRs, and (ii) suspend any determination of a loan modified as a result of the effects of COVID-19 as being a TDR, including impairment for accounting purposes.

We have elected to suspend TDR accounting for modifications of loans that occur as a result of COVID-19 for the applicable period of the CARES Act relief. The relief from TDR guidance applies to modifications of loans that were not more than 30 days past due as of December 31, 2019, and that occur during the period beginning on March 1, 2020, and ending on the earlier of (i) sixty days after the date on which the national emergency related to the COVID-19 outbreak is terminated, or (ii) December 31, 2020.

On March 27, 2020, the federal banking agencies, published an interim final rule that provides those banking organizations that adopt CECL during the 2020 calendar year with the option to delay for two years and then phase-in some of the regulatory capital impact of the implementation of CECL. We have elected to use this option. Under this interim final rule, because we have elected to use the deferral option the regulatory capital impact of our transition adjustments recorded on January 1, 2020 from the adoption of CECL will be deferred for two years. In addition, 25 percent of the ongoing impact from January 1, 2020 through the end of the two-year deferral period, of CECL on our allowance for loan losses, retained earnings and average total consolidated assets, each as reported for regulatory capital purposes, will be added to the deferred transition amounts (“adjusted transition amounts”) and deferred for the two-year period. At the conclusion of the two-year period (January 1, 2022), the adjusted transition amounts will be phased-in for regulatory capital purposes at a rate of 25 percent per year, with the phased-in amounts included in regulatory capital at the beginning of each year. Our January 1, 2020 CECL transition amounts increased the allowance for loan losses by \$1.1 billion, increased the liability representing our off-balance sheet exposure for unfunded commitments by \$116 million, and increased our deferred tax asset by \$306 million, resulting in a cumulative effect adjustment that reduced retained earnings by \$953 million. This transition adjustment was inclusive of qualitative adjustments incorporated into our CECL allowance as necessary, to address any limitations in the models used.

At March 31, 2020, the adjusted transition amounts, subject to changes over the two-year phase-in period, that will be deferred for regulatory capital purposes are as follows:

<b>(Dollars in thousands)</b>	<b>Transition Amounts January 1, 2020</b>	<b>Current Period Adjustments</b>	<b>Adjusted Transition Amounts March 31, 2020</b>
Retained earnings	\$ 952,639	\$ (43)	\$ 952,596
Allowance for loan losses	1,143,053	22,090	1,165,143
Liability for unfunded commitments	115,758	(22,133)	93,625
Deferred tax asset	306,171	—	306,171

## Selected Financial Information and Ratios

(In thousands, except per share data and percentages)	Three Months Ended March 31,	
	2020	2019
Net income attributable to SLM Corporation common stock	\$ 358,709	\$ 153,721
Diluted earnings per common share attributable to SLM Corporation	\$ 0.87	\$ 0.35
Weighted average shares used to compute diluted earnings per share	412,755	438,248
Return on assets <sup>(1)</sup>	4.6 %	2.4 %
<b>Other Operating Statistics</b>		
Ending Private Education Loans, net	\$ 20,176,233	\$ 21,576,534
Ending FFELP Loans, net	764,771	829,203
Ending total education loans, net	\$ 20,941,004	\$ 22,405,737
Ending Personal Loans, net	\$ 747,444	\$ 1,092,649
Ending Credit Cards, net	\$ 7,403	\$ —
Average education loans	\$ 24,279,170	\$ 22,570,776
Average Personal Loans	\$ 973,671	\$ 1,176,466

(1) We calculate and report our Return on Assets as the ratio of (a) GAAP net income numerator (annualized) to (b) the GAAP total average assets denominator.

## Overview

The following discussion and analysis presents a review of our business and operations as of and for the three months ended March 31, 2020.

## Key Financial Measures

Our operating results are primarily driven by net interest income from our Private Education Loan portfolio, gains and losses on loan sales, provision expense for credit losses, and operating expenses. The growth of our business and the strength of our financial condition are primarily driven by our ability to achieve our annual Private Education Loan origination goals while sustaining credit quality and maintaining cost-efficient funding sources to support our originations. A brief summary of our key financial measures (net interest income; loan sales and secured financings, allowance for loan losses; charge-offs and delinquencies; operating expenses; “Core Earnings;” Private Education Loan originations; and funding sources) can be found in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2019 Form 10-K.

## Results of Operations

We present the results of operations below on a consolidated basis in accordance with GAAP.

### GAAP Consolidated Statements of Income (Unaudited)

(In millions, except per share data)	Three Months Ended March 31,		Increase (Decrease)	
	2020	2019	\$	%
<b>Interest income:</b>				
Loans	\$ 555	\$ 553	\$ 2	— %
Investments	3	1	2	200
Cash and cash equivalents	17	12	5	42
Total interest income	575	566	9	2
Total interest expense	175	164	11	7
Net interest income	400	402	(2)	—
Less: provisions for credit losses	61	64	(3)	(5)
Net interest income after provisions for credit losses	339	338	1	—
<b>Non-interest income:</b>				
Gains on sales of loans, net	239	—	239	100
Gains on derivatives and hedging activities, net	46	3	43	1,433
Other income	7	13	(6)	(46)
Total non-interest income	292	16	276	1,725
<b>Non-interest expenses:</b>				
Total non-interest expenses	147	140	7	5
Income before income tax expense	484	214	270	126
Income tax expense	121	56	65	116
<b>Net income</b>	362	158	204	129
Preferred stock dividends	3	4	(1)	(25)
Net income attributable to SLM Corporation common stock	\$ 359	\$ 154	\$ 205	133 %
<b>Basic earnings per common share attributable to SLM Corporation</b>	\$ 0.88	\$ 0.35	\$ 0.53	151 %
<b>Diluted earnings per common share attributable to SLM Corporation</b>	\$ 0.87	\$ 0.35	\$ 0.52	149 %
<b>Declared dividends per common share attributable to SLM Corporation</b>	\$ 0.03	\$ 0.03	\$ —	—

## GAAP Consolidated Earnings Summary

### *Three Months Ended March 31, 2020 Compared with Three Months Ended March 31, 2019*

For the three months ended March 31, 2020, net income was \$362 million, or \$0.87 diluted earnings per common share, compared with net income of \$158 million, or \$0.35 diluted earnings per common share, for the three months ended March 31, 2019.

The primary contributors to each of the identified drivers of changes in net income for the current quarter compared with the year-ago quarter are as follows:

- Net interest income decreased by \$2 million in the current quarter compared with the year-ago quarter primarily due to a 120 basis point decrease in the net interest margin. The decrease in net interest margin was caused primarily by the yield on our Private Education Loans declining by 64 basis points while our cost of funds declined by 40 basis points, and a \$3.9 billion increase in average cash and other short-term investments, which was offset by a \$1.5 billion increase in average loans outstanding. The increase in our cash and cash equivalents balance was associated with our efforts to increase overall liquidity levels for risk management purposes. Yields on cash and other short-term investments are much lower than yields on consumer loans, which reduces the weighted average yield on our interest-earning assets and our net interest margin. The overall impact of the increased liquidity in the first-quarter 2020 reduced the net interest margin by approximately \$5 million compared with the year-ago quarter.
- Provisions for credit losses in the current quarter decreased by \$3 million compared with the year-ago quarter. This decrease was primarily due to the sale of \$3.1 billion of loans in the first quarter of 2020, which resulted in a negative provision of \$162 million and offset higher than expected losses due to the COVID-19 pandemic. We estimate that the expected losses related to the financial crisis caused by COVID-19 have resulted in an increase in our provision for credit losses by approximately \$153 million in the current quarter. In addition, we adopted CECL in the first quarter of 2020 which requires a life of loan allowance. Prior to the adoption of CECL, the estimate for the allowance for loan losses used a 12-month loss emergence period.
- Gains on derivatives and hedging activities, net, was a net gain of \$46 million in the first quarter of 2020 compared with a net gain of \$3 million in the year-ago quarter. The increase was driven by a significant decrease in interest rates caused by the economic fallout from the COVID-19 pandemic, which made our receive fixed/pay variable interest rate swaps that are not designated as accounting hedges but are economic hedges to increase in value.
- Gains on sales of loans, net were \$239 million in the first quarter of 2020 as a result of the sale of \$3.1 billion in principal and \$12 million in accrued interest of Private Education Loans to unaffiliated third parties. There were no loan sales in the year-ago quarter.
- Other income was \$7 million in the first quarter of 2020 compared with other income of \$13 million in the year-ago quarter. The decrease of \$6 million in the first quarter of 2020 was due to a \$4 million increase in the tax indemnification receivable related to uncertain tax positions recorded in the first quarter of 2019 and lower Upromise revenue.
- First-quarter 2020 non-interest expenses were \$147 million, compared with \$140 million in the year-ago quarter. The increase in non-interest expenses was primarily driven by severance costs related to the departure of our Chief Executive Officer announced in the first quarter of 2020 and higher costs related to managed portfolio growth.
- First-quarter 2020 income tax expense was \$121 million, compared with \$56 million in the year-ago quarter. Our effective income tax rate decreased to 25.1 percent in the first quarter of 2020 from 26.2 percent in the year-ago quarter. The decrease in the effective tax rate in the first quarter of 2020 was primarily driven by a \$4 million increase in indemnified uncertain tax positions recorded in the first quarter of 2019. This amount was fully offset by a corresponding increase in our indemnification receivable, which was recorded in other income. Absent this item, the effective tax rate for the first quarter of 2019 would have been 24.9 percent.

## “Core Earnings”

We prepare financial statements in accordance with GAAP. However, we also produce and report our after-tax earnings on a separate basis that we refer to as “Core Earnings.” The difference between our non-GAAP “Core Earnings” and GAAP results for periods presented generally is driven by the unrealized, mark-to-fair value gains (losses) on derivatives contracts recognized in GAAP, but not in “Core Earnings.”

“Core Earnings” recognizes the difference in accounting treatment based upon whether a derivative qualifies for hedge accounting treatment. We enter into derivative instruments to economically hedge interest rate and cash flow risk associated with our portfolio. We believe that our derivatives are effective economic hedges, and as such, are a critical element of our interest rate risk management strategy. Those derivative instruments that qualify for hedge accounting treatment have their related cash flows recorded in interest income or interest expense along with the hedged item. Some of our derivatives do not qualify for hedge accounting treatment and the stand-alone derivative must be marked-to-fair value in the income statement with no consideration for the corresponding change in fair value of the hedged item. These gains and losses, recorded in “Gains (losses) on derivatives and hedging activities, net,” are primarily caused by interest rate volatility and changing credit spreads during the period as well as the volume and term of derivatives not receiving hedge accounting treatment. Cash flows on derivative instruments that do not qualify for hedge accounting are not recorded in interest income and interest expense; they are recorded in non-interest income: “Gains (losses) on derivatives and hedging activities, net.”

The adjustments required to reconcile from our “Core Earnings” results to our GAAP results of operations, net of tax, relate to differing treatments for our derivative instruments used to hedge our economic risks that do not qualify for hedge accounting treatment. The amount recorded in “Gains (losses) on derivatives and hedging activities, net” includes (a) the accrual of the current payment on the interest rate swaps that do not qualify for hedge accounting treatment and (b) the change in fair values related to future expected cash flows for derivatives that do not qualify for hedge accounting treatment. For purposes of “Core Earnings,” we include in GAAP earnings the current period accrual amounts (interest reclassification) on the swaps and exclude the change in fair values for those derivatives not qualifying for hedge accounting treatment. “Core Earnings” is meant to represent what earnings would have been had these derivatives qualified for hedge accounting and there was no ineffectiveness.

“Core Earnings” are not a substitute for reported results under GAAP. We provide a “Core Earnings” basis of presentation because (i) earnings per share computed on a “Core Earnings” basis is one of several measures we utilize in establishing management incentive compensation, and (ii) we believe it better reflects the financial results for those derivatives that are economic hedges of interest rate risk, but which do not qualify for hedge accounting treatment.

GAAP provides a uniform, comprehensive basis of accounting. Our “Core Earnings” basis of presentation differs from GAAP in the way it treats derivatives as described above.

The following table shows the amount in “Gains on derivatives and hedging activities, net” that relates to the interest reclassification on the derivative contracts.

(Dollars in thousands)	Three Months Ended March 31,	
	2020	2019
Unrealized gains on instruments not in a hedging relationship	\$ 42,312	\$ 4,202
Interest reclassification	3,360	(1,439)
Gains on derivatives and hedging activities, net	<u>\$ 45,672</u>	<u>\$ 2,763</u>

The following table reflects adjustments associated with our derivative activities.

<u>(Dollars in thousands, except per share amounts)</u>	Three Months Ended March 31,	
	2020	2019
<b>“Core Earnings” adjustments to GAAP:</b>		
GAAP net income	\$ 362,173	\$ 158,189
Preferred stock dividends	3,464	4,468
GAAP net income attributable to SLM Corporation common stock	<u>\$ 358,709</u>	<u>\$ 153,721</u>
Adjustments:		
Net impact of derivative accounting <sup>(1)</sup>	(42,312)	(4,202)
Net tax expense (benefit) <sup>(2)</sup>	(10,330)	(1,027)
Total “Core Earnings” adjustments to GAAP	<u>(31,982)</u>	<u>(3,175)</u>
“Core Earnings” attributable to SLM Corporation common stock	<u>\$ 326,727</u>	<u>\$ 150,546</u>
GAAP diluted earnings per common share	\$ 0.87	\$ 0.35
Derivative adjustments, net of tax	(0.08)	(0.01)
“Core Earnings” diluted earnings per common share	<u>\$ 0.79</u>	<u>\$ 0.34</u>

(1) Derivative Accounting: “Core Earnings” exclude periodic unrealized gains and losses caused by the mark-to-fair value valuations on derivatives that do not qualify for hedge accounting treatment under GAAP, but include current period accruals on the derivative instruments. Under GAAP, for our derivatives held to maturity, the cumulative net unrealized gain or loss over the life of the contract will equal \$0.

(2) “Core Earnings” tax rate is based on the effective tax rate at the Bank where the derivative instruments are held.

The following table reflects our provisions for credit losses and total portfolio net charge-offs:

<u>(Dollars in thousands)</u>	Three Months Ended March 31,	
	2020	2019
Provisions for credit losses	\$ 61,258	\$ 63,790
Total portfolio net charge-offs	\$ (61,431)	\$ (48,456)

In 2020, we began to evaluate management’s performance internally using a measure that starts with “Core Earnings” net income as disclosed above for a period, and further adjusting it by increasing it by the impact of GAAP provisions for credit losses, and decreasing it by the total portfolio net charge-offs recorded in that period, net of the tax impact of these adjustments.

## Financial Condition

### Average Balance Sheets

The following table reflects the rates earned on interest-earning assets and paid on interest-bearing liabilities and reflects our net interest margin on a consolidated basis.

(Dollars in thousands)	Three Months Ended March 31,			
	2020		2019	
	Balance	Rate	Balance	Rate
<b>Average Assets</b>				
Private Education Loans	\$ 23,502,844	8.86 %	\$ 21,732,826	9.50 %
FFELP Loans	776,326	4.29	837,950	4.94
Personal Loans	973,671	12.11	1,176,466	11.81
Taxable securities	506,883	2.03	188,538	3.05
Cash and other short-term investments	5,919,801	1.16	2,033,492	2.31
Total interest-earning assets	31,679,525	7.30 %	25,969,272	8.85 %
Non-interest-earning assets	291,609		1,164,857	
Total assets	\$ 31,971,134		\$ 27,134,129	
<b>Average Liabilities and Equity</b>				
Brokered deposits	\$ 13,709,268	2.33 %	\$ 10,540,219	2.72 %
Retail and other deposits	10,632,054	2.11	8,915,526	2.51
Other interest-bearing liabilities <sup>(1)</sup>	4,876,861	3.27	4,270,252	3.63
Total interest-bearing liabilities	29,218,183	2.41 %	23,725,997	2.81 %
Non-interest-bearing liabilities	212,835		395,974	
Equity	2,540,116		3,012,158	
Total liabilities and equity	\$ 31,971,134		\$ 27,134,129	
Net interest margin		5.08 %		6.28 %

<sup>(1)</sup> Includes the average balance of our unsecured borrowing, as well as secured borrowings and amortization expense of transaction costs related to our term asset-backed securitizations and our Secured Borrowing Facility.

## Rate/Volume Analysis

The following rate/volume analysis shows the relative contribution of changes in interest rates and asset volumes.

(Dollars in thousands)	Increase	Change Due To <sup>(1)</sup>	
		Rate	Volume
Three Months Ended March 31, 2020 vs. 2019			
Interest income	\$ 8,480	\$ (110,310)	\$ 118,790
Interest expense	10,645	(25,137)	35,782
Net interest income	\$ (2,165)	\$ (85,197)	\$ 83,032

<sup>(1)</sup> Changes in income and expense due to both rate and volume have been allocated in proportion to the relationship of the absolute dollar amounts of the change in each. The changes in income and expense are calculated independently for each line in the table. The totals for the rate and volume columns are not the sum of the individual lines.

## Summary of Our Loan Portfolio

Ending Loan Balances, net

(Dollars in thousands)	March 31, 2020				
	Private Education Loans	FFELP Loans	Personal Loans	Credit Cards	Total Portfolio
Total loan portfolio:					
In-school <sup>(1)</sup>	\$ 4,277,928	\$ 101	\$ —	\$ —	\$ 4,278,029
Grace, repayment and other <sup>(2)</sup>	17,348,819	766,853	899,704	7,234	19,022,610
Total, gross	21,626,747	766,954	899,704	7,234	23,300,639
Deferred origination costs and unamortized premium/(discount)	65,267	2,113	413	743	68,536
Allowance for loan losses	(1,515,781)	(4,296)	(152,673)	(574)	(1,673,324)
Total loan portfolio, net	<u>\$ 20,176,233</u>	<u>\$ 764,771</u>	<u>\$ 747,444</u>	<u>\$ 7,403</u>	<u>\$ 21,695,851</u>
% of total	93 %	4 %	3 %	— %	100 %

<sup>(1)</sup> Loans for customers still attending school and who are not yet required to make payments on the loans.

<sup>(2)</sup> Includes loans in deferment or forbearance. Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

	December 31, 2019				
(Dollars in thousands)	Private Education Loans	FFELP Loans	Personal Loans	Credit Cards	Total Portfolio
Total loan portfolio:					
In-school <sup>(1)</sup>	\$ 4,288,239	\$ 81	\$ —	\$ —	\$ 4,288,320
Grace, repayment and other <sup>(2)</sup>	18,901,352	783,225	1,049,007	3,884	20,737,468
Total, gross	23,189,591	783,306	1,049,007	3,884	25,025,788
Deferred origination costs and unamortized premium/(discount)	81,224	2,143	513	36	83,916
Allowance for loan losses	(374,300)	(1,633)	(65,877)	(102)	(441,912)
Total loan portfolio, net	\$ 22,896,515	\$ 783,816	\$ 983,643	\$ 3,818	\$ 24,667,792
% of total	93 %	3 %	4 %	— %	100 %

<sup>(1)</sup> Loans for customers still attending school and who are not yet required to make payments on the loans.

<sup>(2)</sup> Includes loans in deferment or forbearance. Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

#### Average Loan Balances (net of unamortized premium/discount)

	Three Months Ended March 31,			
(Dollars in thousands)	2020		2019	
Private Education Loans	\$ 23,502,844	93 %	\$ 21,732,826	92 %
FFELP Loans	776,326	3	837,950	3
Personal Loans	973,671	4	1,176,466	5
Total portfolio	\$ 25,252,841	100 %	\$ 23,747,242	100 %

## Loan Activity

	Three Months Ended March 31, 2020				
(Dollars in thousands)	Private Education Loans	FFELP Loans	Personal Loans	Credit Cards	Total Portfolio
Beginning balance	\$ 22,896,515	\$ 783,816	\$ 983,643	\$ 3,818	\$ 24,667,792
Acquisitions and originations:					
Fixed-rate	1,468,698	—	41	—	1,468,739
Variable-rate	833,672	—	—	7,762	841,434
Total acquisitions and originations	2,302,370	—	41	7,762	2,310,173
Capitalized interest and deferred origination cost premium amortization	117,877	7,411	(100)	(71)	125,117
Sales	(2,925,478)	—	—	—	(2,925,478)
Loan consolidations to third-parties	(465,349)	(5,709)	—	—	(471,058)
Day 1 CECL Adjustment to Allowance	(1,060,830)	(2,852)	(79,183)	(188)	(1,143,053)
Allowance	(80,652)	189	(7,612)	(284)	(88,359)
Repayments and other	(608,220)	(18,084)	(149,345)	(3,634)	(779,283)
Ending balance	\$ 20,176,233	\$ 764,771	\$ 747,444	\$ 7,403	\$ 21,695,851

	Three Months Ended March 31, 2019			
(Dollars in thousands)	Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Beginning balance	\$ 20,294,843	\$ 847,889	\$ 1,128,187	\$ 22,270,919
Acquisitions and originations:				
Fixed-rate	1,443,953	—	120,890	1,564,843
Variable-rate	688,781	—	—	688,781
Total acquisitions and originations	2,132,734	—	120,890	2,253,624
Capitalized interest and deferred origination cost premium amortization	121,105	7,432	(58)	128,479
Sales	—	—	—	—
Loan consolidations to third-parties	(386,149)	(8,031)	—	(394,180)
Allowance	(8,003)	(783)	(8,418)	(17,204)
Repayments and other	(577,996)	(17,304)	(147,952)	(743,252)
Ending balance	\$ 21,576,534	\$ 829,203	\$ 1,092,649	\$ 23,498,386

“Loan consolidations to third-parties” and “Repayments and other” are both significantly affected by the volume of loans in our portfolio in full principal and interest repayment status. Loans in full principal and interest repayment status in our Private Education Loan portfolio at March 31, 2020 increased by 3 percent compared with March 31, 2019, and now total 45 percent of our Private Education Loan portfolio at March 31, 2020.

“Loan consolidations to third-parties” for the three months ended March 31, 2020 total 5.1 percent of our Private Education Loan portfolio in full principal and interest repayment status at March 31, 2020, or 2.3 percent of our total Private Education Loan portfolio at March 31, 2020, compared with the year-ago period of 4.4 percent of our Private Education Loan portfolio in full principal and interest repayment status, or 1.8 percent of our total Private Education Loan portfolio, respectively. Historical experience has shown that loan consolidation activity is heightened in the period when the loan initially enters full principal and interest repayment status and then subsides over time.

The “Repayments and other” category includes all scheduled repayments, as well as voluntary prepayments, made on loans in repayment (including loans in full principal and interest repayment status) and also includes charge-offs. Consequently, this category can be significantly affected by the volume of loans in repayment. The increase in the volume of loans in repayment accounts for the majority of the aggregate increase in loan consolidations, scheduled repayments, unscheduled prepayments and capitalized interest set forth above.

Historically, voluntary repayments, including loan consolidations, decrease when unemployment increases as borrowers and lenders look to conserve liquidity. While we have seen a slight decrease in these in March 2020 as a result of the COVID-19 pandemic and we expect this trend to continue throughout the remainder of this year, the magnitude of this change is uncertain at this time.

#### *Private Education Loan Originations*

The following table summarizes our Private Education Loan originations. Originations represent loans that were funded or acquired during the period presented.

<u>(Dollars in thousands)</u>	<b>Three Months Ended March 31,</b>			
	<b>2020</b>	<b>%</b>	<b>2019</b>	<b>%</b>
Smart Option - interest only <sup>(1)</sup>	\$ 522,432	23 %	\$ 480,712	23 %
Smart Option - fixed pay <sup>(1)</sup>	656,594	29	594,461	28
Smart Option - deferred <sup>(1)</sup>	880,581	38	819,793	38
Smart Option - principal and interest	3,245	—	3,958	—
Graduate Loan	188,820	8	181,678	9
Parent Loan	49,228	2	50,466	2
Total Private Education Loan originations	<u>\$ 2,300,900</u>	<u>100 %</u>	<u>\$ 2,131,068</u>	<u>100 %</u>
Percentage of loans with a cosigner	88.1 %		88.6 %	
Average FICO at approval <sup>(2)</sup>	746		747	

<sup>(1)</sup> Interest only, fixed pay and deferred describe the payment option while in school or in grace period. See Item 1. “Business - Our Business - Private Education Loans” in the 2019 Form 10-K for a further discussion.

<sup>(2)</sup> Represents the higher credit score of the cosigner or the borrower.

## Allowance for Loan Losses

### Allowance for Loan Losses Activity

	Three Months Ended March 31,								
	2020					2019			
(Dollars in thousands)	Private Education Loans	FFELP Loans	Personal Loans	Credit Cards	Total Portfolio	Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Beginning balance	\$ 374,300	\$ 1,633	\$ 65,877	\$ 102	\$ 441,912	\$ 277,943	\$ 977	\$ 62,201	\$ 341,121
Day 1 adjustment for adoption of CECL	1,060,830	2,852	79,183	188	1,143,053	—	—	—	—
Transfer from unfunded commitment liability	142,075	—	—	—	142,075	—	—	—	—
Less:									
Charge-offs	(51,469)	(226)	(19,247)	(7)	(70,949)	(39,577)	(234)	(15,251)	(55,062)
Plus:									
Recoveries	7,976	—	1,542	—	9,518	5,697	—	909	6,606
Provision for loan losses:									
Provision, current period	143,862	37	25,318	291	169,508	41,883	1,017	22,760	65,660
Loan sale provision reduction	(161,793)	—	—	—	(161,793)	—	—	—	—
Total provision for loan losses <sup>(1)</sup>	(17,931)	37	25,318	291	7,715	41,883	1,017	22,760	65,660
Ending balance	\$ 1,515,781	\$ 4,296	\$ 152,673	\$ 574	\$ 1,673,324	\$ 285,946	\$ 1,760	\$ 70,619	\$ 358,325
Troubled debt restructurings <sup>(2)</sup>	\$ 1,518,763	\$ —	\$ —	\$ —	\$ 1,518,763	\$ 1,327,668	\$ —	\$ —	\$ 1,327,668

<sup>(1)</sup> Below is a reconciliation of the provision for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for loan losses.

Consolidated Statements of Income Provisions for Credit Losses Reconciliation	
	Three Months Ended March 31, 2020
Provisions for credit losses for new loan commitments made during the quarter	\$ 53,543
Total provision for allowance for loan losses	7,715
Provisions for credit losses reported in consolidated statements of income	\$ 61,258

<sup>(2)</sup> Represents the unpaid principal balance of loans classified as troubled debt restructurings.

### Private Education Loan Allowance for Loan Losses

In establishing the allowance for Private Education Loan losses as of March 31, 2020, we considered several factors with respect to our Private Education Loan portfolio, in particular, credit quality and delinquency, forbearance and charge-off trends.

Private Education Loans in full principal and interest repayment status were 45 percent of our total Private Education Loan portfolio at March 31, 2020, compared with 41 percent at March 31, 2019.

For a more detailed discussion of our policy for determining the collectability of Private Education Loans and maintaining our allowance for Private Education Loans, see “—Allowance for Loan Losses.”

The table below presents our Private Education Loan delinquency trends. Loans in repayment include loans making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

	Private Education Loans			
	March 31,			
	2020		2019	
(Dollars in thousands)	Balance	%	Balance	%
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 5,648,477		\$ 5,870,853	
Loans in forbearance <sup>(2)</sup>	989,925		610,209	
Loans in repayment and percentage of each status:				
Loans current	14,516,211	96.8 %	14,927,591	97.5 %
Loans delinquent 31-60 days <sup>(3)</sup>	254,625	1.7	216,295	1.4
Loans delinquent 61-90 days <sup>(3)</sup>	135,896	0.9	104,199	0.7
Loans delinquent greater than 90 days <sup>(3)</sup>	81,613	0.6	62,475	0.4
Total Private Education Loans in repayment	14,988,345	100.0 %	15,310,560	100.0 %
Total Private Education Loans, gross	21,626,747		21,791,622	
Private Education Loans deferred origination costs and unamortized premium/(discount)	65,267		70,858	
Total Private Education Loans	21,692,014		21,862,480	
Private Education Loans allowance for losses	(1,515,781)		(285,946)	
Private Education Loans, net	\$ 20,176,233		\$ 21,576,534	
Percentage of Private Education Loans in repayment		69.3 %		70.3 %
Delinquencies as a percentage of Private Education Loans in repayment		3.2 %		2.5 %
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance		6.2 %		3.8 %

<sup>(1)</sup> Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on the loans (e.g., residency periods for medical students or a grace period for bar exam preparation).

<sup>(2)</sup> Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

<sup>(3)</sup> The period of delinquency is based on the number of days scheduled payments are contractually past due.

The increase in the delinquency rate from 2.5 percent at March 31, 2019 to 3.2 percent at March 31, 2020 was primarily caused by combination of factors, including worsening economic conditions, the sale of \$3.1 billion in Private Education Loans that occurred in the first quarter of 2020 (the loans sold did not include loans greater than 31 days delinquent and, as such, the remaining portfolio had a higher percentage of delinquent loans after the sale), an increase in consolidation activity

(consolidation loans tend to have lower delinquency rates), and an increase in loans entering repayment during the first quarter of 2020 compared with the year-ago quarter.

The increase in the forbearance rate from 3.8 percent at March 31, 2019 to 6.2 percent at March 31, 2020 is primarily attributable to the increase in disaster forbearance granted to borrowers in financial distress as a result of the COVID-19 pandemic. As this pandemic extends into 2020 causing higher unemployment, we expect the percentage of loans in forbearance to increase as we work with customers experiencing financial hardship. See additional discussion related to collections activity and the COVID-19 pandemic in “ — Impact of COVID-19 on Sallie Mae — Customers and Credit Performance.”

#### *Changes in Allowance for Private Education Loan Losses*

The following table summarizes changes in the allowance for Private Education Loan losses.

(Dollars in thousands)	Three Months Ended March 31,	
	2020	2019
Beginning balance	\$ 374,300	\$ 277,943
Day 1 adjustment for adoption of CECL	1,060,830	—
Transfer from unfunded commitment liability	142,075	—
Provision for loan losses:		
Provision, current period	143,862	41,883
Loan sale provision reduction	(161,793)	—
Total provision	(17,931)	41,883
Net charge-offs:		
Charge-offs	(51,469)	(39,577)
Recoveries	7,976	5,697
Net charge-offs	(43,493)	(33,880)
Allowance at end of period	\$ 1,515,781	\$ 285,946
Allowance as a percentage of the ending total loan balance	7.01 %	1.31 %
Allowance as a percentage of the ending loans in repayment <sup>(2)</sup>	10.11 %	1.87 %
Allowance coverage of net charge-offs (annualized)	8.71	2.11
Net charge-offs as a percentage of average loans in repayment (annualized) <sup>(1)</sup>	1.05 %	0.89 %
Delinquencies as a percentage of ending loans in repayment <sup>(1)</sup>	3.15 %	2.50 %
Loans in forbearance as a percentage of ending loans in repayment and forbearance <sup>(1)</sup>	6.20 %	3.83 %
Ending total loans, gross	\$ 21,626,747	\$ 21,791,622
Average loans in repayment <sup>(1)</sup>	\$ 16,521,356	\$ 15,165,072
Ending loans in repayment <sup>(1)</sup>	\$ 14,988,345	\$ 15,310,560

<sup>(1)</sup> Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

As part of concluding on the adequacy of the allowance for loan losses, we review key allowance and loan metrics. The most significant of these metrics considered are the allowance coverage of net charge-offs ratio; the allowance as a percentage of ending total loans and of ending loans in repayment; and delinquency and forbearance percentages.

### *Use of Forbearance and Rate Modifications as a Private Education Loan Collection Tool*

We adjust the terms of loans for certain borrowers when we believe such changes will help our customers manage their student loan obligations, achieve better student outcomes, and increase the collectability of the loan. These changes generally take the form of a temporary forbearance of payments, a temporary interest rate reduction, a temporary interest rate reduction with a permanent extension of the loan term, and/or a short-term extended repayment alternative. Forbearance is granted prospectively for borrowers who are current in their payments and may be granted retroactively for certain delinquent borrowers.

Forbearance allows a borrower to temporarily not make scheduled payments or to make smaller than scheduled payments, in each case for a specified period of time. Using forbearance extends the original term of the loan by the term of forbearance taken. Forbearance does not grant any reduction in the total principal or interest repayment obligation. While a loan is in forbearance status, interest continues to accrue and is capitalized to principal when the loan re-enters repayment status.

We grant forbearance through our servicing centers to borrowers who are current in their payments and through our collections centers to certain borrowers who are delinquent. Our forbearance policies and practices vary depending upon whether a borrower is current or delinquent at the time forbearance is requested, generally with stricter payment requirements for delinquent borrowers. We view the population of borrowers that use forbearance positively because the borrowers are either proactively reaching out to us to obtain assistance in managing their obligations or are working with our collections center to bring their loans current.

Forbearance may be granted through our servicing centers to customers who are exiting their grace period, which generally is the six-month period after the borrower separates from school and during which the borrower is not required to make full principal and interest payments, and to other customers who are current in their payments, to provide temporary payment relief. In these circumstances, a customer's loan is placed into a forbearance status in limited monthly increments and is reflected in the forbearance status at month-end during this time. At the end of the forbearance period, the customer will enter repayment status as current and is expected to begin making scheduled monthly payments. Currently, we generally grant forbearance in our servicing centers if a borrower who is current requests it for increments of up to three months at a time, for up to 12 months.

Forbearance may also be granted through our collections centers to customers who are delinquent in their payments. If specific payment requirements are met, the forbearance can cure the delinquency and the customer is returned to a current repayment status. Forbearance as a collection tool is used most effectively when applying historical experience and our judgment to a customer's unique situation. We leverage updated customer information and other decision support tools to best determine who will be granted forbearance based on our expectations as to a customer's ability and willingness to repay their obligation. This strategy is aimed at assisting customers while mitigating the risks of delinquency and default as well as encouraging resolution of delinquent loans. In all instances, we require one or more payments before granting forbearance to delinquent borrowers.

The COVID-19 pandemic is having far reaching, negative impacts on individuals, businesses, and, consequently, the overall economy. Specifically, COVID-19 has materially disrupted business operations resulting in significantly higher levels of unemployment or underemployment. As a result, we expect many of our individual customers will experience financial hardship, making it difficult, if not impossible, to meet their payment obligations to us without temporary assistance. We are monitoring key metrics as early warning indicators of financial hardship, including changes in weekly unemployment claims, enrollment in auto-debit payments, requests for new forbearances, enrollment in hardship payment plans and early delinquency metrics.

As a result of the negative impact on employment from COVID-19, we are anticipating higher levels of financial hardship for our customers, which we expect will lead to higher levels of forbearance, delinquency and defaults. We expect that, left unabated, this deterioration in forbearance, delinquency and default rates will persist until such time as the economy and employment return to relatively normal levels.

We assist customers with an array of payment programs during periods of financial hardship as standard operating convention, including: forbearance, which defers payments during a short-term hardship; our GRP, which is an interest-only payment for 12 months; or a loan modification that, in the event of long-term hardship, reduces the interest rate on a loan to 4 percent for 24 months and/or permanently extends the maturity date of the loan. Historically we have utilized disaster

forbearance for material events, including hurricanes, wildfires and floods. Disaster forbearance defers payments for as much as 90 days upon enrollment. We have invoked this same disaster forbearance program to assist our customers through COVID-19 and offer this program across our operations including through mobile app and self-service channels such as chat and IVR. Customers who receive a disaster forbearance will not progress in delinquency and will not be assessed late fees or other fees. During a disaster forbearance, a customer's credit file will continue to reflect the status of the loan as it was immediately prior to granting the disaster forbearance. During the period of the disaster forbearance, interest will continue to accrue, but will not be added to the loan balance until the end of the loan term. If the financial hardship extends beyond 90 days, additional assistance will be available for eligible customers. This program is applied across our Private Education Loan and Personal Loan portfolios.

Management continually monitors our credit administration practices and may periodically modify these practices based upon performance, industry conventions, and/or regulatory feedback. In light of these considerations, we previously announced that we plan to implement certain changes to our credit administration practices in the future. As discussed below, however, we have postponed until the fourth quarter of 2020 the implementation of the announced credit administration practices changes due to the COVID-19 pandemic.

Specifically, we previously announced that we plan to revise our credit administration practices limiting the number of forbearance months granted consecutively and the number of times certain extended or reduced repayment alternatives may be granted. For example, we currently grant forbearance to borrowers without requiring any period of prior principal and interest payments, meaning that, if a borrower satisfies all eligibility requirements, forbearance increments may be granted consecutively. We previously announced that, beginning in the second quarter of 2020, we would phase in a required six-month period between successive grants of forbearance and between forbearance grants and certain other repayment alternatives. We announced this required period will not apply, however, to forbearances granted during the first six months following a borrower's grace period and will not be required for a borrower to receive a contractual interest rate reduction. In addition, we announced we would limit the participation of delinquent borrowers in certain short-term extended or interest-only repayment alternatives to once in 12 months and twice in five years.

As previously announced, prior to full implementation of the credit administration practices changes described above, management will conduct a controlled testing program on randomly selected borrowers to measure the impact of the changes on our customers, our credit operations, and key credit metrics. The testing commenced in October 2019 for some of the planned changes on a very small percentage of our total portfolio and we originally expected to expand the testing over subsequent quarters as the impacts are better understood. Due to the COVID-19 pandemic, however, we have postponed implementation of the credit administration practices changes and related testing until the fourth quarter of 2020 so that we can be more flexible in dealing with our customers' financial hardship. Management now expects to have completed implementation of the new policies and practices by mid-2021. However, we may modify or delay the contemplated practice changes, the proposed timeline, or the method of implementation as we learn more about the impacts during the progression of the testing program.

We also offer rate and term modifications to customers experiencing more severe hardship. Currently, we temporarily reduce the contractual interest rate on a loan to 4.0 percent (previously, to 2.0 percent) for a two-year period and, in the vast majority of cases, permanently extend the final maturity date of the loan. As part of demonstrating the ability and willingness to pay, the customer must make three consecutive monthly payments at the reduced payment to qualify for the program. The combination of the rate reduction and maturity extension helps reduce the monthly payment due from the borrower and increases the likelihood the borrower will remain current during the interest rate modification period as well as when the loan returns to its original contractual interest rate. At March 31, 2020 and December 31, 2019, 8.5 percent and 7.2 percent, respectively, of our loans then currently in full principal and interest repayment status were subject to interest rate reductions made under our rate modification program. We currently have no plans to change the basic elements of the rate and term modifications we offer to our customers experiencing more severe hardship.

While there are limitations to our estimate of the future impact of the credit administration practices changes described above, absent the effect of any mitigating measures, and based on an analysis of borrower behavior under our current credit administration practices, which may not be indicative of how borrowers will behave under revised credit administration practices, we expect that the credit administration practices changes described above will accelerate defaults and could increase life of loan defaults in our Private Education Loan portfolio by approximately 4 percent to 14 percent. Among the measures that we are planning to implement and expect may partly offset or moderate any acceleration of or increase in defaults will be greater focus on the risk assessment process to ensure borrowers are mapped to the appropriate program, better utilization of

existing programs (e.g., GRP and rate modifications), and the introduction of a new program offering short-term payment reductions (permitting interest-only payments for up to six months) for certain early stage delinquencies.

The full impact of these changes to our collections practices described above may only be realized over the longer term, however. In particular, when we calculate the allowance for loan losses under CECL, which became effective on January 1, 2020, our loan loss reserves increased materially because we expect the life of loan defaults on our overall Private Education Loan portfolio to increase, in part as a result of the planned changes to our credit administration practices. As we progress with the controlled testing program of the planned changes to our credit administration practices, we expect to learn more about how our borrowers are reacting to these changes and, as we analyze such reactions, will continue to refine our estimates of the impact of those changes on our allowance for loan losses.

The tables below show the composition and status of the Private Education Loan portfolio aged by number of months in active repayment status (months for which a scheduled monthly payment was due). The period of delinquency is based on the number of days scheduled payments are contractually past due. Active repayment status includes loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period. Our experience shows that the percentage of loans in forbearance status generally decreases the longer the loans have been in active repayment status. At March 31, 2020, loans in forbearance status as a percentage of total loans in repayment and forbearance were 3.8 percent for Private Education Loans that have been in active repayment status for fewer than 25 months. Approximately 61percent of our Private Education Loans in forbearance status have been in active repayment status fewer than 25 months.

(Dollars in millions) March 31, 2020	Private Education Loans Monthly Scheduled Payments Due					Not Yet in Repayment	Total
	0 to 12	13 to 24	25 to 36	37 to 48	More than 48		
Loans in-school/grace/deferment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,648	\$ 5,648
Loans in forbearance	438	169	133	106	144	—	990
Loans in repayment - current	4,835	3,099	2,271	1,725	2,586	—	14,516
Loans in repayment - delinquent 31-60 days	100	47	37	29	42	—	255
Loans in repayment - delinquent 61-90 days	61	24	19	13	19	—	136
Loans in repayment - delinquent greater than 90 days	40	13	11	7	11	—	82
Total	\$ 5,474	\$ 3,352	\$ 2,471	\$ 1,880	\$ 2,802	\$ 5,648	21,627
Deferred origination costs and unamortized premium/(discount)							65
Allowance for loan losses							(1,516)
Total Private Education Loans, net							\$ 20,176
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	2.74 %	1.06 %	0.83 %	0.67 %	0.90 %	— %	6.20 %

(Dollars in millions) March 31, 2019	Private Education Loans Monthly Scheduled Payments Due					Not Yet in Repayment	Total
	0 to 12	13 to 24	25 to 36	37 to 48	More than 48		
Loans in-school/grace/deferment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,871	\$ 5,871
Loans in forbearance	351	83	71	53	52	—	610
Loans in repayment - current	4,935	3,391	2,600	1,924	2,079	—	14,929
Loans in repayment - delinquent 31-60 days	89	40	34	24	29	—	216
Loans in repayment - delinquent 61-90 days	46	19	15	11	13	—	104
Loans in repayment - delinquent greater than 90 days	30	11	9	6	6	—	62
Total	<u>\$ 5,451</u>	<u>\$ 3,544</u>	<u>\$ 2,729</u>	<u>\$ 2,018</u>	<u>\$ 2,179</u>	<u>\$ 5,871</u>	<u>21,792</u>
Deferred origination costs and unamortized premium/(discount)							71
Allowance for loan losses							(286)
Total Private Education Loans, net							<u>\$ 21,577</u>
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	<u>2.20 %</u>	<u>0.52 %</u>	<u>0.45 %</u>	<u>0.33 %</u>	<u>0.33 %</u>	<u>— %</u>	<u>3.83 %</u>

### Private Education Loan Types

The following table provides information regarding the loans in repayment balance and total loan balance by Private Education Loan product type at March 31, 2020 and December 31, 2019.

March 31, 2020						
(Dollars in thousands)	Signature and Other	Parent Loan	Smart Option	Career Training	Graduate Loan	Total
\$ in repayment <sup>(1)</sup>	\$ 209,958	\$ 277,483	\$ 14,011,937	\$ 10,561	\$ 478,406	\$ 14,988,345
\$ in total	\$ 339,054	\$ 285,872	\$ 20,210,962	\$ 11,688	\$ 779,171	\$ 21,626,747

  

December 31, 2019						
(Dollars in thousands)	Signature and Other	Parent Loan	Smart Option	Career Training	Graduate Loan	Total
\$ in repayment <sup>(1)</sup>	\$ 205,203	\$ 248,662	\$ 15,928,942	\$ 12,394	\$ 392,469	\$ 16,787,670
\$ in total	\$ 341,919	\$ 251,104	\$ 21,951,654	\$ 12,895	\$ 632,019	\$ 23,189,591

<sup>(1)</sup> Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

### Accrued Interest Receivable

The following table provides information regarding accrued interest receivable on our Private Education Loans. The table also discloses the amount of accrued interest on loans greater than 90 days past due as compared to our allowance for uncollectible interest on loans making full interest payments. The majority of the total accrued interest receivable represents accrued interest on deferred loans where no payments are due while the borrower is in school and fixed-pay loans where the borrower makes a \$25 monthly payment that is smaller than the interest accruing on the loan in that month. The accrued interest on these loans will be capitalized to the balance of the loans when the borrower exits the grace period after separation from school. The allowance for this portion of interest is included in our loan loss reserve. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due Private Education Loan portfolio for all periods presented.

Private Education Loans Accrued Interest Receivable			
(Dollars in thousands)	Total Interest Receivable	Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
March 31, 2020	\$ 1,258,751	\$ 3,127	\$ 3,479
December 31, 2019	\$ 1,366,158	\$ 2,390	\$ 5,309
March 31, 2019	\$ 1,276,825	\$ 2,374	\$ 4,687

## Personal Loan Delinquencies

The following table provides information regarding the loan status of our Personal Loans.

(Dollars in thousands)	Personal Loans			
	March 31,			
	2020		2019	
	Balance	%	Balance	%
Loans in forbearance	\$ 19,517		\$ —	
Loans in repayment and percentage of each status:				
Loans current	856,802	97.4 %	1,141,664	98.2 %
Loans delinquent 31-60 days <sup>(1)</sup>	11,579	1.3	9,224	0.8
Loans delinquent 61-90 days <sup>(1)</sup>	4,355	0.5	5,991	0.5
Loans delinquent greater than 90 days <sup>(1)</sup>	7,451	0.8	5,995	0.5
Total Personal Loans in repayment	880,187	100.0 %	1,162,874	100.0 %
Total Personal Loans, gross	899,704		1,162,874	
Personal Loans deferred origination costs and unamortized premium/(discount)	413		394	
Total Personal Loans	900,117		1,163,268	
Personal Loans allowance for losses	(152,673)		(70,619)	
Personal Loans, net	\$ 747,444		\$ 1,092,649	
Delinquencies as a percentage of Personal Loans in repayment		2.6 %		1.8 %

<sup>(1)</sup> The period of delinquency is based on the number of days scheduled payments are contractually past due.

## Liquidity and Capital Resources

### Funding and Liquidity Risk Management

Our primary liquidity needs include our ongoing ability to fund our businesses throughout market cycles, including during periods of financial stress, our ongoing ability to fund originations of Private Education Loans, Personal Loans, and other loans, and the servicing our Bank deposits. To achieve these objectives, we analyze and monitor our liquidity needs, maintain excess liquidity, and access diverse funding sources, such as deposits at the Bank, issuance of secured debt primarily through asset-backed securitizations and other financing facilities. It is our policy to manage operations so liquidity needs are fully satisfied through normal operations to avoid unplanned asset sales under emergency conditions. Our liquidity management is governed by policies approved by our Board of Directors. Oversight of these policies is performed in the Asset and Liability Committee, a management-level committee.

These policies take into account the volatility of cash flow forecasts, expected maturities, anticipated loan demand, and a variety of other factors to establish minimum liquidity guidelines.

Key risks associated with our liquidity relate to our ability to access the capital markets and the markets for bank deposits at reasonable rates. This ability may be affected by our performance, competitive pressures, the macroeconomic environment, and the impact they have on the availability of funding sources in the marketplace. We target maintaining sufficient on-balance sheet and contingent sources of liquidity to enable us to meet all contractual and contingent obligations under various stress scenarios, including severe macroeconomic stresses as well as specific stresses that test the resiliency of our balance sheet. As the Bank has grown, we have improved our liquidity stress testing practices to align more closely with the industry, which has resulted in our adopting increased liquidity requirements. Beginning in the second quarter of 2019, we began to increase our liquidity levels by increasing cash and cash equivalents and investments held as part of our ongoing efforts to enhance our ability to maintain a strong risk management position. We expect to increase liquidity levels into 2020, and as such, we expect the increased proportion of cash in our assets will cause our net interest margin to be lower in 2020 when compared with 2019. Due to the seasonal nature of our business, our liquidity levels will likely vary from quarter to quarter.

### Sources of Liquidity and Available Capacity

#### Ending Balances

(Dollars in thousands)	March 31, 2020	December 31, 2019
Sources of primary liquidity:		
Unrestricted cash and liquid investments:		
Holding Company and other non-bank subsidiaries	\$ 45,956	\$ 29,620
Sallie Mae Bank <sup>(1)</sup>	7,246,973	5,534,257
Available-for-sale investments	538,742	487,668
Total unrestricted cash and liquid investments	<u>\$ 7,831,671</u>	<u>\$ 6,051,545</u>

(1) This amount will be used primarily to originate Private Education Loans at the Bank.

## Average Balances

(Dollars in thousands)	Three Months Ended March 31,	
	2020	2019
Sources of primary liquidity:		
Unrestricted cash and liquid investments:		
Holding Company and other non-bank subsidiaries	\$ 35,001	\$ 25,968
Sallie Mae Bank <sup>(1)</sup>	5,633,891	1,838,484
Available-for-sale investments	487,398	188,310
Total unrestricted cash and liquid investments	<u>\$ 6,156,290</u>	<u>\$ 2,052,762</u>

(1) This amount will be used primarily to originate Private Education Loans at the Bank.

## Deposits

The following table summarizes total deposits.

(Dollars in thousands)	March 31, 2020	December 31, 2019
Deposits - interest bearing	\$ 24,443,963	\$ 24,282,906
Deposits - non-interest bearing	1,651	1,077
Total deposits	<u>\$ 24,445,614</u>	<u>\$ 24,283,983</u>

Our total deposits of \$24.4 billion were comprised of \$13.7 billion in brokered deposits and \$10.7 billion in retail and other deposits at March 31, 2020, compared to total deposits of \$24.3 billion, which were comprised of \$13.8 billion in brokered deposits and \$10.5 billion in retail and other deposits, at December 31, 2019.

Interest bearing deposits as of March 31, 2020 and December 31, 2019 consisted of retail and brokered non-maturity savings deposits, retail and brokered non-maturity MMDAs and retail and brokered CDs. Interest bearing deposits include deposits from Educational 529 and Health Savings plans that diversify our funding sources and additional deposits we consider to be core. These and other large omnibus accounts, aggregating the deposits of many individual depositors, represented \$6.8 billion of our deposit total as of March 31, 2020 and December 31, 2019.

Some of our deposit products are serviced by third-party providers. Placement fees associated with the brokered CDs are amortized into interest expense using the effective interest rate method. We recognized placement fee expense of \$5 million and \$4 million in the three months ended March 31, 2020 and 2019, respectively. Fees paid to third-party brokers related to brokered CDs were \$2 million and \$1 million for the three months ended March 31, 2020 and 2019, respectively.

Interest bearing deposits at March 31, 2020 and December 31, 2019 are summarized as follows:

(Dollars in thousands)	March 31, 2020		December 31, 2019	
	Amount	Qtr.-End Weighted Average Stated Rate <sup>(1)</sup>	Amount	Year-End Weighted Average Stated Rate <sup>(1)</sup>
Money market	\$ 9,561,715	1.74 %	\$ 9,616,547	2.04 %
Savings	752,357	1.44	718,616	1.71
Certificates of deposit	14,129,891	1.95	13,947,743	2.44
Deposits - interest bearing	<u>\$ 24,443,963</u>		<u>\$ 24,282,906</u>	

<sup>(1)</sup> Includes the effect of interest rate swaps in effective hedge relationships.

As of March 31, 2020, and December 31, 2019, there were \$1.1 billion and \$963 million, respectively, of deposits exceeding FDIC insurance limits. Accrued interest on deposits was \$82 million and \$68 million at March 31, 2020 and December 31, 2019, respectively.

### Counterparty Exposure

Counterparty exposure related to financial instruments arises from the risk that a lending, investment or derivative counterparty will not be able to meet its obligations to us.

Excess cash is generally invested with the FRB on an overnight basis or in the FRB's Term Deposit Facility, minimizing counterparty exposure on cash balances.

Our investment portfolio is primarily composed of a small portfolio of mortgage-backed securities issued by government agencies and government-sponsored enterprises that are purchased to meet CRA targets. Additionally, our investing activity is governed by Board-approved limits on the amount that is allowed to be invested with any one issuer based on the credit rating of the issuer, further minimizing our counterparty exposure. Counterparty credit risk is considered when valuing investments and considering impairment.

Related to derivative transactions, protection against counterparty risk is generally provided by International Swaps and Derivatives Association, Inc. Credit Support Annexes ("CSAs"), or clearinghouses for over-the-counter derivatives. CSAs require a counterparty to post collateral if a potential default would expose the other party to a loss. All derivative contracts entered into by the Bank are covered under CSAs or clearinghouse agreements and require collateral to be exchanged based on the net fair value of derivatives with each counterparty. Our exposure is limited to the value of the derivative contracts in a gain position, less any collateral held by us and plus collateral posted with the counterparty.

Title VII of the Dodd-Frank Act requires all standardized derivatives, including most interest rate swaps, to be submitted for clearing to central counterparties to reduce counterparty risk. Two of the central counterparties we use are the CME and the LCH. All variation margin payments on derivatives cleared through the CME and LCH are accounted for as legal settlement. As of March 31, 2020, \$9.3 billion notional of our derivative contracts were cleared on the CME and \$0.5 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 95.2 percent and 4.8 percent, respectively, of our total notional derivative contracts of \$9.8 billion at March 31, 2020.

For derivatives cleared through the CME and LCH, the net gain (loss) position includes the variation margin amounts as settlement of the derivative and not collateral against the fair value of the derivative. The amount of variation margin included as settlement as of March 31, 2020 was \$(268) million and \$24 million for the CME and LCH, respectively. Changes in fair value for derivatives not designated as hedging instruments will be presented as realized gains (losses).

Our exposure is limited to the value of the derivative contracts in a gain position less any collateral held and plus any collateral posted. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At March 31,

2020 and December 31, 2019, we had a net positive exposure (derivative gain positions to us, less collateral held by us and plus collateral posted with counterparties) related to derivatives of \$96 million and \$52 million, respectively.

We have liquidity exposure related to collateral movements between us and our derivative counterparties. Movements in the value of the derivatives, which are primarily affected by changes in interest rates, may require us to return cash collateral held or may require us to access primary liquidity to post collateral to counterparties.

The table below highlights exposure related to our derivative counterparties as of March 31, 2020.

(Dollars in thousands)		SLM Corporation and Sallie Mae Bank Contracts
Total exposure, net of collateral	\$	96,347
Exposure to counterparties with credit ratings, net of collateral	\$	96,347
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3		— %
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's A3		— %

## Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by the FDIC and the UDFI. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on our business, results of operations and financial condition. Under U.S. Basel III and the regulatory framework for prompt corrective action, the Bank must meet specific capital standards that involve quantitative measures of its assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's regulatory capital amounts and its classification under the prompt corrective action framework are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors.

## Capital Management

The Bank intends to maintain at all times regulatory capital levels that meet both the minimum levels required under U.S. Basel III (including applicable buffers) and the levels necessary to be considered "well capitalized" under the FDIC's prompt corrective action framework, in order to support asset growth and operating needs, address unexpected credit risks and protect the interests of depositors and the DIF administered by the FDIC. The Bank's Capital Policy requires management to monitor these capital standards and the Bank's compliance with them. The Board of Directors and management periodically evaluate the quality of assets, the stability of earnings, and the adequacy of the allowance for loan losses for the Bank. The Company is a source of strength for the Bank and will provide additional capital if necessary.

We believe that current and projected capital levels are appropriate for the remainder of 2020. As of March 31, 2020, the Bank's risk-based and leverage capital ratios exceed the required minimum ratios and the applicable buffers under the fully phased-in U.S. Basel III standards as well as the "well capitalized" standards under the prompt corrective action framework.

Under U.S. Basel III, the Bank is required to maintain the following minimum regulatory capital ratios: a Common Equity Tier 1 risk-based capital ratio of 4.5 percent, a Tier 1 risk-based capital ratio of 6.0 percent, a Total risk-based capital ratio of 8.0 percent, and a Tier 1 leverage ratio of 4.0 percent. In addition, as of January 1, 2019, the Bank is subject to a fully phased-in Common Equity Tier 1 capital conservation buffer of greater than 2.5 percent. (As of December 31, 2018, the Bank was subject to a Common Equity Tier 1 capital conservation buffer of greater than 1.875 percent.) Failure to maintain the buffer will result in restrictions on the Bank's ability to make capital distributions, including the payment of dividends, and to pay discretionary bonuses to executive officers. Including the buffer, as of January 1, 2019, the Bank is required to maintain the following minimum capital ratios under U.S. Basel III in order to avoid such restrictions: a Common Equity Tier 1 risk-based capital ratio of greater than 7.0 percent, a Tier 1 risk-based capital ratio of greater than 8.5 percent and a Total risk-based capital ratio of greater than 10.5 percent.

On March 27, 2020, the FDIC and other federal banking agencies published an interim final rule that provides those banking organizations adopting CECL during 2020 with the option to delay for two years the estimated impact of CECL on regulatory capital and to phase in the aggregate impact of the deferral on regulatory capital over a subsequent three year period. Under this interim final rule, because we have elected the deferred option, the regulatory capital impact of our transition adjustments recorded on January 1, 2020 from the adoption of CECL will be deferred for two years. In addition, 25 percent of the ongoing impact, from January 1, 2020 through the end of the two-year deferral period, of CECL on our allowance for loan losses, retained earnings, and average total consolidated assets, each as reported for regulatory capital purposes, will be added to the deferred transition amounts (“adjusted transition amounts”) and deferred for the two-year period. At the conclusion of the two-year period (January 1, 2022), the adjusted transition amounts will be phased-in for regulatory capital purposes at a rate of 25 percent per year, with the phased-in amounts included in regulatory capital at the beginning of each year. Our January 1, 2020, CECL transition amounts increased the allowance for loan losses by \$1.1 billion, increased the liability representing our off-balance sheet exposure for unfunded commitments by \$116 million, and increased our deferred tax asset by \$306 million, resulting in a cumulative effect adjustment that reduced retained earnings by \$953 million.

The Bank’s required and actual regulatory capital amounts and ratios under U.S. Basel III are shown in the following table.

	Actual		U.S. Basel III Minimum Requirements Plus Buffer <sup>(1)(2)</sup>			
	Amount	Ratio	Amount		Ratio	
<b>As of March 31, 2020:</b>						
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,112,763	12.4 %	\$ 1,757,168	≥	7.0 %	
Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,112,763	12.4 %	\$ 2,133,704	≥	8.5 %	
Total Capital (to Risk-Weighted Assets)	\$ 3,428,154	13.7 %	\$ 2,635,752	≥	10.5 %	
Tier 1 Capital (to Average Assets)	\$ 3,112,763	9.4 %	\$ 1,326,107	≥	4.0 %	
<b>As of December 31, 2019:</b>						
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,264,309	12.2 %	\$ 1,876,050	≥	7.0 %	
Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,264,309	12.2 %	\$ 2,278,060	≥	8.5 %	
Total Capital (to Risk-Weighted Assets)	\$ 3,600,668	13.4 %	\$ 2,814,074	≥	10.5 %	
Tier 1 Capital (to Average Assets)	\$ 3,264,309	10.2 %	\$ 1,284,642	≥	4.0 %	

<sup>(1)</sup> Reflects the U.S. Basel III minimum required ratio plus the applicable capital conservation buffer.

<sup>(2)</sup> The Bank’s regulatory capital ratios also exceeded all applicable standards for the Bank to qualify as “well capitalized” under the prompt corrective action framework.

## Dividends

The Bank is chartered under the laws of the State of Utah and its deposits are insured by the FDIC. The Bank’s ability to pay dividends is subject to the laws of Utah and the regulations of the FDIC. Generally, under Utah’s industrial bank laws and regulations as well as FDIC regulations, the Bank may pay dividends to the Company from its net profits without regulatory approval if, following the payment of the dividend, the Bank’s capital and surplus would not be impaired. The Bank declared \$541 million in dividends to the Company for the three months ended March 31, 2020, and \$85 million in dividends for the three months ended March 31, 2019. In the future, we expect that the Bank will pay dividends to the Company as may be necessary to enable the Company to pay any declared dividends on its Series B Preferred Stock and common stock and to consummate any common share repurchases by the Company under its share repurchase program.

## Borrowings

Outstanding borrowings consist of unsecured debt and secured borrowings issued through our term ABS program and our Secured Borrowing Facility. The issuing entities for those secured borrowings are VIEs and are consolidated for accounting purposes. The following table summarizes our borrowings at March 31, 2020 and December 31, 2019, respectively. For additional information, see Notes to Consolidated Financial Statements, Note 6, “Borrowings.”

	March 31, 2020			December 31, 2019		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt (fixed-rate)	\$ —	\$ 198,362	\$ 198,362	\$ —	\$ 198,159	\$ 198,159
Total unsecured borrowings	—	198,362	198,362	—	198,159	198,159
Secured borrowings:						
Private Education Loan term securitizations:						
Fixed-rate	—	2,912,346	2,912,346	—	2,629,902	2,629,902
Variable-rate	—	1,597,328	1,597,328	—	1,525,976	1,525,976
Total Private Education Loan term securitizations	—	4,509,674	4,509,674	—	4,155,878	4,155,878
Secured Borrowing Facility	—	—	—	289,230	—	289,230
Total secured borrowings	—	4,509,674	4,509,674	289,230	4,155,878	4,445,108
Total	\$ —	\$ 4,708,036	\$ 4,708,036	\$ 289,230	\$ 4,354,037	\$ 4,643,267

### Other Borrowing Sources

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled \$125 million at March 31, 2020. The interest rate we are charged on these lines of credit is priced at Fed Funds plus a spread at the time of borrowing and is payable daily. We did not utilize these lines of credit in the three months ended March 31, 2020 or in the year ended December 31, 2019.

We established an account at the FRB to meet eligibility requirements for access to the Primary Credit borrowing facility at the FRB's Window. The Primary Credit borrowing facility is a lending program available to depository institutions that are in generally sound financial condition. All borrowings at the Window must be fully collateralized. We can pledge asset-backed and mortgage-backed securities, as well as FFELP Loans and Private Education Loans, to the FRB as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At March 31, 2020 and December 31, 2019, the value of our pledged collateral at the FRB totaled \$2.4 billion and \$3.2 billion, respectively. The interest rate charged to us is the discount rate set by the FRB. We did not utilize this facility in the three months ended March 31, 2020 or in the year ended December 31, 2019.

### Contractual Loan Commitments

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of such approval, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). We estimate expected credit losses over the contractual period in which we are exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by us. At March 31, 2020, we had \$450 million of outstanding contractual loan commitments which we expect to fund during the remainder of the 2019/2020 academic year. At March 31, 2020, we had a \$30 million reserve recorded in "Other Liabilities" to cover lifetime expected credit losses on these unfunded commitments.

## Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with GAAP. A discussion of our critical accounting policies, which include allowance for loan losses and derivative accounting, can be found in our 2019 Form 10-K. On January 1, 2020, we adopted FASB's ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," ("CECL") which resulted in a significant change to our allowance for loan losses policy, and is outlined below. There were no significant changes to our derivative accounting policy during the three months ended March 31, 2020.

## Recently Issued and Adopted Accounting Pronouncements

### *ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"*

In June 2016, the FASB issued ASU No. 2016-13, which became effective for us on January 1, 2020. This ASU eliminated the previous accounting guidance for the recognition of credit impairment. Under the new guidance, for all loans carried at amortized cost, upon loan origination we are required to measure our allowance for credit losses based on our estimate of all current expected credit losses over the remaining contractual term of the assets. Updates to that estimate each period will be recorded through provision expense. The estimate of credit losses must be based on historical experience, current conditions, and reasonable and supportable forecasts. The ASU does not mandate the use of any specific method for estimating credit loss, permitting companies to use judgment in selecting the approach that is most appropriate in their circumstances.

In addition, Topic 326 made changes to the accounting for available-for-sale debt securities. One such change is to require an assessment of unrealized losses on available-for-sale debt securities that we have the ability and intent to hold for a period of time sufficient to recover the amortized cost of the security, for the purpose of determining credit impairment. If any credit impairment exists, an allowance for losses must be established for the amount of the unrealized loss that is determined to be credit-related.

On January 1, 2020, we adopted CECL using the modified retrospective method and it had a material impact on how we record and report our financial condition and results of operations and on regulatory capital. The following table illustrates the impact of the cumulative effect adjustment made upon adoption of CECL:

<i>(Dollars in thousands)</i>	January 1, 2020		
	As reported under CECL	Pre-CECL Adoption	Impact of CECL Adoption
<b>Assets:</b>			
Allowance for loan losses:			
Private Education Loans	\$ 1,435,130	\$ 374,300	\$ 1,060,830
FFELP Loans	4,485	1,633	2,852
Personal Loans	145,060	65,877	79,183
Credit Card	290	102	188
Total	\$ 1,584,965	\$ 441,912	\$ 1,143,053
Deferred tax asset	\$ 415,540	\$ 109,369	\$ 306,171
<b>Liabilities:</b>			
Allowance for loan losses:			
Off-balance sheet exposures	\$ 118,239	\$ 2,481	\$ 115,758
<b>Equity:</b>			
Retained Earnings	\$ 897,873	\$ 1,850,512	\$ (952,639)

This transition adjustment is inclusive of qualitative adjustments incorporated into our CECL allowance as necessary, to address any limitations in the models used.

#### Allowance for Credit Losses

We maintain an allowance for loan losses for the lifetime expected credit losses on loans in our portfolios, as well as for future loan commitments, at the reporting date.

In determining the lifetime expected credit losses on our Private Education Loan and Personal Loan portfolios, we use a discounted cash flow model. This method requires us to project future principal and interest cash flows on our loans in those portfolios.

To estimate the future expected cash flows, we use a vintage-based model that considers life of loan loss expectations, prepayments (both voluntary and involuntary), defaults, recoveries and any other adjustments deemed necessary, to determine the adequacy of the allowance at each balance sheet date. These cash flows are discounted at the loan's effective interest rate to calculate the present value of those cash flows. Management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments. The difference between the present value of those cash flows and the amortized cost basis of the underlying loans is the allowance for loan losses. Entities that measure credit losses based on the present value of expected future cash flows are permitted to report the entire change in present value as credit loss expense, but may alternatively report the change in present value due to the passage of time as interest income. We have elected to report the entire change in present value as credit loss expense.

In determining the loss rates used for the vintage-based approach, we start with our historical loss rates, stratify the loans within each vintage, and then adjust the loss rates based upon exogenous factors over a reasonable and supportable period. The reasonable and supportable period is meant to represent the period in which we believe we can estimate the impact of forecasted economic variables in our expected losses. At the end of the reasonable and supportable period, we immediately revert our forecast of expected losses to our historical averages. We use a two-year reasonable and supportable period, although this period is subject to change as our view evolves on our ability to reasonably estimate future losses based upon economic forecasts.

In estimating our current expected credit losses, we use our historical experience to derive a base case adjusted for any qualitative factors (as described below). We also develop an adverse and favorable economic scenario as well. At each

reporting date, we determine the appropriate weighting of these alternate scenarios based upon the current economic conditions and our view of the risks of alternate outcomes. This weighting of expectations is used in calculating our current expected credit losses recorded each period.

In estimating recoveries, we use both estimates of what we would receive from the sale of defaulted loans as well as historical borrower payment behavior to estimate the timing and amount of future recoveries on charged-off loans.

Our prepayment estimates include the effect of voluntary prepayments and consolidation (if the loans are consolidated to third parties), both of which shorten the lives of loans. Constant Prepayment Rate ("CPR") estimates also consider the utilization of deferment, forbearance, and extended repayment plans, which lengthen the lives of loans. We regularly evaluate the assumptions used to estimate the CPRs. We use economic forecasts to help in the estimation of future CPRs. As with our loss forecasts, at the end of the two-year reasonable and supportable forecast for CPRs, we immediately revert to our historical long-term CPR rates.

In addition to the above modeling approach, we also take certain other qualitative factors into consideration when calculating the allowance for loan losses. These qualitative factors include, but are not limited to, changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off and recovery practices not already included in the analysis, and the effect of other external factors such as legal and regulatory requirements on the level of estimated current expected credit losses.

The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. If actual future performance in delinquency, charge-offs and recoveries is significantly different than estimated, or management assumptions or practices were to change, this could materially affect the estimate of the allowance for loan losses, the timing of when losses are recognized, and the related provision for credit losses on our consolidated statements of income.

Below we describe in further detail our policies and procedures for the allowance for loan losses as they relate to our Private Education Loan, Personal Loan, Credit Card and FFELP Loan portfolios.

#### *Allowance for Private Education Loan Losses*

We collect on defaulted loans through a mix of in-house collectors, third-party collectors and sales to third-parties. For March 31, 2020 and December 31, 2019, we used both an estimate of recovery rates from in-house collections as well as expectations of future sales of defaulted loans to estimate the timing and amount of future recoveries on charged-off loans.

In addition to the key assumptions/estimates above, some estimates are unique to our Private Education Loan portfolio. Estimates are made on our Private Education Loans regarding when each borrower will separate from school. The cash flow timing of when a borrower will begin making full principal and interest payments is dependent upon when the student either graduates or leaves school. These dates can change based upon many factors. We receive information regarding projected graduation dates from a third-party clearinghouse. The separation from school date will be updated quarterly based on updated information received from the school clearinghouse.

Additionally, when we have a contractual obligation to fund a loan or a portion of a loan at a later date, we make an estimate regarding the percentage of this obligation that will be funded. This estimate is based on historical experience. For unfunded commitments, we recognize the life of loan allowance as a liability. Once the loan is funded, that liability transfers to the allowance for Private Education Loan losses.

#### *Key Credit Quality Indicators - Private Education Loans*

We determine the collectability of our Private Education Loan portfolio by evaluating certain risk characteristics. We consider credit score at original approval and periodically refreshed/updated credit scores through the loan's term, existence of a cosigner, loan status and loan seasoning as the key credit quality indicators because they have the most significant effect on the determination of the adequacy of our allowance for loan losses. Credit scores are an indicator of the creditworthiness of borrowers and the higher the credit scores the more likely it is the borrowers will be able to make all of their contractual payments. Loan status affects the credit risk because a past due loan is more likely to result in a credit loss than a current loan. Additionally, loans in the deferred payment status have different credit risk profiles compared with those in current pay status. Loan seasoning affects credit risk because a loan with a history of making payments generally has a lower incidence of default than a loan with a history of making infrequent or no payments. The existence of a cosigner lowers the likelihood of default as well. We monitor and update these credit quality indicators in the analysis of the adequacy of our allowance for loan losses on a quarterly basis.

Private Education Loans generally do not require borrowers to begin repayment until at least six months after the borrowers have graduated or otherwise separated from school. Consequently, the loss estimates for these loans is generally low while the borrower is in school and then increases upon the end of the six-month grace period after separation from school. At March 31, 2020 and December 31, 2019, 27 percent and 25 percent, respectively, of the principal balance of the Private Education Loan portfolio was related to borrowers who are in an in-school (fully deferred), grace, or other deferment status and not required to make payments.

Our collection policies for Private Education Loans allow for periods of nonpayment for certain borrowers requesting an extended grace period upon leaving school or experiencing temporary difficulty meeting payment obligations. This is referred to as forbearance and is considered in estimating the allowance for loan losses.

As part of concluding on the adequacy of the allowance for loan losses for Private Education Loans, we review key allowance and loan metrics. The most relevant of these metrics considered are the allowance as a percentage of ending total loans, delinquency percentages and forbearance percentages.

We consider a Private Education Loan to be delinquent 31 days after the last payment was contractually due.

#### *Troubled Debt Restructurings*

In estimating the expected defaults for our Private Education Loans that are considered TDRs, we follow the same discounted cash flow process described above but use the historical loss rates related to past TDR loans. The appropriate gross loss rates are determined for each individual loan by determining loan maturity, risk characteristics and macroeconomic conditions.

The allowance for our TDR portfolio is included in our overall allowance for Private Education Loans. Our TDR portfolio is comprised mostly of loans with interest rate reductions and loans with forbearance usage greater than three months, as further described below.

We adjust the terms of loans for certain borrowers when we believe such changes will help our customers manage their student loan obligations, achieve better student outcomes, and increase the collectability of the loans. These changes generally take the form of a temporary forbearance of payments, a temporary interest rate reduction, a temporary interest rate reduction with a permanent extension of the loan term, and/or a short-term extended repayment alternative. When we give a borrower facing financial difficulty an interest rate reduction, we temporarily reduce the rate (currently to 4.0 percent) for a two-year period and, in the vast majority of cases, permanently extend the final maturity of the loan. The combination of these two loan term changes helps reduce the monthly payment due from the borrower and increases the likelihood the borrower will remain current during the interest rate modification period as well as when the loan returns to its original contractual interest rate.

We classify a loan as a TDR due to forbearance using a two-step process. The first step is to identify a loan that was in full principal and interest repayment status and received more than three months of forbearance in a 24-month period; however, during the first nine months after a loan had entered full principal and interest repayment status, we do not count up to the first six months of forbearance received during that period against the three-month policy limit. The second step is to evaluate the creditworthiness of the loan by examining its most recent refreshed FICO score. Loans that have met the criteria in the first test and have a FICO score above a certain threshold (based on the most recent quarterly FICO score refresh) will not be classified as TDRs. Loans that have met the criteria in the first test and have a FICO score under the threshold (based on the most recent quarterly FICO score refresh) will be classified as TDRs.

A loan also becomes a TDR when it is modified to reduce the interest rate on the loan (regardless of when such modification occurs and/or whether such interest rate reduction is temporary). Once a loan qualifies for TDR status, it remains a TDR for allowance purposes for the remainder of its life. About half of our loans that are considered TDRs involve a temporary forbearance of payments and do not change the contractual interest rate of the loan. As of March 31, 2020 and December 31, 2019, approximately 48 percent and 50 percent, respectively, of TDRs were classified as such due to their forbearance status. For additional information, see Note 6, "Allowance for Loan Losses" in our 2019 Form 10-K.

During the first quarter of 2020, COVID-19 began to spread worldwide and has caused significant disruptions to the U.S. and world economies.

On March 27, 2020, President Trump signed into law the CARES Act, which, among other things, allows us to (i) elect to suspend the requirements under GAAP for loan modifications related to COVID-19 that would otherwise be categorized as TDRs, and (ii) suspend any determination of a loan modified as a result of the effects of COVID-19 as being a TDR, including impairment for accounting purposes.

We have elected to suspend TDR accounting for modifications of loans that occur as a result of COVID-19 for the applicable period of the CARES Act relief. The relief from TDR guidance applies to modifications of loans that were not more than 30 days past due as of December 31, 2019, and that occur during the period beginning on March 1, 2020, and ending on the earlier of (i) sixty days after the date on which the national emergency related to the COVID-19 outbreak is terminated, or (ii) December 31, 2020.

#### *Off-Balance Sheet Exposure for Contractual Loan Commitments*

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of such approval, but instead have a commitment to fund a portion of the loan at a later date (usually the start of the second semester or subsequent trimesters). We estimate expected credit losses over the contractual period in which we are exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by us. The discounted cash flow approach described above includes expected future contractual disbursements. The portion of the allowance for loan losses related to future disbursements is shown as a liability on the face of the balance sheet, and related provision for credit losses is reflected on the income statement.

#### *Uncollectible Interest*

The majority of the total accrued interest receivable on our Private Education Loan portfolio represents accrued interest on deferred loans where no payments are due while the borrower is in- school and on fixed-pay loans where the borrower makes a \$25 monthly payment that is smaller than the interest accrued on the loan in that month. The accrued interest on these loans will be capitalized and increase the unpaid principal balance of the loans when the borrower exits the grace period after separation from school. The discounted cash flow approach described above considers both the collectability of principal as well as this portion of accrued interest that is expected to capitalize to the balance of the loan. Therefore, the allowance for this portion of accrued interest balance is included in our allowance for loan losses. The discounted cash flow approach does not consider interest accrued on loans that are in a full principal and interest repayment status or in interest-only repayment status. We separately capture the amount of expected uncollectible interest associated with these loans using historical experience to estimate the uncollectible interest for the next four months at each period-end date. This amount is recorded as a reduction of interest income. Accrued interest receivable is separately disclosed on the face of the balance sheet.

#### *Allowance for Personal Loans*

From late 2016 through mid-2018, we acquired newly-originated Personal Loans from a marketplace lender. In 2018, we began to originate Personal Loans and ceased originating these loans at the end of 2019. We maintain an allowance for Personal Loan losses at an amount sufficient to absorb lifetime expected credit losses using the same discounted cash flow approach described above for Private Education Loans. The difference between the amortized cost basis and the present value of expected cash flows on our Personal Loan portfolio equals the allowance related to this portfolio. At March 31, 2020, and December 31, 2019, we held \$747 million and \$984 million, respectively, in Personal Loans, net of allowance. At March 31, 2020, there were no Personal Loans classified as TDRs.

We collect on defaulted Personal Loans through a mix of in-house collectors, third-party collectors and sales to third-parties. For March 31, 2020 and December 31, 2019, we used both an estimate of recovery rates from in-house collections as well as expectations of future sales of defaulted Personal Loans to estimate the timing and amount of future recoveries on charged-off Personal Loans.

#### *Key Credit Quality Indicators - Personal Loans*

For Personal Loans, we consider FICO scores at original approval and periodically refreshed/updated credit scores through the loan's term, loan seasoning, and loan delinquency status to be our key credit quality indicators for the same reasons discussed above under "— Key Credit Quality Indicators — Private Education Loans."

As part of concluding on the adequacy of the allowance for Personal Loan losses, we review key allowance and loan metrics. The most relevant of these metrics considered are the allowance as a percentage of ending total loans, delinquency percentages, and forbearance percentages. We consider a Personal Loan to be delinquent 31 days after the last payment was contractually due.

#### *Allowance for Credit Card Loans*

We use the gross loss approach when estimating the allowance for loan losses for our Credit Card portfolio. Because our Credit Card portfolio is new and we do not have historical loss experience, we use estimated loss rates reported by other

financial institutions to estimate our allowance for loan losses for credit cards, net of expected recoveries. In addition, we use a model that utilizes purchased credit card information with risk characteristics similar to those of our own portfolio as a challenger model. We then consider any qualitative factors that may change our future expectations of losses.

As all of our Credit Card loans are unconditionally cancelable by us, the issuer, we do not record any estimate of credit losses for unused portions of our Credit Card commitments.

#### *Allowance for FFELP Loan Losses*

FFELP Loans are insured as to their principal and accrued interest in the event of default, subject to a risk-sharing level based on the date of loan disbursement. These insurance obligations are supported by contractual rights against the United States. For loans disbursed on or after July 1, 2006, we receive 97 percent reimbursement on all qualifying default claims. For loans disbursed after October 1, 1993, and before July 1, 2006, we receive 98 percent reimbursement on all qualifying claims. For loans disbursed prior to October 1, 1993, we receive 100 percent reimbursement. Because we bear a maximum of three percent loss exposure due to this federal guarantee, our allowance for loan losses for FFELP loans and related periodic provision expense are small.

We use the gross loss approach when estimating the allowance for loan losses for our FFELP Loans. We maintain an allowance for loan losses for our FFELP Loans at a level sufficient to cover lifetime expected credit losses. The allowance for FFELP Loan losses uses historical experience of customer default behavior. We apply the default rate projections, net of applicable risk sharing, to our FFELP Loans for the current period to perform our quantitative calculation. Once the quantitative calculation is performed, we review the adequacy of the allowance for loan losses and determine if qualitative adjustments need to be considered.

#### *Loan Interest Income*

For all loans, including impaired loans, classified as held for investment, we recognize interest income as earned, adjusted for the amortization of deferred direct origination and acquisition costs. Deferred fees or costs are required to be recognized as yield adjustments over the life of the related loans and are recognized by the interest method. The objective of the interest method is to arrive at periodic interest income (including recognition of fees and costs) at a constant effective yield on the net investment in the receivable (i.e., the principal amount of the receivable adjusted by unamortized fees or costs, purchase premium or discount and any hedging activity—these unamortized costs will collectively be referred to as “basis adjustments”). The difference between the periodic interest income so determined and the interest income determined by applying the stated interest rate to the outstanding principal amount of the receivable is the amount of periodic amortization.

For the amortization of the basis adjustments, we determine the constant effective yield necessary to apply the interest method based upon the payment terms required by the loan contract. Expected prepayments of principal are not included in the determination of the effective interest rate.

For fixed-rate loans, when a prepayment occurs the unamortized balance of the amortized cost adjustments is adjusted so that future amortization (based upon the contractual terms of the loan) will result in constant effective yield equal to the original effective interest rate. Prepayments do not result in a change in the effective interest rate of the loan. We determine the contractual payments on a pool basis; as such, when a prepayment occurs, future contractual payments will be determined assuming the pool will make smaller payments through the original term of the contract. The adjustment to the unamortized basis adjustment balance is recorded in interest income.

For variable-rate loans, the effective interest rate at the time of origination is the loan’s effective interest rate assuming all future contractual payments. The effective interest rate remains the same for that loan until the loan rate changes. If there is no prepayment and no change in the stated interest rate, the periodic amortization of the basis adjustments is equal to the difference between the effective interest rate multiplied by the book basis and the contractual interest due. We determine the contractual payments on a pool basis; as such, when a prepayment occurs, future contractual payments will be determined assuming the pool will make smaller payments through the original term of the contract. The adjustment to the unamortized basis adjustment balance is recorded in interest income.

When the interest rate on a variable-rate loan changes, the effective interest rate is recalculated using the same methodology described in the previous paragraph; however, the future contractual payments are changed to reflect the new interest rate. There is no forecasting of future expected changes in interest rates. The accounting basis used to determine the effective interest rate of the cash flows is equal to the balances of the unpaid principal balance and unamortized basis adjustments at the time of the rate change.

We also pay to the U.S. Department of Education (the “DOE”) an annual 105 basis point Consolidation Loan Rebate Fee on FFELP consolidation loans, which is netted against loan interest income. Additionally, interest earned on education loans reflects potential non-payment adjustments in accordance with our uncollectible interest recognition policy. We do not amortize any adjustments to the basis of loans when they are classified as held-for-sale.

With the adoption of CECL on January 1, 2020, we continue to analyze the collectability of accrued interest associated with loans not currently in full principal and interest repayment status or in interest only repayment status as discussed above; however, we will change the recognition of the allowance for this portion of uncollectible interest (amounts to be capitalized after separation from school and the expiration of the grace period) to the provision for loan losses from our historical practice of recording it as a reduction of interest income, as well as classifying this allowance as part of our allowance for loan losses as opposed to our historical practice of recording it as a reduction of accrued interest income receivable.

The allowance for the portion of uncollectible interest on loans making full interest payments will continue to be recorded as a reduction of interest income.

We recognize certain fee income (primarily late fees) on education loans when earned according to the contractual provisions of the promissory notes, as well as our expectation of collectability. Fee income is recorded when earned in “other non-interest income” in the accompanying consolidated statements of income.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

#### Interest Rate Sensitivity Analysis

Our interest rate risk management program seeks to manage and control interest rate risk, thereby reducing our exposure to fluctuations in interest rates and achieving consistent and acceptable levels of profit in any rate environment and sustainable growth in net interest income over the long term. We evaluate and monitor interest rate risk through two primary methods:

- Earnings at Risk (“EAR”), which measures the impact of hypothetical changes in interest rates on net interest income; and
- Economic Value of Equity (“EVE”), which measures the sensitivity or change in the economic value of equity to changes in interest rates.

A number of potential interest rate scenarios are simulated using our asset liability management system. The Bank is the primary source of interest rate risk within the Company. At present, a significant portion of the Bank’s earning assets are priced off of 1-month LIBOR. Therefore, 1-month LIBOR is considered a core rate in our interest rate risk analysis. Other interest rate changes are correlated to changes in 1-month LIBOR for analytic purposes, with higher or lower correlations based on historical relationships. In addition, key rates are modeled with a floor, which indicates how low each specific rate is likely to move in practice. Rates are adjusted up or down via a set of scenarios that includes both rate shocks and ramps. Rate shocks represent an immediate and sustained change in 1-month LIBOR, with the resulting changes in other indices correlated accordingly. Interest rate ramps represent a linear increase in 1-month LIBOR over the course of 12 months, with the resulting changes in other indices correlated accordingly.

The following tables summarize the potential effect on earnings over the next 24 months and the potential effect on market values of balance sheet assets and liabilities at March 31, 2020 and 2019, based upon a sensitivity analysis performed by management assuming a hypothetical increase or decrease in market interest rates of 100 basis points and a hypothetical increase in market interest rates of 300 basis points while funding spreads remain constant. The EVE sensitivity is applied only to financial assets and liabilities, including hedging instruments, that existed at the balance sheet date, and does not reflect any impact of new assets, liabilities, commitments or hedging instruments that may arise in the future.

At today’s levels of interest rates, a 300-basis point downward rate shock does not provide a meaningful indication of interest rate sensitivity, so results for that scenario have not been presented. At March 31, 2020, the full impact of a 100-basis point downward rate shock cannot be realized for some instruments on our balance sheet, due to the precipitous fall in many short-term rates during March 2020. The results below indicate a market risk profile that has changed slightly from the prior year’s results, with the EAR results exhibiting very low levels of variability with rate shocks. Economic Value of Equity sensitivity appears to have increased significantly. However, we believe the risk position has increased less than what the table below indicates and that we maintain a moderate level of risk. Because of the impact of our adoption of the CECL accounting standard in 2020, the dollar value of equity against which the EVE metrics are calculated has decreased by one-third, making each dollar of valuation change appear more significant than it would have in previous periods’ analysis. It is important to note that the EVE measure was sensitive to relatively low levels of interest rate mismatch in the prior year’s analysis and is more sensitive at March 31, 2020.

March 31,						
	2020			2019		
	+300 Basis Points	+100 Basis Points	-100 Basis Points	+300 Basis Points	+100 Basis Points	-100 Basis Points
EAR - Shock	+4.3%	+1.3%	+2.3%	+6.0%	+1.9%	-1.9%
EAR - Ramp	+3.7%	+1.3%	+1.8%	+6.3%	+2.2%	-1.7%
EVE	-11.0%	-4.2%	-1.6%	-1.3%	-0.6%	+0.7%

A primary objective in our funding is to manage our sensitivity to changing interest rates by generally funding our assets with liabilities of similar interest rate repricing characteristics. This funding objective is frequently obtained through the use of derivatives. Uncertainty in loan repayment cash flows and the pricing behavior of our non-maturity retail deposits pose challenges in achieving our interest rate risk objectives. In addition to these considerations, we can have a mismatch in the index (including the frequency of reset) of floating-rate debt versus floating-rate assets.

As part of its suite of financial products, the Bank offers fixed-rate Private Education Loans. As with other Private Education Loans, the term to maturity is lengthy, and the customer has the option to repay the loan faster than the promissory note requires. Asset securitization and fixed-rate CDs provide intermediate to long-term fixed-rate funding for some of these assets. Additionally, a portion of the fixed-rate loans have been hedged with derivatives, which have been used to convert a portion of variable-rate funding to fixed-rate to match the anticipated cash flows of these loans. Any unhedged position arising from the fixed-rate loan portfolio is monitored and modeled to ensure that the interest rate risk does not cause the Company to exceed its policy limits for earnings at risk or for the value of equity at risk.

In the preceding tables, the interest rate sensitivity analysis reflects the balance sheet mix of fully variable LIBOR-based loans, which exceeds the mix of fully variable funding, including brokered CDs that have been converted to LIBOR through derivative transactions. The analysis does not anticipate that retail MMDAs or retail savings balances, while relatively sensitive to interest rate changes, will reprice to the full extent of interest rate shocks or ramps. Also considered is (i) the impact of FFELP loans, which receive floor income in low interest rate environments, and will therefore not reprice fully with interest rate shocks and (ii) the impact of fixed-rate loans that have not been fully match-funded through derivative transactions and fixed-rate funding from CDs and asset securitization. An additional consideration is the implementation of a loan cap of 25 percent on variable-rate loans originated on and after September 25, 2016. As of March 31, 2020, there were \$13.3 billion of loans with 25 percent interest rate caps on the balance sheet. The overall slightly asset-sensitive position would generally cause net interest income to increase somewhat when interest rates rise and decrease somewhat when interest rates fall. However, as the position demonstrates very low levels of variability, the sensitivity position will fluctuate somewhat during the year, depending on the funding mix in place at the time of the analysis, and is exhibiting more fully this quarter the impact of loan floors and very low levels of some interest rates.

Although we believe that these measurements provide an estimate of our interest rate sensitivity, they do not account for potential changes in credit quality, balance sheet mix and size of our balance sheet. They also do not account for other business developments that could affect net income, or for management actions that could affect net income or could be taken to change our risk profile. Accordingly, we can give no assurance that actual results would not differ materially from the estimated outcomes of our simulations. Further, such simulations do not represent our current view of expected future interest rate movements.

## Asset and Liability Funding Gap

The table below presents our assets and liabilities (funding) arranged by underlying indices as of March 31, 2020. In the following GAAP presentation, the funding gap only includes derivatives that qualify as effective hedges (those derivatives which are reflected in net interest income, as opposed to those reflected in the “gains (losses) on derivatives and hedging activities, net” line on the consolidated statements of income). The difference between the asset and the funding is the funding gap for the specified index. This represents at a high level our exposure to interest rate risk in the form of basis risk and repricing risk, which is the risk that the different indices may reset at different frequencies or may not move in the same direction or at the same magnitude. (Note that all fixed-rate assets and liabilities are aggregated into one line item, which does not capture the differences in time due to maturity.)

<u>(Dollars in millions)</u> Index	Frequency of Variable Resets	Assets	Funding <sup>(1)</sup>	Funding Gap
Fed Funds Effective Rate	daily/weekly/monthly	\$ —	\$ 448.6	\$ (448.6)
3-month Treasury bill	weekly	111.6	—	111.6
Prime	monthly	8.8	—	8.8
3-month LIBOR	quarterly	—	400.0	(400.0)
1-month LIBOR	monthly	11,845.6	10,637.0	1,208.6
1-month LIBOR	daily	655.4	—	655.4
Non-Discrete reset <sup>(2)</sup>	daily/weekly	7,493.7	3,541.9	3,951.8
Fixed-Rate <sup>(3)</sup>		11,645.8	16,733.4	(5,087.6)
Total		\$ 31,760.9	\$ 31,760.9	\$ —

<sup>(1)</sup> Funding (by index) includes the impact of all derivatives that qualify as effective hedges.

<sup>(2)</sup> Assets include restricted and unrestricted cash equivalents and other overnight type instruments. Funding includes liquid retail deposits and the obligation to return cash collateral held related to derivatives exposures.

<sup>(3)</sup> Assets include receivables and other assets (including premiums and reserves). Funding includes unswapped time deposits, liquid MMDAs swapped to fixed-rates and stockholders' equity.

The “Funding Gap” in the above table shows primarily mismatches in the 1-month LIBOR, Non-Discrete reset and fixed-rate categories. Changes in the Fed Funds Effective Rate, 3-month LIBOR and 1-Month LIBOR daily categories are generally quite highly correlated, and should offset each other relatively effectively. The funding in the fixed-rate bucket includes \$1.7 billion of equity and \$0.7 billion of non-interest bearing liabilities. In addition, the fixed-rate funding category includes \$0.8 billion in CDs that will mature within six months and will be available to reprice. We consider the overall market risk to be moderate and current strategies are designed to further reduce the fixed-rate exposure.

We use interest rate swaps and other derivatives to achieve our risk management objectives. Our asset liability management strategy is to match assets with debt (in combination with derivatives) that have the same underlying index and reset frequency or have interest rate characteristics that we believe are highly correlated. The use of funding with index types and reset frequencies that are different from our assets exposes us to interest rate risk in the form of basis and repricing risk. This could result in our cost of funds not moving in the same direction or with the same magnitude as the yield on our assets. While we believe this risk is low, as all of these indices are short-term with rate movements that are highly correlated over a long period of time, market disruptions (which have occurred in recent years) can lead to a temporary divergence between indices, resulting in a negative impact to our earnings.

### Weighted Average Life

The following table reflects the weighted average lives of our earning assets and liabilities at March 31, 2020.

<u>(Averages in Years)</u>	<b>Weighted Average Life</b>
<b>Earning assets</b>	
Education loans	5.34
Personal loans	1.24
Cash and investments	0.19
Total earning assets	3.88
<b>Deposits</b>	
Short-term deposits	0.52
Long-term deposits	2.19
Total deposits	1.09
<b>Borrowings</b>	
Long-term borrowings	3.97
Total borrowings	3.97

## **Item 4. Controls and Procedures**

### ***Disclosure Controls and Procedures***

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of March 31, 2020. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of March 31, 2020, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (b) accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

### ***Changes in Internal Control over Financial Reporting***

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended March 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

We and our subsidiaries and affiliates are subject to various claims, lawsuits and other actions that arise in the normal course of business. It is common for the Company, our subsidiaries and affiliates to receive information and document requests and investigative demands from state attorneys general, legislative committees and administrative agencies. These requests may be for informational or regulatory purposes and may relate to our business practices, the industries in which we operate, or other companies with whom we conduct business. Our practice has been and continues to be to cooperate with these bodies and be responsive to any such requests.

On July 17, 2018, the Mississippi Attorney General filed a lawsuit in Mississippi state court against Navient, Navient Solutions, LLC, and the Bank arising out of the Multi-State Investigation. The complaint alleges unfair and deceptive trade practices against all three defendants as to private loan origination practices from 2000 to 2009, and against the two Navient defendants as to servicing practices between 2010 and the present. The complaint further alleges that Navient assumed responsibility for these matters under the Separation and Distribution Agreement for alleged conduct that pre-dated the Spin-Off. On September 27, 2018, the Mississippi Attorney General filed an amended complaint. On October 8, 2018, the Bank moved to dismiss the Mississippi Attorney General's action as to the Bank, arguing, among other things, that the complaint failed to allege with sufficient particularity or specificity how the Bank was responsible for any of the alleged conduct, most of which predated the Bank's existence. On November 20, 2018, the Mississippi Attorney General filed an opposition brief and the Bank filed a reply on December 21, 2018. The court heard oral argument on the Bank's motion to dismiss on April 11, 2019. On August 15, 2019, the court entered an order denying the Bank's motion to dismiss. On September 5, 2019, the Bank filed with the Supreme Court of Mississippi a petition for interlocutory appeal. The Mississippi Attorney General filed an opposition to the petition for interlocutory appeal on September 19, 2019. On October 16, 2019, the Supreme Court of Mississippi granted the Bank's petition for interlocutory appeal and stayed the trial court proceedings. The Mississippi Attorney General has since agreed to dismiss with prejudice all claims against the Bank in the underlying case. On March 31, 2020, the Mississippi Attorney General and the Bank filed a Joint Motion to Dismiss Interlocutory Appeal with the Supreme Court of Mississippi. On April 10, 2020, the Mississippi Attorney General filed with the trial court a Notice of Voluntary Dismissal with Prejudice as to the Bank.

For additional information regarding our legal proceedings, see Part I, Item 3. "Legal Proceedings" in our 2019 Form 10-K.

## Item 1A. Risk Factors

Our business activities involve a variety of risks. In addition to the risk factor below, readers should carefully consider the risk factors disclosed in Part I, Item 1A. “Risk Factors” of our 2019 Form 10-K.

**The pandemic of respiratory disease caused by a novel coronavirus, coronavirus 2019 or COVID-19 (“COVID-19 pandemic”), could have a materially adverse impact on our business, results of operations, financial condition and/or cash flows. The extent of the impact of the COVID-19 pandemic will depend on future developments, which are highly uncertain and largely beyond our control, including, among others: the scope and duration of the pandemic; the number of our employees, customers, and vendors adversely affected by the pandemic; the impact of the pandemic on colleges and universities, student enrollment, and the need for Private Education Loans; the broader public health and economic dislocations resulting from the pandemic; the actions taken by governmental authorities to limit the public health, financial and economic impacts of the COVID-19 pandemic; any legislative or regulatory changes that suspend or reduce payments or cancel or discharge obligations for Private Education Loan borrowers; any reputational damage related to the broader reception and perception of our response to the COVID-19 pandemic; and the impact of the pandemic on local, U.S., and world economies.**

The COVID-19 pandemic has caused significant disruption to the U.S. and world economies, including the closing of many schools and businesses for extended periods of time, significantly higher unemployment and underemployment, significantly lower interest rates and equity market valuations, and extreme volatility in the U.S. and world financial markets. We expect the impact of COVID-19 pandemic on the U.S. economy will be significant during the remainder of 2020 and that it could materially adversely affect our operations, our regulatory capital and liquidity position, the credit performance of our Private Education Loans and other assets, the number of borrowers seeking payment relief, our results of operations and financial condition, and/or our cash flows.

As described in Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae — Customers and Credit Performance,” in this quarterly report on Form 10-Q, we have so far experienced a significant increase in disaster forbearance grants, higher delinquencies, and an increase in borrowers opting out of automated payments. Also, our application volumes have begun to decrease and our expectation is that our Private Education Loan origination volumes will decline further in 2020.

In addition, our employees have had to move to a work-from-home environment. We have never had to run our operations entirely remotely for an extended period of time, and it is possible we will encounter significant challenges to running our business. Our operations rely on the efficient and secure collection, processing, storage and transmission of personal, confidential, and other information in a significant number of customer transactions on a continuous basis through our computer systems and networks and those of our third-party service providers. Unanticipated issues arising from handling personal, confidential and other information from a less efficient work-from-home environment could adversely impact our operations and lead to greater risk for us.

The extent to which the COVID-19 pandemic impacts our business, results of operations, financial condition and/or cash flows will depend on future developments, which are highly uncertain and largely beyond our control, including, among others: the scope and duration of the pandemic; the number of our employees, customers, and vendors adversely affected by the pandemic; the impact of the pandemic on colleges and universities, student enrollment, and the need for Private Education Loans; the broader public health and economic dislocations resulting from the pandemic; the actions taken by governmental authorities to limit the public health, financial and economic impacts of the COVID-19 pandemic; any legislative or regulatory changes that suspend or reduce payments or cancel or discharge obligations for Private Education Loan borrowers; any reputational damage related to the broader reception and perception of our response to the COVID-19 pandemic; and the impact of the COVID-19 pandemic on local, U.S., and world economies. However, as with many other businesses, the impact of COVID-19 on our business could be material and adverse.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Share Repurchases

The following table provides information relating to our purchase of shares of our common stock in the three months ended March 31, 2020.

<u>(In thousands, except per share data)</u>	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs <sup>(2)</sup>
Period:				
January 1 - January 31, 2020	1,279	\$ 10.98	200	\$ 631,000
February 1 - February 29, 2020	2,688	\$ 11.62	2,665	\$ 600,000
March 1 - March 31, 2020	44,875 <sup>(3)</sup>	\$ 9.54	44,872	\$ 75,000
Total first-quarter 2020	48,842	\$ 9.69	47,737	

<sup>(1)</sup> The total number of shares purchased includes: (i) shares purchased under the stock repurchase programs discussed herein, and (ii) shares of our common stock tendered to us to satisfy the exercise price in connection with cashless exercises of stock options, and tax withholding obligations in connection with exercises of stock options and vesting of restricted stock, restricted stock units and performance stock units.

<sup>(2)</sup> On January 23, 2019, our Board of Directors authorized us to repurchase shares of our common stock up to an aggregate repurchase price not to exceed \$200 million under the 2019 Share Repurchase Program. At the end of January 2020, \$31 million of capacity remained under the 2019 Share Repurchase Program; with the purchase of 2.7 million shares in February 2020, we utilized all remaining capacity under the 2019 Share Repurchase Program. On January 22, 2020, our Board of Directors authorized us to repurchase shares of our common stock up to an aggregate repurchase price not to exceed \$600 million under the 2020 Share Repurchase Program. The 2020 Share Repurchase Program expires on January 21, 2022.

<sup>(3)</sup> In the first-quarter of 2020, we paid \$525 million under an ASR agreement and received an initial delivery of 44.9 million shares. See Note 8. "Stockholders' Equity" to our consolidated financial statements for further discussion.

The closing price of our common stock on the Nasdaq Global Select Market on March 31, 2020 was \$7.19.

## Item 3. Defaults Upon Senior Securities

Nothing to report.

## Item 4. Mine Safety Disclosures

Not applicable.

**Item 5. Other Information**

Nothing to report.

**Item 6. Exhibits**

The following exhibits are furnished or filed, as applicable:

- 10.1 [Form of SLM Corporation 2012 Omnibus Incentive Plan, 2020 Restricted Stock Unit Term Sheet.](#)
- 10.2 [Form of SLM Corporation 2012 Omnibus Incentive Plan, 2020 Performance Stock Unit Term Sheet.](#)
- 10.3 [Offer Letter between Jonathan W. Witter and the Company dated March 4, 2020.](#)
- 10.4 [Fixed Dollar Uncollared ASR Master Confirmation and Form of Supplement.](#)
- 31.1 [Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

## SIGNATURES

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

SLM CORPORATION  
(Registrant)

By:                     /s/ STEVEN J. MCGARRY                      
Steven J. McGarry  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

Date: April 22, 2020

SLM Corporation 2012 Omnibus Incentive Plan  
2020 Restricted Stock Unit Term Sheet

This Restricted Stock Unit Term Sheet (this “Agreement”) further describes the terms of the RSUs granted to Grantee pursuant to the Restricted Stock Unit Grant Notice. The Restricted Stock Unit Grant Notice and the SLM Corporation 2012 Omnibus Incentive Plan (the “Plan”) are incorporated herein in their entirety.

1. Vesting Schedule. Unless vested earlier as set forth below, the Award will vest, and will be converted into shares of common stock, in one-third increments on each of the first, second, and third anniversary of the Grant Date.
2. Employment Termination; Death; Disability. Except as provided below, if the Grantee voluntarily ceases to be an employee of SLM Corporation (the “Corporation”) (or one of its subsidiaries) for any reason or his or her employment is terminated by the Corporation for Misconduct (as defined below), he/she shall forfeit any portion of the Award that has not vested as of the date of such termination of employment. For purposes of this Agreement, “Misconduct” is defined as an act of embezzlement, fraud, dishonesty, nonpayment of any obligation owed to the Corporation, breach of fiduciary duty or deliberate disregard of Corporation rules; an unauthorized disclosure of any Corporation trade secret or confidential information; any conduct constituting unfair competition; inducing any customer of the Corporation to breach a contract with the Corporation or any principal for whom the Corporation acts as agent to terminate such agency relationship; or engaging in any other act or conduct proscribed by the senior human resources officer as Misconduct.

If not previously vested, the Award will continue to vest, and will be converted into shares of common stock, on the original vesting terms and vesting dates set forth above in the event that (i) the Grantee’s employment is terminated by the Corporation for any reason other than for Misconduct or (ii) the Grantee voluntarily ceases to be an employee of the Corporation (or one of its subsidiaries) and meets the Corporation’s retirement eligibility requirements under the Corporation’s then current retirement eligibility policy, which shall be determined by the Corporation in its sole discretion.

If not previously vested, the Award will vest, and will be converted into shares of common stock, upon death or Disability (provided that such Disability qualifies as a “disability” within the meaning of Treasury Regulation Section 1.409A-3(i)(4)).

The unvested portion of the Award shall be forfeited upon termination of employment due to Misconduct.

Notwithstanding anything stated herein, the Plan or in the SLM Corporation Change in Control Severance Plan for Senior Officers, this Award shall not be subject to the terms set forth in the SLM Corporation Change in Control Severance Plan for Senior Officers.

3. Change in Control. Notwithstanding anything to the contrary in this Agreement:

- (a) In the event of a Change in Control in which the acquiring or surviving company in the transaction does not assume or continue outstanding Awards upon the Change in Control, then any portion of the Award that is not vested shall become 100 percent vested; provided, however, the conversion of the accelerated portion of the RSUs into shares of common stock (i.e., the settlement of the Award) will nevertheless be made at the same time or times as if such RSUs had vested in accordance with the vesting schedule set forth in Section 1 or, if earlier, upon the termination of Grantee's employment for reasons other than Misconduct.
- (b) If Grantee's employment shall terminate within twenty-four months following a Change in Control for any reason other than (i) by the Company for Misconduct or (ii) by Grantee's voluntary termination of employment that is not a Termination of Employment for Good Reason, as defined in the Change in Control Severance Plan for Senior Officers (if applicable to the Grantee), any portion of the Award not previously vested shall immediately become vested, and shall be converted into shares of common stock, upon such employment termination.

4. Taxes; Dividends. The Grantee of the Award shall make such arrangements as may reasonably be required by the Corporation, including transferring a sufficient number of shares of the Corporation's common stock, to satisfy the income and employment tax withholding requirements that accrue upon the Award becoming vested or, if applicable, settled in shares of the Corporation's common stock (by approving this Agreement, the Nominations, Governance, and Compensation Committee (the "Committee") hereby approves the transfer of such shares to the Corporation for purposes of SEC Rule 16b-3). Dividends declared on an unvested Award will not be paid in cash currently except in the case of fractional shares as set forth below. Instead, an account established on behalf of the Grantee will be credited with an amount equal to such dividends, which amount shall be reinvested in additional shares of the Corporation's common stock ("Dividend Equivalent"). The value of the Dividend Equivalents will be calculated in the same manner as dividends paid to holders of common stock. Such Dividend Equivalents will be subject to the same vesting schedule to which the Award is subject. Upon vesting of any portion of the Award, the amount of Dividend Equivalents allocable to such Award (and any fractional share amount) will also vest and will be converted into shares of the Corporation's common stock (provided that any fractional share amount shall be paid in cash).

5. Section 409A. For purposes of section 409A of the Internal Revenue Code, the regulations and other guidance thereunder and any state law of similar effect (collectively "Section 409A"), each payment and benefit payable under this Agreement is hereby designated as a separate payment. The parties intend that all RSUs provided under this Agreement and shares issuable hereunder comply with or be exempt from the requirements of Section 409A so that none of the payments or benefits will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the RSUs is to be accelerated in connection with the Grantee's termination of service, such accelerated RSUs will not be settled by virtue of such acceleration until and unless the

Grantee has a “separation from service” within the meaning of Section Treasury Regulation 1-409A-1(h), as determined by the Corporation, in its sole discretion. Further, and notwithstanding anything in the Plan or this Agreement to the contrary, if (x) any of the RSUs to be provided in connection with the Grantee’s separation from service do not qualify for any reason to be exempt from Section 409A, (y) the Grantee is, at the time of such separation from service, a “specified employee” (as defined in Treasury Regulation Section 1.409A-1(i)) and (z) the settlement of such RSUs would result in the imposition of additional tax under Section 409A if such settlement occurs on or within the six (6) month period following the Grantee’s separation from service, then, to the extent necessary to avoid the imposition of such additional taxation, the settlement of any such RSUs during such six (6) month period will accrue and will not be settled until the date six (6) months and one (1) day following the date of the Grantee’s separation from service and on such date (or, if earlier, the date of the Grantee’s death), such RSUs will be settled.

6. Clawback Provision. If the SLM Corporation Board of Directors (the “Board”), or an appropriate committee thereof, determines that, (a) any material misstatement of financial results or a performance metric criteria has occurred as a result of the Grantee’s conduct or (b) the Grantee has committed a material violation of corporate policy or has committed fraud or Misconduct, then the Board or such committee may, in its sole discretion, require reimbursement of any compensation resulting from the vesting of RSUs and the cancellation of any outstanding RSUs from the Grantee (whether or not such individual is currently employed by the Corporation) during the three-year period following the date on which the conduct resulting in the material misstatement occurred, or the date such violation, fraud or Misconduct occurred, as determined by the Board or the applicable committee. The Board or such committee shall consider all factors, with particular scrutiny when one of the Senior Vice Presidents or above are involved, in determining whether and to what extent such involvement described herein occurred and the amount of such reimbursement. Notwithstanding anything to the contrary herein, this provision shall be subject to adjustment and amendment to conform with any subsequently adopted policy or amendment relating to the clawback of compensation as may be adopted by the Board or an appropriate committee thereof.
7. Securities Law Compliance. The Corporation may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any transfer or sale by the Grantee of any shares of the Corporation’s common stock, including without limitation (a) restrictions under an insider trading policy and (b) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the shares of the Corporation’s common stock. The sale of the shares must also comply with other applicable laws and regulations governing the sale of such shares.
8. Data Privacy. As an essential term of this award, the Grantee consents to the collection, use and transfer, in electronic or other form, of personal data as described herein for the exclusive purpose of implementing, administering and managing Grantee’s participation in the Plan. By accepting this award, the Grantee acknowledges that the Corporation holds certain personal information about the Grantee, including, but not limited to, name, home address and telephone number, date of birth, social security number or other identification number, salary, tax rates and amounts, nationality, job title, any shares of stock held in the Corporation, details of all options or any other entitlement to shares of

stock awarded, canceled, exercised, vested, unvested or outstanding, for the purpose of implementing, administering and managing the Plan ("Data"). Grantee acknowledges that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in jurisdictions that may have different data privacy laws and protections, and Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Grantee or the Corporation may elect to deposit any shares of the Corporation's common stock. Grantee acknowledges that Data may be held to implement, administer and manage the Grantee's participation in the Plan as determined by the Corporation, and that Grantee may request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, provided however, that refusing or withdrawing Grantee's consent may adversely affect Grantee's ability to participate in the Plan.

9. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to any awards granted under the Plan by electronic means or to request Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation, and such consent shall remain in effect throughout Grantee's term of service with the Corporation (or its subsidiaries) and thereafter until withdrawn in writing by Grantee.
10. Board Interpretation. The Grantee hereby agrees to accept as binding, conclusive, and final all decisions and interpretations of the Board and, where applicable, the Committee concerning any questions arising under this Agreement or the Plan.
11. No Right to Continued Employment. Nothing in the Plan, in this Agreement or any other instrument executed pursuant thereto or hereto shall confer upon the Grantee any right to continued employment with the Corporation or any of its subsidiaries or affiliates.
12. Amendments for Accounting Charges. The Committee reserves the right to unilaterally amend this Agreement to reflect any changes in applicable law or financial accounting standards.
13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.
14. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if personally delivered, telefaxed or telecopied to, or, if mailed, when received by, the other party at the following addresses:

If to the Corporation to:  
Human Resources Department  
ATTN: Total Rewards  
300 Continental Drive

Newark, DE 19713

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

15. Plan Controls; Entire Agreement; Capitalized Terms. In the event of any conflict between the provisions of this Agreement and the provisions of the Plan, the terms of the Plan control, except as expressly stated otherwise herein. This Agreement, the Plan and the Restricted Stock Unit Grant Notice together set forth the entire agreement and understanding between the parties as to the subject matter hereof and supersede all prior oral and written and all contemporaneous or subsequent oral discussions, agreements and understandings of any kind or nature. Capitalized terms not defined herein shall have the meanings as described in the Plan or in the Restricted Stock Unit Grant Notice.
16. Miscellaneous. In the event that any provision of this Agreement is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of this Agreement shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision. The headings in this Agreement are solely for convenience of reference, and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect. The Grantee shall cooperate and take such actions as may be reasonably requested by the Corporation in order to carry out the provisions and purposes of the Agreement. The Grantee is responsible for complying with all laws applicable to Grantee, including federal and state securities reporting laws.

Grantee is deemed to accept this Award of RSUs under this Agreement and to agree that such Award is subject to the terms and conditions set forth in this Agreement and the Plan unless Grantee provides the Corporation written notification of Grantee's rejection of this Award of RSUs not later than 30 days after Grantee's receipt of notice of the posting of this Agreement on-line or through electronic means (in which case such Award will be forfeited and Grantee shall have no further right or interest therein as of such date).

SLM Corporation 2012 Omnibus Incentive Plan  
2020 Performance Stock Unit Term Sheet

Pursuant to the terms and conditions of the SLM Corporation 2012 Omnibus Incentive Plan (the “Plan”), the Nominations, Governance, and Compensation Committee (the “Committee”) of the SLM Corporation Board of Directors hereby grants to \_\_\_\_\_ (the “Grantee”) on January 30, 2020 (the “Grant Date”) a target award (the “Award”) of \_\_\_\_\_ shares of Performance Stock Units (“PSUs”), which represent the right to acquire shares of common stock of SLM Corporation (the “Corporation”) subject to the following terms and conditions (this “Agreement”):

1. Vesting Schedule. Unless vested earlier as set forth below, the Award will vest, and will be converted into shares of the Corporation’s common stock, based on the following vesting terms:
  - A specified number of the total PSUs granted to each executive shall vest in amounts based on the amount of (i) “Cumulative Charge-offs” (as that term is defined below) achieved by the Corporation for the period from January 1, 2020 through December 31, 2022 in the aggregate, as shown on the attached chart in Appendix A, and on the date specified in this Agreement below and (ii) “Pre-tax, pre-provision income” (as that term is defined below) as of the year ended December 31, 2022, as shown on the attached chart in Appendix A, and on the date specified in this Agreement below. Both Cumulative Charge-offs and Pre-tax, pre-provision income shall be weighted equally (at 50% each) in calculating the number of PSUs that shall vest hereunder. After the Committee has calculated each performance factor, it shall apply a total stock return (“TSR”) modifier that shall adjust the total number of vested PSUs upward or downward, by as much as 25 percent in either direction, as shown on the attached chart in Appendix A. Each vested PSU shall be settled in shares of the Corporation’s common stock.
  - “Cumulative Charge-offs” shall be defined as the Corporation’s cumulative charge-offs for the period from January 1, 2020 through December 31, 2022 on the fourth quarter 2019 full principal and interest repayment cohort.
  - “Pre-tax, pre-provision income” shall be defined as the Corporation’s net interest income plus non-interest income (excluding the impact from indemnified tax positions and gains/losses on derivatives and hedging activities, net) less total non-interest expense as of the year ended December 31, 2022.
  - “TSR” shall be determined with respect to the Corporation and the members of its Peer Group (as that term is defined below) by dividing (i) the difference (whether positive or negative) between such company’s twenty (20) day trading average concluding on December 31, 2019 and such company’s twenty (20) day trading average concluding on December 31, 2022 for the three-year performance period by (ii) such company’s twenty (20) day trading average concluding on December 31, 2019. Both twenty (20) day averages will assume dividend reinvestment on the ex-dividend dates, as applicable. If December 31, 2019 or December 31, 2022 are not trading dates, the twenty (20) day trading average concluding on the immediately preceding trading date shall be the applicable average for purposes of

determining the Corporation's or any Peer Group member's TSR. Also for this purpose, each trading average will include only trading days, which will be determined on a separate basis for the Company and each Peer Group member, based on trading on the primary exchange on which such company's shares are traded. Any non-cash distributions shall be ascribed such dollar value as may be determined.

- The "Peer Group" of the Corporation is set forth in Appendix A.
- The performance goals shall equitably and proportionally be adjusted to preserve the intended incentives of PSUs and exclude or mitigate the impact of, as the case may be, the following: (i) amortization, depreciation or impairment of tangible or intangible assets, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reporting results, (iv) any reorganization and restructuring program effects, (v) any extraordinary, non-recurring items, (vi) discontinued operations, categories or segments, (vii) mergers, acquisitions, and dispositions, and (viii) the effects of a stock split, reverse stock split, spin off, extraordinary stock dividend, or other equity restructuring events.
- The calculation of Cumulative Charge-offs, Pre-tax, pre-provision income and TSR shall be independently validated by the Chief Risk Officer of the Corporation and approved by the Committee.
- PSUs shall vest on the later of (i) the three-year anniversary of the Grant Date or (ii) the date by which the Nominations, Governance, and Compensation Committee has approved each of (A) the level of attainment of the Cumulative Charge-offs and Pre-tax, pre-provision income performance factors and (B) the application of the TSR modifier (such later date, the "Vesting Date").
- The Committee has discretion to decrease the shares issuable pursuant to any PSU Award.

2. Employment Termination; Death; Disability. Except as provided below, if the Grantee (i) voluntarily ceases to be an employee of the Corporation (or one of its subsidiaries) for any reason or (ii) his or her employment is terminated by the Corporation (or one of its subsidiaries) for Misconduct, as determined by the Corporation (or one of its subsidiaries) in its sole discretion, he or she shall forfeit any portion of the Award that has not been converted into shares of the Corporation, in either case, as of the date of such termination of employment (for the avoidance of doubt, even if the applicable performance periods are complete). For purposes of this Agreement, "Misconduct" is defined as an act of embezzlement, fraud, dishonesty, nonpayment of any obligation owed to the Corporation, breach of fiduciary duty or deliberate disregard of Corporation rules; an unauthorized disclosure of any Corporation trade secret or confidential information; any conduct constituting unfair competition; inducing any customer of the Corporation to breach a contract with the Corporation or any principal for whom the Corporation acts as agent to terminate such agency relationship; or engaging in any other act or conduct proscribed by the senior human resources officer as Misconduct.

If not previously vested, the Award will continue to vest, and will be settled in shares of the Corporation's common stock, subject to the original performance goals and performance period set forth above on the original vesting terms set forth above and the Vesting Date in the event that (i) the Grantee's employment is terminated by the Corporation for any reason other than for Misconduct, as determined by the Corporation

in its sole discretion, or (ii) the Grantee voluntarily ceases to be an employee of the Corporation (or one of its subsidiaries) and meets the Corporation's retirement eligibility requirements under the Corporation's then current retirement eligibility policy, which shall be determined by the Corporation in its sole discretion.

If not previously vested, the Award will vest, and will be settled in shares of the Corporation's common stock, at the target levels set forth above, upon death or Disability (provided that such Disability qualifies as a "disability" within the meaning of Treasury Regulation Section 1.409A-3(i)(4)).

The unvested portion of the Award shall be forfeited upon termination of employment due to Misconduct, as determined by the Corporation in its sole discretion.

Notwithstanding anything stated herein, the Plan or in the SLM Corporation Change in Control Severance Plan for Senior Officers, this Award shall not be subject to the terms set forth in the SLM Corporation Change in Control Severance Plan for Senior Officers.

3. Change in Control. Notwithstanding anything to the contrary in this Agreement:

- a. In the event of a Change in Control in which the acquiring or surviving company in the transaction does not assume or continue outstanding Awards upon the Change in Control, then any portion of the Award that is not vested shall vest at the 100% target level set forth in the vesting schedule herein; provided, however, the settlement of the accelerated portion of the PSUs into shares of the Corporation's common stock (i.e., the settlement of the Award) will nevertheless be made at the same time or times as if such PSUs had vested in accordance with the vesting schedule set forth in Section 1 or, if earlier, upon the termination of Grantee's employment for reasons other than Misconduct.
- b. If Grantee's employment shall terminate within twenty-four months following a Change in Control for any reason other than (i) by the Corporation for Misconduct, as determined by the Corporation in its sole discretion or (ii) by Grantee's voluntary termination of employment that is not a Termination of Employment for Good Reason, as defined in the Change of Control Severance Plan for Senior Officers (if applicable to Grantee), any portion of the Award not previously vested shall immediately become vested, and shall be settled in shares of the Corporation's common stock, upon such employment termination.

4. Taxes; Dividends. The Grantee of the Award shall make such arrangements as may reasonably be required by the Corporation, including transferring a sufficient number of shares of the Corporation's stock, to satisfy the income and employment tax withholding requirements that accrue upon the Award becoming vested or, if applicable, settled in shares of the Corporation's common stock (by approving this Agreement, the Committee hereby approves the transfer of such shares to the Corporation for purposes of SEC Rule 16b-3). Dividends declared on an unvested Award will not be paid in cash currently except in the case of fractional shares as set forth below. Instead, an account established on behalf of the Grantee will be credited with an amount equal to such dividends, which amount shall be reinvested in additional shares of the Corporation's common stock ("Dividend Equivalent"). The value of the Dividend Equivalents will be calculated in the

same manner as dividends paid to holders of common stock. Such Dividend Equivalents will be subject to the same vesting schedule to which the Award is subject and shall be subject to adjustment based on the same performance measures applicable to the underlying PSUs and shall be payable at the same time that the underlying PSUs are payable. Upon vesting of any portion of the Award, the amount of Dividend Equivalents allocable to such Award (and any fractional share amount) will also vest and will be converted into shares of the Corporation's common stock (provided that any fractional share amount shall be paid in cash).

5. Section 409A. For purposes of Section 409A of the Internal Revenue Code, the regulations and other guidance thereunder and any state law of similar effect (collectively "Section 409A"), each payment and benefit payable under this Agreement is hereby designated as a separate payment. The parties intend that all PSUs provided under this Agreement and shares issuable hereunder comply with the requirements of Section 409A so that none of the payments or benefits will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance or some lesser portion of the balance, of the PSUs is to be accelerated in connection with the Grantee's termination of service, such accelerated PSUs will not be settled by virtue of such acceleration until and unless the Grantee has a "separation from service" within the meaning of Section Treasury Regulation 1-409A-1(h), as determined by the Corporation, in its sole discretion. Further, and notwithstanding anything in the Plan or this Agreement to the contrary, if (x) any of the PSUs to be provided in connection with the Grantee's separation from service do not qualify for any reason to be exempt from Section 409A, (y) the Grantee is, at the time of such separation from service, a "specified employee" (as defined in Treasury Regulation Section 1-409A-1(i) and (z) the settlement of such PSUs would result in the imposition of additional tax under Section 409A if such settlement occurs on or within the six (6) month period following the Grantee's separation from service, then, to the extent necessary to avoid the imposition of such additional taxation, the settlement of any such PSU during such six (6) month period will accrue and will not be made until the date six (6) months and one (1) day following the date of the Grantee's separation from service and on such date (or, if earlier, the date of the Grantee's death), the such PSUs will be settled.
6. Clawback Provision. If the Board, or an appropriate committee thereof, determines that, (a) any material misstatement of financial results or a performance metric criteria has occurred as a result of the Grantee's conduct or (b) the Grantee has committed a material violation of corporate policy or has committed fraud or Misconduct, then the Board or such committee may, in its sole discretion, require reimbursement of any compensation resulting from the vesting of PSUs and the cancellation of any outstanding PSUs from the Grantee (whether or not such individual is currently employed by the Corporation) during the three-year period following the date on which the conduct resulting in the material misstatement occurred or the date such violation, fraud or Misconduct occurred as determined by the Board or the applicable committee. The Board or such committee shall consider all factors, with particular scrutiny when one of the Senior Vice Presidents or above are involved, in determining whether and to what extent such involvement described herein occurred and the amount of such reimbursement. Notwithstanding anything to the contrary herein, this provision shall be subject to adjustment and amendment to conform with any subsequently adopted policy or amendment relating to

the clawback of compensation as may be adopted by the Board or an appropriate committee thereof.

7. The Corporation may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any transfer or sale by the Grantee of any shares of Common Stock, including without limitation (a) restrictions under an insider trading policy and (b) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the shares of the Corporation's common stock. The sale of the shares must also comply with other applicable laws and regulations governing the sale of such shares.
8. As an essential term of this Award, the Grantee consents to the collection, use and transfer, in electronic or other form, of personal data as described herein for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan. By accepting this Award, the Grantee acknowledges that the Corporation holds certain personal information about the Grantee, including, but not limited to, name, home address and telephone number, date of birth, social security number or other identification number, salary, tax rates and amounts, nationality, job title, any shares of stock held in the Corporation, details of all options or other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding, for the purpose of implementing, administering and managing the Plan ("Data"). Grantee acknowledges that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in jurisdictions that may have different data privacy laws and protections, and Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Grantee or the Corporation may elect to deposit any shares of the Corporation's common stock. Grantee acknowledges that Data may be held to implement, administer and manage the Grantee's participation in the Plan as determined by the Corporation, and that Grantee may request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, provided however, that refusing or withdrawing Grantee's consent may adversely affect Grantee's ability to participate in the Plan.
9. The Corporation may, in its sole discretion, decide to deliver any documents related to any Awards granted under the Plan by electronic means or to request Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation, and such consent shall remain in effect throughout Grantee's term of service with the Corporation (or its subsidiaries) and thereafter until withdrawn in writing by Grantee.
10. Capitalized terms not otherwise defined herein are defined in the plan.



300 Continental Drive  
Newark, DE 19713

William N. Shiebler  
Chairman, Nominations, Governance and Compensation Committee

March 4, 2020

Jonathan W. Witter

Dear Jon:

On behalf of SLM Corporation and Sallie Mae Bank (together, the “**Company**”), I am pleased to offer you employment in the position of Chief Executive Officer. You will also be appointed to the Board of Directors (the “**Board**”) of the Company, effective upon the commencement of your employment, and you will be recommended for appointment as a director at the upcoming Annual Meeting of the Stockholders. You will report directly to the Board. Your first day of employment will be on April 20, 2020 (your “**Start Date**”). As Chief Executive Officer, you will have all duties, roles, and responsibilities commensurate with your title.

Your annualized salary of \$950,000 will be paid biweekly. You will also be eligible for our employee benefits package. Your benefits coverage will take effect on the first calendar day of the month following your Start Date.

Starting in 2020, you will be eligible for an annual bonus of up to 150% of your base salary. Bonus amounts are paid in the first quarter of 2021; you must be employed with the Company on the date of payment to be eligible. We will share more information about the terms and conditions of this bonus plan after your Start Date.

You will receive an equity grant on your Start Date based on the full year target level award for your position, which for 2020 will be \$3,250,000. Such award will be subject to the terms and vesting conditions of the Company’s 2020 Long-Term Incentive Program. In addition, as part of the annual management review process, starting in 2021, you will also be eligible to receive an equity grant based on the full year target level award for your position. Such awards will be subject to the SLM Corporation 2012 Omnibus Incentive Plan, or similar plan (the “**Omnibus Plan**”) and the Term Sheet(s) granting the award and will be in the form(s) and will have the vesting and other terms commensurate with awards granted to other Sallie Mae executives at that time. For 2020, the award mix for Sallie Mae executives is 50% time-vesting restricted stock units (RSUs) and 50% performance-vesting restricted stock units (PSUs). Agreements detailing your award, and its vesting terms, will be provided at the time of grant.

In view of the equity awards that you are anticipated to forfeit from your current employer, you will receive a sign-on award to be issued in the form of RSUs (the “**Sign-On Equity Grant**”). The Sign-On Equity Grant will have a grant date fair value that approximates the value of your existing equity awards that are outstanding, unvested and subject to forfeiture (excluding any 2020 awards), whereby such value will be based on the average closing price of your current employer’s common stock for the twenty (20)

day trailing period ending on the date hereof, and the number of Company shares underlying the RSUs will be based on the average closing price of the Company's common stock for the twenty (20) day trailing period ending on your Start Date; *provided* that, to the extent any of your existing awards are permitted to vest after the date hereof (i.e., such awards are not forfeited), you will forfeit the equivalent value of the Sign-On Equity Grant using the same valuation methodology described above. The Sign-On Equity Grant will be granted on your Start Date and will be subject to time-based vesting conditions as follows: the Sign-On Equity Grant shall vest in three tranches (representing 40% of the Sign-On Equity Grant in the first tranche, 40% in the second tranche and 20% in the third tranche) on each of the first three anniversaries of your Start Date. The Sign-On Equity Grant will be subject to the Omnibus Plan and the Term Sheet(s) granting the award. The terms and conditions of this award will be provided to you when issued.

You will participate in the benefits provided to officers of the Company at the Executive Officer level, including the SLM Relocation Services policy for senior officers, or its successor policy, and the SLM Corporation Executive Severance Plan for Senior Officers and the Change in Control Severance Plan for Senior Officers or their respective successor plans. Other benefits include the Executive Physical Program and the Supplemental 401(k) Savings Plan, in addition to our regular package of employee benefits.

You will be indemnified under the Company's policies and procedures in accordance with the terms stated therein and, at all times during your employment with the Company, as applicable, will be a named insured in any directors' and officers' policies maintained by the relevant entity.

The Company, as applicable, will withhold all taxes and charges that they are required by law to withhold.

You represent that you have not taken, and agree that you will not take in connection with your employment with the Company, any action that would violate any contractual or other restriction or obligation that is binding on you or any continuing duty you may owe to others, including to your current and any prior employer. If you are not able to make this representation or your representation is false, then the Company reserves the right to terminate your employment for Cause, with the consequences resulting therefrom under any compensation or benefit plan. You acknowledge that in the event of a conflict with any other agreement (whether written or oral) or understanding that you have with the Company, the terms of this letter agreement control and that this letter agreement supersedes any prior discussions regarding your employment with the Company.

You acknowledge and agree that you will not use or disclose at any time, except with the prior written consent of the Company, any proprietary, trade secret or confidential information relating to the business of the Company you may receive in connection with our offer of employment and between the date hereof and your Start Date; *provided, however*, that this provision will not preclude you from (i) the use or disclosure of such information which presently is known generally to the public or which subsequently comes into the public domain, other than by way of disclosure in violation of this offer letter or in any other unauthorized fashion, or (ii) disclosure of such information is required by law or court order; *provided* that, prior to such disclosure required by law or court order, you will give the Company three (3) business days' written notice (or, if disclosure is required to be made in less than three (3) business days, then such notice shall be given as promptly as practicable after determination that disclosure may be required) of the nature of the law or order requiring disclosure and the disclosure to be made in accordance therewith. Prior to your Start Date, you will be asked to review and sign the Agreement Regarding Confidentiality, Intellectual Property, and Non-Solicitation, and you acknowledge that the execution of that agreement is a requirement for your employment.

This offer is contingent on the Company's standard employment practices, which means that your acceptance of this offer serves as an agreement to participate in company-required background checks, which include drug screening and fingerprinting, as well as the ability to perform your proposed job duties at the Company without violating the terms of a non-compete or other restrictive covenant with any current or former employer. The Company retains the

right to rescind this offer of employment depending on the outcome of these steps, or failure to complete any steps throughout the pre-employment process. As you may know, employment at the Company is at-will and nothing in this offer changes this status.

Please indicate your acceptance of our offer as set forth in this letter by signing and sending an electronic version of the executed offer letter to Bonnie Rumbold, Chief Human Resources Officer, and subsequently sending an executed copy to Bonnie Rumbold by mail or in person.

Jon, we are delighted to have you join Sallie Mae and look forward to working with you. Please contact me with any questions you may have or if I can be of further assistance in your upcoming transition.

Sincerely,  
/s/ William N. Shiebler  
William N. Shiebler

Agreed and Signed by Name:

/s/ Jonathan W. Witter Date: 3/4/20  
Name: Jonathan W. Witter

Agreed and Signed by SLM Corporation and Sallie Mae Bank:

/s/ William N. Shiebler Date: 3/4/20  
Name: William N. Shiebler  
Title: Chairman, Nominations, Governance and Compensation Committee

**Exhibit 10.4**

**J.P.Morgan**

JPMorgan Chase Bank, National Association  
New York Branch  
383 Madison Avenue  
New York, NY, 10179

March 10, 2020

To: SLM Corporation  
300 Continental Drive  
Newark, DE 19713  
Attention: Steven J. McGarry  
Title: Executive Vice President & Chief Financial Officer  
Telephone No.: (302) 451-0225  
Email: steven.j.mcgarry@salliemae.com

Re: Master Confirmation—Uncollared Accelerated Share Repurchase

This master confirmation (this “**Master Confirmation**”), dated as of March 10, 2020, is intended to set forth certain terms and provisions of certain Transactions (each, a “**Transaction**”) entered into from time to time between JPMorgan Chase Bank, National Association (“**JPMorgan**”) and SLM Corporation, a Delaware corporation (“**Counterparty**”). This Master Confirmation, taken alone, is neither a commitment by either party to enter into any Transaction nor evidence of a Transaction. The additional terms of any particular Transaction shall be set forth in a Supplemental Confirmation in the form of Schedule A hereto (a “**Supplemental Confirmation**”), which shall reference this Master Confirmation and supplement, form a part of, and be subject to this Master Confirmation. This Master Confirmation and each Supplemental Confirmation together shall constitute a “Confirmation” as referred to in the Agreement specified below.

The definitions and provisions contained in the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Master Confirmation. This Master Confirmation and each Supplemental Confirmation evidence a complete binding agreement between Counterparty and JPMorgan as to the subject matter and terms of each Transaction to which this Master Confirmation and such Supplemental Confirmation relate and shall supersede all prior or contemporaneous written or oral communications with respect thereto.

This Master Confirmation and each Supplemental Confirmation supplement, form a part of, and are subject to an agreement in the form of the ISDA 2002 Master Agreement (the “**Agreement**”) as if JPMorgan and Counterparty had executed the Agreement on the date of this Master Confirmation (but without any Schedule except for (i) the election of New York law as the governing law (without reference to its choice of law provisions), (ii) the election that subparagraph (ii) of Section 2(c) will not apply to the Transactions and (iii) the election that the “Cross Default” provisions of Section 5(a)(vi) of the Agreement will apply to JPMorgan as if (w) the phrase “, or becoming capable at such time of being declared,” were deleted from Section 5(a)(vi)(1) of the Agreement, (x) the “Threshold Amount” with respect to JPMorgan were three percent (3%) of shareholders’ equity of JPMorgan as of the date hereof, (y) “Specified Indebtedness” had the meaning specified in Section 14 of the Agreement, except that such term shall not include obligations in respect of deposits received in the ordinary course of JPMorgan’s banking business and (z) the following language were added to the end of such Section 5(a)(vi): “Notwithstanding the foregoing, a default under subsection (2) hereof shall not constitute an Event of Default if (1) the default was caused solely by error or omission of an administrative or operational nature; (2) funds were available to enable the party to

make the payment when due; and (3) the payment is made within two Local Business Days of such party's receipt of written notice of its failure to pay.”).

The Transactions shall be the sole Transactions under the Agreement. If there exists any ISDA Master Agreement between JPMorgan and Counterparty or any confirmation or other agreement between JPMorgan and Counterparty pursuant to which an ISDA Master Agreement is deemed to exist between JPMorgan and Counterparty, then notwithstanding anything to the contrary in such ISDA Master Agreement, such confirmation or agreement or any other agreement to which JPMorgan and Counterparty are parties, the Transactions shall not be considered Transactions under, or otherwise governed by, such existing or deemed ISDA Master Agreement, and the occurrence of any Event of Default or Termination Event under the Agreement with respect to either party or any Transaction shall not, by itself, give rise to any right or obligation under any such other agreement or deemed agreement. Notwithstanding anything to the contrary in any other agreement between the parties or their Affiliates, the Transactions shall not be “Specified Transactions” (or similarly treated) under any other agreement between the parties or their Affiliates.

All provisions contained or incorporated by reference in the Agreement shall govern this Master Confirmation and each Supplemental Confirmation except as expressly modified herein or in the related Supplemental Confirmation.

If, in relation to any Transaction to which this Master Confirmation and a Supplemental Confirmation relate, there is any inconsistency between the Agreement, this Master Confirmation, such Supplemental Confirmation and the Equity Definitions, the following will prevail for purposes of such Transaction in the order of precedence indicated: (i) such Supplemental Confirmation; (ii) this Master Confirmation; (iii) the Equity Definitions; and (iv) the Agreement.

1. Each Transaction constitutes a Share Forward Transaction for the purposes of the Equity Definitions. Set forth below are the terms and conditions that, together with the terms and conditions set forth in the Supplemental Confirmation relating to any Transaction, shall govern such Transaction.

General Terms.

Trade Date: For each Transaction, as set forth in the related Supplemental Confirmation.

Buyer: Counterparty

Seller: JPMorgan

Shares: The common stock of Counterparty, par value USD 0.20 per share (Exchange symbol “SLM”).

Exchange: The NASDAQ Global Select Market

Related Exchange(s): All Exchanges.

Prepayment/Variable Obligation: Applicable

Prepayment Amount: For each Transaction, as set forth in the related Supplemental Confirmation.

Prepayment Date: For each Transaction, as set forth in the related Supplemental Confirmation.

Valuation.

VWAP Price: For any Exchange Business Day, the Rule 10b-18 volume-weighted average price at which the Shares trade as reported in the composite transactions for United States exchanges and quotation systems, during the regular trading session for the Exchange on such Exchange Business Day, as published by Bloomberg at 4:15 p.m. (New York City time) (or 15 minutes following the end of any extension of the regular

trading session) on Bloomberg Page “SLM US <Equity> AQR SEC” (or any successor thereto), absent manifest error or unavailability of such page or a successor thereto, in which case the Calculation Agent shall determine the VWAP Price for such Exchange Business Day based on Rule 10b-18 Eligible Transactions in the Shares on such day. “**Rule 10b-18 Eligible Transactions**” means, for any Exchange Business Day, only those trades that are reported during the period of time during which Issuer could purchase its own shares under Rule 10b-18(b)(2) and are effected pursuant to the conditions of Rule 10b-18(b)(3), each under the Securities Exchange Act of 1934, as amended.

**Forward Price:** For each Transaction, the arithmetic average of the VWAP Prices for all of the Exchange Business Days in the Calculation Period for such Transaction, subject to “Valuation Disruption” below.

**Forward Price Adjustment Amount:** For each Transaction, as set forth in the related Supplemental Confirmation.

**Calculation Period:** For each Transaction, the period from, and including, the Calculation Period Start Date for such Transaction to, and including, the Termination Date for such Transaction.

**Calculation Period Start Date:** For each Transaction, as set forth in the related Supplemental Confirmation.

**Termination Date:** For each Transaction, the Scheduled Termination Date for such Transaction; *provided* that JPMorgan shall have the right to designate any Exchange Business Day on or after the First Acceleration Date to be the Termination Date for all or any part of such Transaction (an “**Accelerated Termination Date**”) by delivering notice (an “**Accelerated Notice**”) to Counterparty of any such designation prior to 6:00 p.m. (New York City time) on the Exchange Business Day immediately following the designated Accelerated Termination Date; *provided further* that the portion of the Prepayment Amount for any Transaction that is subject to any acceleration in part shall be greater than or equal to 25% of the Prepayment Amount as of the Trade Date (or, if less, 100% of the portion of the Prepayment Amount not previously subject to acceleration). JPMorgan shall specify in each Acceleration Notice the portion of the Prepayment Amount that is subject to acceleration (which may be less than the full Prepayment Amount). If the portion of the Prepayment Amount that is subject to acceleration is less than the full Prepayment Amount, then the Calculation Agent shall adjust the terms of the Transaction as appropriate in order to take into account the occurrence of such Accelerated Termination Date (including cumulative adjustments to take into account all prior Accelerated Termination Dates).

Scheduled Termination Date: For each Transaction, as set forth in the related Supplemental Confirmation, subject to postponement as provided in “Valuation Disruption” below.

First Acceleration Date: For each Transaction, as set forth in the related Supplemental Confirmation.

Valuation Disruption: The definition of “Market Disruption Event” in Section 6.3(a) of the Equity Definitions is hereby amended by deleting the words “at any time during the one-hour period that ends at the relevant Valuation Time, Latest Exercise Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be” and inserting the words “at any time on any Scheduled Trading Day during the Calculation Period or Settlement Valuation Period” after the word “material,” in the third line thereof.

Section 6.3(d) of the Equity Definitions is hereby amended by deleting the remainder of the provision following the term “Scheduled Closing Time” in the fourth line thereof.

Notwithstanding anything to the contrary in the Equity Definitions, if a Disrupted Day occurs (i) in the Calculation Period, the Calculation Agent may, in its good faith and commercially reasonable discretion, postpone the Scheduled Termination Date by one Scheduled Trading Day for each Disrupted Day, or (ii) in the Settlement Valuation Period, the Calculation Agent may, in its good faith and commercially reasonable discretion, extend the Settlement Valuation Period by one Scheduled Trading Day for each Disrupted Day. The Calculation Agent shall also determine whether (i) such Disrupted Day is a Disrupted Day in full, in which case the VWAP Price for such Disrupted Day shall not be included for purposes of determining the Forward Price or the Settlement Price, as the case may be, or (ii) such Disrupted Day is a Disrupted Day only in part, in which case the VWAP Price for such Disrupted Day shall be determined by the Calculation Agent based on Rule 10b-18 Eligible Transactions in the Shares on such Disrupted Day taking into account the nature and duration of the relevant Market Disruption Event, and the weighting of the VWAP Price for the relevant Exchange Business Days during the Calculation Period or the Settlement Valuation Period, as the case may be, shall be adjusted in a commercially reasonable manner by the Calculation Agent for purposes of determining the Forward Price or the Settlement Price, as the case may be, with such adjustments based on the duration of any Market Disruption Event and the volume, historical trading patterns and price of the Shares and, if relevant, changes in volatility, stock loan rate, value of any commercially reasonable Hedge Positions in connection with the relevant Transaction and liquidity relevant to the Shares or to such Transaction; *provided* that the Calculation Agent shall promptly provide Counterparty written notice of the occurrence of a Disrupted Day or a partially Disrupted Day and any adjustments to the terms of any Transaction hereunder as a result thereof. Any

Exchange Business Day on which, as of the Trade Date for a Transaction, the Exchange is scheduled to close prior to its normal close of trading shall be deemed not to be an Exchange Business Day in respect of such Transaction; if a closure of the Exchange prior to its normal close of trading on any Exchange Business Day is scheduled following the Trade Date for a Transaction, then such Exchange Business Day shall be deemed to be a Disrupted Day in full in respect of such Transaction.

If a Disrupted Day occurs during the Calculation Period for any Transaction or the Settlement Valuation Period for any Transaction, as the case may be, and each of the nine immediately following Scheduled Trading Days is a Disrupted Day (a “**Disruption Event**”), then the Calculation Agent, in its good faith and commercially reasonable discretion, may deem such ninth Scheduled Trading Day (and each consecutive Disrupted Day thereafter) to be an Exchange Business Day that is not a Disrupted Day, and determine the VWAP Price for such day using its good faith and commercially reasonable estimate of the value of the Shares on such day based solely on the volume, historical trading patterns and price of the Shares, and, if relevant, changes in volatility, stock loan rate, value of any commercially reasonable Hedge Positions in connection with the relevant Transaction and liquidity relevant to the Shares or to such Transaction.

Settlement Terms.

Settlement Procedures: For each Transaction:

- (i) if the Number of Shares to be Delivered for such Transaction is positive, Physical Settlement shall be applicable to such Transaction; *provided* that JPMorgan does not, and shall not, make the agreement or the representations set forth in Section 9.11 of the Equity Definitions related to the restrictions imposed by applicable securities laws with respect to any Shares delivered by JPMorgan to Counterparty under any Transaction; or
- (ii) if the Number of Shares to be Delivered for such Transaction is negative, then the Counterparty Settlement Provisions in Annex A hereto shall apply to such Transaction.

Number of Shares to be Delivered: For each Transaction, a number of Shares (rounded down to the nearest whole number) equal to (a)(i) the Prepayment Amount for such Transaction, *divided by* (ii)(A) the Forward Price for such Transaction *minus* (B) the Forward Price Adjustment Amount for such Transaction, *minus* (b) the number of Initial Shares for such Transaction; *provided* that if the result of the calculation in clause (a)(ii) is equal to or less than the Floor Price for such Transaction, then the Number of Shares to be Delivered for such Transaction shall be determined as if

clause (a)(ii) were replaced with “(ii) the Floor Price for such Transaction”. For the avoidance of doubt, if the Forward Price Adjustment Amount for any Transaction is a negative number, clause (a)(ii) of the immediately preceding sentence shall be equal to (A) the Forward Price for such Transaction, *plus* (B) the absolute value of the Forward Price Adjustment Amount.

Floor Price: For each Transaction, as set forth in the related Supplemental Confirmation.

Excess Dividend Amount: For the avoidance of doubt, all references to the Excess Dividend Amount shall be deleted from Section 9.2(a)(iii) of the Equity Definitions.

Settlement Date: For each Transaction, if the Number of Shares to be Delivered for all or such portion of such Transaction is positive (x) in the case of an Accelerated Termination Date, the date that is one Settlement Cycle immediately following the date on which JPMorgan delivers notice of such Accelerated Termination Date and (y) in the case of a Termination Date occurring on the Scheduled Termination Date, the date that is one Settlement Cycle immediately following the Termination Date, in either case, for all or such portion of such Transaction (the final Settlement Date, the “**Final Settlement Date**”).

Settlement Currency: USD

Initial Share Delivery: For each Transaction, JPMorgan shall deliver a number of Shares equal to the Initial Shares for such Transaction to Counterparty on the Initial Share Delivery Date for such Transaction in accordance with Section 9.4 of the Equity Definitions, with such Initial Share Delivery Date deemed to be a “Settlement Date” for purposes of such Section 9.4.

Initial Share Delivery Date: For each Transaction, as set forth in the related Supplemental Confirmation.

Initial Shares: For each Transaction, as set forth in the related Supplemental Confirmation.

#### Share Adjustments.

Potential Adjustment Event: In addition to the events described in Section 11.2(e) of the Equity Definitions, it shall constitute an additional Potential Adjustment Event if (x) the Scheduled Termination Date for any Transaction is postponed pursuant to “Valuation Disruption” above (including, for the avoidance of doubt, pursuant to Section 7 hereof), (y) a Regulatory Disruption as described in Section 7 hereof occurs or (z) a Disruption Event occurs. In the case of any event described in clause (x), (y) or (z) above occurs, the Calculation Agent shall, in a commercially reasonable manner, adjust any relevant terms of such Transaction as necessary to preserve as nearly as practicable the fair value of such Transaction prior to such postponement, Regulatory Disruption or Disruption Event, as the case may be based on stock price volatility, interest rates, stock loan rate, liquidity and the number of Exchange Business Days in the Calculation

Period. Notwithstanding anything to the contrary in the Equity Definitions, (i) the declaration or payment of any Dividend shall not be a Potential Adjustment Event and (ii) a Permitted OMR Transaction (as defined below) shall not constitute a Potential Adjustment Event.

**Excess Dividend:** For any calendar quarter, any dividend or distribution on the Shares with an ex-dividend date occurring during such calendar quarter (other than any dividend or distribution of the type described in Section 11.2(e)(i) or Section 11.2(e)(ii)(A) of the Equity Definitions or any Extraordinary Dividend) (a “**Dividend**”) the amount or value of which per Share (as determined by the Calculation Agent), when aggregated with the amount or value (as determined by the Calculation Agent) of any and all previous Dividends with ex-dividend dates occurring in the same calendar quarter, exceeds the Ordinary Dividend Amount. “**Extraordinary Dividend**” means the per Share cash dividend or distribution, or a portion thereof, declared by Counterparty on the Shares that is classified by the board of directors of Counterparty as an “extraordinary” dividend.

**Consequences of Excess Dividend:** The declaration by the Issuer of any Excess Dividend, the ex-dividend date for which occurs or is scheduled to occur during the Relevant Dividend Period for any Transaction, shall result in an adjustment, by the Calculation Agent, to the Floor Price for the relevant Transaction as the Calculation Agent determines appropriate to preserve the fair value of such Transaction after taking into account such Excess Dividend.

**Ordinary Dividend Amount:** For each Transaction, as set forth in the related Supplemental Confirmation.

**Method of Adjustment:** Calculation Agent Adjustment

**Early Ordinary Dividend Payment:** For each Transaction, if an ex-dividend date for any Dividend that is not (x) an Excess Dividend, (y) a dividend or distribution of the type described in Section 11.2(e)(i) or Section 11.2(e)(ii)(A) of the Equity Definitions or (z) an Extraordinary Dividend, occurs during any calendar quarter occurring (in whole or in part) during the Relevant Dividend Period for such Transaction and is prior to the Scheduled Ex-Dividend Date for such Transaction for the relevant calendar quarter (as determined by the Calculation Agent), the Calculation Agent shall make such adjustment to the exercise, settlement, payment or any other terms of the relevant Transaction as the Calculation Agent determines appropriate to preserve the fair value of such Transaction after taking into account such Dividend.

**Scheduled Ex-Dividend Dates:** For each Transaction, as set forth in the related Supplemental Confirmation for each calendar quarter.

Relevant Dividend Period: For each Transaction, the period from, and including, the Trade Date for such Transaction to, and including, the Relevant Dividend Period End Date for such Transaction.

Relevant Dividend Period End Date: For each Transaction, if the Number of Shares to be Delivered for such Transaction is negative, the last day of the Settlement Valuation Period; otherwise, the Termination Date for such Transaction.

Extraordinary Events.

Consequences of Merger Events:

- (a) Share-for-Share: Modified Calculation Agent Adjustment
- (b) Share-for-Other: Cancellation and Payment
- (c) Share-for-Combined: Component Adjustment

Tender Offer: Applicable; *provided* that (x) Section 12.1(d) of the Equity Definitions shall be amended by replacing (i) “10%” in the third line thereof with “25%” and (ii) “voting shares of the Issuer” in the fourth line thereof with “Shares”, (y) Section 12.1(e) of the Equity Definitions shall be amended by replacing “voting shares” in the first line thereof with “Shares” and (z) Section 12.1(l) of the Equity Definitions shall be amended by replacing “voting shares” in the fifth line thereof with “Shares”.

Consequences of Tender Offers:

- (a) Share-for-Share: Modified Calculation Agent Adjustment
- (b) Share-for-Other: Modified Calculation Agent Adjustment
- (c) Share-for-Combined: Modified Calculation Agent Adjustment

Nationalization, Insolvency or Delisting: Cancellation and Payment; *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall be deemed to be the Exchange.

Additional Disruption Events:

- (a) Change in Law: Applicable; *provided* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by (i) replacing the phrase “the interpretation” in the third line thereof with the phrase “, or public announcement of, the formal or informal interpretation”, (ii) replacing the word “Shares” where it appears in clause (X) thereof with the words “Hedge Positions” and (iii) immediately following the word

“Transaction” in clause (X) thereof, adding the phrase “in the manner contemplated by the Hedging Party on the Trade Date”; *provided further* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by replacing the parenthetical beginning after the word “regulation” in the second line thereof with the words “(including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute)”. Notwithstanding anything to the contrary in the Equity Definitions, a Change in Law described in clause (Y) of Section 12.9(a)(ii) of the Equity Definitions shall not constitute a Change in Law and instead shall constitute an Increased Cost of Hedging as described in Section 12.9(a)(vi) of the Equity Definitions.

(b) Failure to Deliver: Applicable

(c) Insolvency Filing: Applicable

(d) Loss of Stock Borrow: Applicable

Maximum Stock Loan Rate: For each Transaction, as set forth in the related Supplemental Confirmation.

(e) Increased Cost of Hedging: Applicable solely with respect to a “Change in Law” described in clause (Y) of Section 12.9(a)(ii) of the Equity Definitions as set forth in the last sentence opposite the caption “Change in Law” above.

(f) Increased Cost of Stock Borrow: Applicable

Initial Stock Loan Rate: For each Transaction, as set forth in the related Supplemental Confirmation.

Hedging Party: For all applicable events, JPMorgan; *provided* that when making any adjustment or calculation as “Hedging Party,” JPMorgan shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions and this Master Confirmation as if the Hedging Party were the Calculation Agent.

Determining Party: For all applicable events, JPMorgan; *provided* that when making any determination, adjustment or calculation as “Determining Party,” JPMorgan shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions and this Master Confirmation as if the Determining Party were the Calculation Agent.

Hedging Adjustments: For the avoidance of doubt, whenever the Calculation Agent is called upon to make an adjustment pursuant to the terms of this Master Confirmation or the Equity Definitions to take into account the effect of an event, the Calculation Agent shall make such adjustment by reference to the effect of such event on JPMorgan, assuming that JPMorgan maintains a commercially reasonable Hedge Position.

Non-Reliance/Agreements and  
Acknowledgements Regarding  
Hedging Activities/Additional  
Acknowledgements: Applicable

2.

**Calculation Agent.** JPMorgan. Whenever the Calculation Agent is required to act or to exercise judgment in any way with respect to any Transaction hereunder, it will do so in good faith and in a commercially reasonable manner. Following the occurrence and during the continuation of an Event of Default pursuant to Section 5(a)(vii) of the Agreement with respect to which JPMorgan is the Defaulting Party, Counterparty shall have the right to designate an independent equity derivatives dealer to replace JPMorgan as Calculation Agent, and the parties shall work in good faith to execute any appropriate documentation required by such replacement Calculation Agent.

Following any determination, adjustment or calculation by the Calculation Agent, the Hedging Party or the Determining Party hereunder, the Calculation Agent, the Hedging Party or the Determining Party, as the case may be, will within five Exchange Business Days of a request by Counterparty, provide to Counterparty a report (in a commonly used file format for the storage and manipulation of financial data without disclosing any proprietary or confidential models or other information that is proprietary or confidential) displaying in reasonable detail the basis for such determination, adjustment or calculation, as the case may be.

3.

**Account Details.**

(a) Account for payments to Counterparty: To be provided separately

(b) Account for payments to JPMorgan:

[\_\_\_\_\_]

Account for delivery of Shares to JPMorgan:

[\_\_\_\_\_]

4.

**Offices.**

- i. The Office of Counterparty for each Transaction is: Inapplicable, Counterparty is not a Multibranch Party.
- ii. The Office of JPMorgan for each Transaction is: New York  
JPMorgan Chase Bank, National Association New York Branch 383 Madison Avenue New York, NY, 10179

5. **Notices.**

- i. Address for notices or communications to Counterparty:

SLM Corporation 300 Continental Drive Newark, DE 19713  
Attention: Steven J. McGarry  
Title: Executive Vice President & Chief Financial Officer  
Telephone No.: (302) 451-0225  
Email: steven.j.mcgarry@salliemae.com

With a copy to:

Attention: Brian J. Cronin  
Title: Vice President, Head of Investor Relations  
Telephone No.: (302) 451- 0304  
Email: brian.cronin@salliemae.com

- ii. Address for notices or communications to JPMorgan:

JPMorgan Chase Bank, National Association  
EDG Marketing Support  
Email: edg\_notices@jpmorgan.com  
edg\_ny\_corporate\_sales\_support@jpmorgan.com

With a copy to:

Attention: James B. Lee  
Title: Executive Director  
Telephone No.: +1-212-622-2922  
Email Address: jamie.b.lee@jpmorgan.com

6. **Representations, Warranties and Agreements.**

- iii. *Additional Representations, Warranties and Covenants of Each Party.* In addition to the representations, warranties and covenants in the Agreement, each party represents, warrants and covenants to the other party that:

(i) It is an “eligible contract participant” (as such term is defined in the Commodity Exchange Act, as amended).

(ii) The offer and sale of each Transaction to it is intended to be exempt from registration under the Securities Act of 1933, as amended (the “**Securities Act**”), by virtue of Section 4(a)(2) thereof. Accordingly, each party represents and warrants to the other that (A) it has the financial ability to bear the economic risk of its investment in each Transaction and is able to bear a total loss of its investment, (B) it is an “accredited investor” as that term is defined under Regulation D under the Securities Act and (C) the disposition of each Transaction is restricted under this Master Confirmation, the Securities Act and state securities laws.

- iv. *Additional Representations, Warranties and Covenants of Counterparty.* In addition to the representations, warranties and covenants in the Agreement, Counterparty represents, warrants and covenants to JPMorgan that:

- (i) As of the Trade Date for each Transaction hereunder, (A) such Transaction is being entered into pursuant to a publicly disclosed Share buy-back program and its Board of Directors has approved the use of derivatives to effect the Share buy-back program, and (B) there is no internal policy of Counterparty, whether written or oral, that would prohibit Counterparty from entering into any aspect of such Transaction, including, without limitation, the purchases of Shares to be made pursuant to such Transaction.
- (ii) As of the Trade Date for each Transaction hereunder, Counterparty is not engaged in any “issuer tender offer” within the meaning of Rule 13e-4 under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) and Counterparty is not aware of any “third-party tender offer” with respect to the Shares within the meaning of Rule 13e-1 under the Exchange Act.
- (iii) As of the Trade Date for each Transaction hereunder, it is not entering into such Transaction (A) on the basis of, and is not aware of, any material non-public information regarding Counterparty or the Shares, (B) in anticipation of, in connection with, or to facilitate, a distribution of its securities, a self tender offer or a third-party tender offer, in each case, in violation of the Exchange Act or (C) to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for the Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for the Shares).
- (iv) Counterparty (A) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities; (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (C) has total assets of at least USD 50,000,000 as of the date hereof.
- (v) (A) The Shares are not, as of the Calculation Period Start Date, and (B) Counterparty will not, at any time during any Regulation M Period (as defined below) for any Transaction, cause the Shares to be, subject to a “restricted period” (as defined in Regulation M promulgated under the Exchange Act) unless, in the case of clause (B), Counterparty has provided written notice to JPMorgan of such restricted period not later than the Scheduled Trading Day immediately preceding the first day of such “restricted period”; Counterparty acknowledges that any such notice may cause a Disrupted Day to occur pursuant to Section 7 hereof; accordingly, Counterparty acknowledges that its delivery of such notice must comply with the standards set forth in Section 8 hereof. Counterparty is not currently contemplating any “distribution” (as defined in Regulation M promulgated under the Exchange Act) of Shares, or any security for which Shares are a “reference security” (as defined in Regulation M promulgated under the Exchange Act). “**Regulation M Period**” means, for any Transaction, (A) the Relevant Period (as defined below) for such Transaction, (B) the Settlement Valuation Period, if any, for such Transaction and (C) the Seller Termination Purchase Period (as defined below), if any, for such Transaction. “**Relevant Period**” means, for any Transaction, the period commencing on the Calculation Period Start Date for such Transaction and ending on the later of (1) the earlier of (x) the Scheduled Termination Date and (y) the last Additional Relevant Day (as specified in the related Supplemental Confirmation) for such Transaction, or such earlier day as elected by JPMorgan and communicated to Counterparty on such day (or, if later, the First Acceleration Date without regard to any acceleration thereof pursuant to “Special Provisions for Acquisition Transaction Announcements” below) and (2) if Section 15 hereof is applicable to such Transaction, the date on which all deliveries owed pursuant to such Section 15 have been made.
- (vi) As of the Trade Date and the Prepayment Date for each Transaction, Counterparty is not, and will not be, “insolvent” (as such term is defined under Section 101(32) of the U.S.

Bankruptcy Code (Title 11 of the United States Code) (the “**Bankruptcy Code**”)) and Counterparty would be able to purchase a number of Shares with a value equal to the Prepayment Amount in compliance with the laws of the jurisdiction of Counterparty’s incorporation.

- (vii) Counterparty is not, and after giving effect to each Transaction will not be, required to register as an “investment company” as such term is defined in the Investment Company Act of 1940, as amended.
- (viii) Counterparty has not entered, and will not enter, into any repurchase transaction with respect to the Shares (or any security convertible into or exchangeable for the Shares) (including, without limitation, any agreements similar to the Transactions described herein) where any initial hedge period, calculation period, relevant period, settlement valuation period or seller termination purchase period (each however defined) in such other transaction will overlap at any time (including, without limitation, as a result of extensions in such initial hedge period, calculation period, relevant period, settlement valuation period or seller termination purchase period as provided in the relevant agreements) with any Relevant Period, any Settlement Valuation Period (if applicable) or any Seller Termination Purchase Period (if applicable) under this Master Confirmation. In the event that the initial hedge period, relevant period, calculation period or settlement valuation period in any other transaction overlaps with any Relevant Period, any Settlement Valuation Period (if applicable) or any Seller Termination Purchase Period (if applicable) under this Master Confirmation as a result of any postponement of the Scheduled Termination Date or extension of the Settlement Valuation Period pursuant to “Valuation Disruption” above or any analogous provision in such other transaction, Counterparty shall promptly amend such other transaction to avoid any such overlap.
- (ix) Counterparty shall, at least one day prior to the first day of the Settlement Valuation Period, if any, or the Seller Termination Purchase Period, if any, for any Transaction, notify JPMorgan of the total number of Shares purchased in Rule 10b-18 purchases of blocks pursuant to the once-a-week block exception set forth in paragraph (b)(4) of Rule 10b-18 under the Exchange Act (“**Rule 10b-18**”) by or for Counterparty or any of its “affiliated purchasers” (as defined in Rule 10b-18) during each of the four calendar weeks preceding such day and during the calendar week in which such day occurs (“Rule 10b-18 purchase” and “blocks” each being used as defined in Rule 10b-18), which notice shall be substantially in the form set forth in Schedule B hereto.
- (x) As of the Trade Date for each Transaction hereunder, and as of the date of any election with respect to any Transaction hereunder, there has not been any Merger Announcement (as defined below).
- (xi) The assets of Counterparty do not constitute “plan assets” under the Employee Retirement Income Security Act of 1974, as amended, the Department of Labor Regulations promulgated thereunder or similar law.

7. **Regulatory Disruption.** In the event that JPMorgan concludes, in its reasonable discretion based on the advice of counsel, that it is appropriate with respect to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by JPMorgan) similarly applicable to accelerated share repurchase transactions and consistently applied, for it to refrain from or decrease any market activity on any Scheduled Trading Day or Days during the Calculation Period or, if applicable, the Settlement Valuation Period, JPMorgan may by written notice to Counterparty elect to deem that a Market Disruption Event has occurred and will be continuing on such Scheduled Trading Day or Days.

8. **10b5-1 Plan.** Counterparty represents, warrants and covenants to JPMorgan that:

- v. Counterparty is entering into this Master Confirmation and each Transaction hereunder in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 under the Exchange Act (“**Rule 10b5-1**”) or any other antifraud or anti-manipulation provisions of the federal or applicable state securities laws and that it has not entered into or altered and will not enter into or alter any corresponding or hedging transaction or position with respect to the Shares. Counterparty acknowledges that it is the intent of the parties that each Transaction entered into under this Master Confirmation comply with the requirements of paragraphs (c)(1)(i)(A) and (B) of Rule 10b5-1 and each Transaction entered into under this Master Confirmation shall be interpreted to comply with the requirements of Rule 10b5-1(c).
- vi. During the Calculation Period and the Settlement Valuation Period, if any, for any Transaction and in connection with the delivery of any Alternative Delivery Units for any Transaction, JPMorgan (or its agent or Affiliate) may effect transactions in Shares in connection with such Transaction. The timing of such transactions by JPMorgan, the price paid or received per Share pursuant to such transactions and the manner in which such transactions are made, including, without limitation, whether such transactions are made on any securities exchange or privately, shall be within the sole judgment of JPMorgan. Counterparty acknowledges and agrees that all such transactions shall be made in JPMorgan’s sole judgment and for JPMorgan’s own account.
- vii. Counterparty does not have, and shall not attempt to exercise, any control or influence over how, when or whether JPMorgan (or its agent or Affiliate) makes any “purchases or sales” (within the meaning of Rule 10b5-1(c)(1)(i)(B)(3)) in connection with any Transaction, including, without limitation, over how, when or whether JPMorgan (or its agent or Affiliate) enters into any hedging transactions. Counterparty represents and warrants that it has consulted with its own advisors as to the legal aspects of its adoption and implementation of this Master Confirmation and each Supplemental Confirmation under Rule 10b5-1.
- viii. Counterparty acknowledges and agrees that any amendment, modification, waiver or termination of this Master Confirmation or any Supplemental Confirmation must be effected in accordance with the requirements for the amendment or termination of a “plan” as defined in Rule 10b5-1(c). Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5, and no such amendment, modification or waiver shall be made at any time at which Counterparty is aware of any material non-public information regarding Counterparty or the Shares.
- ix. Counterparty shall comply with the Communications Procedures attached as Annex B hereto.

9. **Counterparty Purchases.** Counterparty (or any “affiliated purchaser” as defined in Rule 10b-18) shall not, without the prior written consent of JPMorgan, directly or indirectly (including, without limitation, by means of a derivative instrument) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or commence any tender offer relating to, any Shares (or equivalent interest, including, without limitation, a unit of beneficial interest in a trust or limited partnership or a depository share), listed contracts on the Shares or securities that are convertible into, or exchangeable or exercisable for Shares (including, without limitation, any Rule 10b-18 purchases of blocks (as defined in Rule 10b-18)) during any Relevant Period, any Settlement Valuation Period (if applicable) or any Seller Termination Purchase Period (if applicable), under this Master Confirmation. Notwithstanding the foregoing, nothing herein shall (i) limit Counterparty’s ability, pursuant to its employee incentive plans, to re-acquire Shares in connection with the related equity transactions, (ii) limit Counterparty’s ability to withhold shares to cover tax liabilities associated with such equity transactions or (iii) limit Counterparty’s ability to grant stock, restricted stock units and options to “affiliated purchasers” (as defined in Rule 10b-18) or the ability of such affiliated purchasers to acquire such stock, restricted stock units or options, in connection with Counterparty’s compensation policies for directors, officers and employees. Further, (i) Counterparty or an “affiliated purchaser” (as defined in Rule 10b-18) may purchase Shares during the Calculation Period or any Settlement Valuation Period through JPMorgan or an affiliate of JPMorgan pursuant to any Rule 10b5-1 repurchase plan or Rule 10b-18 repurchase, so long as such purchases do not in the aggregate

exceed, on any Exchange Business Day, the Specified ADTV Percentage for such Transaction for such Exchange Business Day (as specified in the relevant Supplemental Confirmation) (each, a “**Permitted OMR Transaction**”); *provided* that Counterparty and JPMorgan or an affiliate of JPMorgan may agree in writing to effect such purchases in excess of the Specified ADTV Percentage on any Exchange Business Day and, for the avoidance of doubt, neither JPMorgan nor any affiliate of JPMorgan shall be obligated to enter into any such repurchase plan and may consider any factors it deems to be relevant in making its decision, (ii) an agent independent of Counterparty may purchase Shares effected by or for an issuer plan of Issuer in accordance with the requirements of Section 10b-18(a)(13)(ii) under the Exchange Act (with “issuer plan” and “agent independent of the Counterparty” each being used herein as defined in Rule 10b-18) and (iii) Counterparty or any “affiliated purchaser” (as defined in Rule 10b-18) may purchase Shares in (x) unsolicited transactions or (y) privately negotiated (off-market) transactions, in each case, that are not “Rule 10b-18 purchases” (as defined in Rule 10b-18) and are not expected to result in market purchases, in each case, without JPMorgan’s consent.

**10. Special Provisions for Merger Transactions.** Notwithstanding anything to the contrary herein or in the Equity Definitions:

- x. Counterparty agrees that it:
  - (i) will not during the period commencing on the Trade Date for any Transaction and ending on the last day of the Relevant Period or, if applicable, the later of the last day of the Settlement Valuation Period and the last day of the Seller Termination Purchase Period, for such Transaction make, or permit to be made (to the extent within Counterparty’s control), any public announcement (as defined in Rule 165(f) under the Securities Act) of any Merger Transaction or potential Merger Transaction (a “**Merger Announcement**”) unless such Merger Announcement is made prior to the opening or after the close of the regular trading session on the Exchange for the Shares;
  - (ii) shall promptly (but in any event prior to the next opening of the regular trading session on the Exchange) notify JPMorgan following any such Merger Announcement that such Merger Announcement has been made; and
  - (iii) shall promptly (but in any event prior to the next opening of the regular trading session on the Exchange) provide JPMorgan with written notice specifying (i) Counterparty’s average daily Rule 10b-18 Purchases (as defined in Rule 10b-18) during the three full calendar months immediately preceding the announcement date of any Merger Transaction or potential Merger Transaction that were not effected through JPMorgan or its Affiliates and (ii) the number of Shares purchased pursuant to the proviso in Rule 10b-18(b)(4) under the Exchange Act for the three full calendar months preceding the announcement date of any Merger Transaction or potential Merger Transaction. Such written notice shall be deemed to be a certification by Counterparty to JPMorgan that such information is true and correct. In addition, Counterparty shall promptly notify JPMorgan of the earlier to occur of the completion of such transaction and the completion of the vote by target shareholders.
- xi. Counterparty acknowledges that any such Merger Announcement or delivery of a notice with respect thereto may cause the terms of any Transaction to be adjusted or such Transaction to be terminated; accordingly, Counterparty acknowledges that its delivery of such notice must comply with the standards set forth in Section 8 hereof.
- xii. Upon the occurrence of any Merger Announcement (whether made by Counterparty or a third party), JPMorgan in its good faith and commercially reasonable discretion may (i) make adjustments to the terms of any Transaction, including, without limitation, the Scheduled Termination Date or the Forward Price Adjustment Amount (such adjustments which are limited to account solely for changes in volatility, expected dividends, stock loan rate, value of any commercially reasonable Hedge Positions in connection with the Transaction and liquidity

relevant to the Shares or to such Transaction), to preserve the fair value of such Transaction, and/or suspend the Calculation Period and/or any Settlement Valuation Period or (ii) treat the occurrence of such Merger Announcement as an Additional Termination Event with Counterparty as the sole Affected Party and the Transactions hereunder as the Affected Transactions and with the amount under Section 6(e) of the Agreement determined taking into account the fact that the Calculation Period or Settlement Valuation Period, as the case may be, had fewer Scheduled Trading Days than originally anticipated.

**“Merger Transaction”** means any merger, acquisition or similar transaction involving a recapitalization as contemplated by Rule 10b-18(a)(13) (iv) under the Exchange Act.

**11. Special Provisions for Acquisition Transaction Announcements.** Notwithstanding anything to the contrary herein or in the Equity Definitions:

- xiii. If an Acquisition Transaction Announcement occurs on or prior to the Final Settlement Date for any Transaction, then the Calculation Agent shall make such adjustments to the exercise, settlement, payment or any other terms of such Transaction as the Calculation Agent determines appropriate (including, without limitation and for the avoidance of doubt, adjustments that would allow the Number of Shares to be Delivered to be less than zero), at such time or at multiple times as the Calculation Agent determines appropriate, to account for the economic effect on such Transaction of such event (such adjustments which are limited to account solely for changes in volatility, expected dividends, stock loan rate, value of any commercially reasonable Hedge Positions in connection with the Transaction and liquidity relevant to the Shares or to such Transaction). If an Acquisition Transaction Announcement occurs after the Trade Date, but prior to the First Acceleration Date of any Transaction, the First Acceleration Date for such Transaction shall be the date of such Acquisition Transaction Announcement. If the Number of Shares to be Delivered for any settlement of any Transaction is a negative number, then the terms of the Counterparty Settlement Provisions in Annex A hereto shall apply.
- xiv. **“Acquisition Transaction Announcement”** means (i) the announcement of an Acquisition Transaction or an event that, if consummated, would result in an Acquisition Transaction, (ii) an announcement that Counterparty or any of its subsidiaries has entered into an agreement, a letter of intent or an understanding that, if consummated, would result in an Acquisition Transaction, (iii) the announcement of the intention to solicit or enter into, or to explore strategic alternatives or other similar undertaking that may include, an Acquisition Transaction, (iv) any other announcement that in the reasonable judgment of the Calculation Agent is reasonably likely to result in an Acquisition Transaction (it being understood and agreed that in determining whether such announcement is reasonably likely to result in an Acquisition Transaction, the Calculation Agent may take into consideration, if it would be commercially reasonable to do so, the effect of such announcement on the Shares and/or options relating to the Shares), or (v) any announcement of any change or amendment to any previous Acquisition Transaction Announcement (including any announcement of the abandonment of any such previously announced Acquisition Transaction, agreement, letter of intent, understanding or intention). The term “announcement” as used in the definition of Acquisition Transaction Announcement shall mean any public statement or announcement related to an Acquisition Transaction that is made by (x) Counterparty (or any affiliate thereof) or (y) any entity (or affiliate thereof) that is (or is reasonably expected to be) a party to such Acquisition Transaction.
- xv. **“Acquisition Transaction”** means (i) any Merger Event (for purposes of this definition the definition of Merger Event shall be read with the references therein to “100%” being replaced by “25%” and references to “50%” being replaced by “75%” and without reference to the clause beginning immediately following the definition of Reverse Merger therein to the end of such definition), Tender Offer or Merger Transaction or any other transaction involving the merger of Counterparty with or into any third party, (ii) the sale or transfer of all or substantially all of the assets of Counterparty to a person or entity other than Counterparty or a subsidiary of Counterparty, (iii) a recapitalization, reclassification, binding share exchange or other similar

transaction with respect to Counterparty, (iv) any acquisition by Counterparty or any of its subsidiaries (other than an acquisition between and/or among solely Counterparty and/or one or more subsidiaries of Counterparty) where the aggregate consideration transferable by Counterparty or its subsidiaries exceeds 30% of the market capitalization of Counterparty, (v) any lease, exchange, transfer, disposition (including, without limitation, by way of spin-off or distribution) of assets (including, without limitation, any capital stock or other ownership interests in subsidiaries) or other similar event by Counterparty or any of its subsidiaries (other than any lease, exchange, transfer, disposition or other similar event between and/or among solely Counterparty and/or one or more subsidiaries of Counterparty) where the aggregate consideration transferable or receivable by or to Counterparty or its subsidiaries exceeds 30% of the market capitalization of Counterparty or (vi) any transaction in which Counterparty or its board of directors has a legal obligation to make a recommendation to its shareholders in respect of such transaction (whether pursuant to Rule 14e-2 under the Exchange Act or otherwise).

**12. Acknowledgments.**

xvi. The parties hereto intend for:

- (i) each Transaction to be a “securities contract” as defined in Section 741(7) of the Bankruptcy Code and a “forward contract” as defined in Section 101(25) of the Bankruptcy Code, and the parties hereto to be entitled to the protections afforded by, among other Sections, Sections 362(b)(6), 362(b)(27), 362(o), 546(e), 546(j), 555, 556, 560 and 561 of the Bankruptcy Code;
- (ii) the Agreement to be a “master netting agreement” as defined in Section 101(38A) of the Bankruptcy Code;
- (iii) a party’s right to liquidate, terminate or accelerate any Transaction, net out or offset termination values or payment amounts, and to exercise any other remedies upon the occurrence of any Event of Default or Termination Event under the Agreement with respect to the other party or any Extraordinary Event that results in the termination or cancellation of any Transaction to constitute a “contractual right” (as defined in the Bankruptcy Code); and
- (iv) all payments for, under or in connection with each Transaction, all payments for the Shares (including, for the avoidance of doubt, payment of the Prepayment Amount) and the transfer of such Shares to constitute “settlement payments” and “transfers” (as defined in the Bankruptcy Code).

xvii. Counterparty acknowledges that:

- (i) during the term of any Transaction, JPMorgan and its Affiliates may buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to establish, adjust or unwind its hedge position with respect to such Transaction;
- (ii) JPMorgan and its Affiliates may also be active in the market for the Shares and Share-linked transactions other than in connection with hedging activities in relation to any Transaction;
- (iii) JPMorgan shall make its own determination as to whether, when or in what manner any hedging or market activities in Counterparty’s securities shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Forward Price and the VWAP Price;

- (iv) any market activities of JPMorgan and its Affiliates with respect to the Shares may affect the market price and volatility of the Shares, as well as the Forward Price, the VWAP Price and the Settlement Price, each in a manner that may be adverse to Counterparty; and
- (v) each Transaction is a derivatives transaction in which it has granted JPMorgan an option; JPMorgan may purchase shares for its own account at an average price that may be greater than, or less than, the price paid by Counterparty under the terms of the related Transaction.

13. **No Collateral, Netting or Setoff.** Notwithstanding any provision of the Agreement or any other agreement between the parties to the contrary, the obligations of Counterparty hereunder are not secured by any collateral. Obligations under any Transaction shall not be netted, recouped or set off (including pursuant to Section 6 of the Agreement) against any other obligations of the parties, whether arising under the Agreement, this Master Confirmation or any Supplemental Confirmation, or under any other agreement between the parties hereto, by operation of law or otherwise, and no other obligations of the parties shall be netted, recouped or set off (including pursuant to Section 6 of the Agreement) against obligations under any Transaction, whether arising under the Agreement, this Master Confirmation or any Supplemental Confirmation, or under any other agreement between the parties hereto, by operation of law or otherwise, and each party hereby waives any such right of setoff, netting or recoupment.
14. **Delivery of Shares.** Notwithstanding anything to the contrary herein, JPMorgan may, by prior notice to Counterparty, satisfy its obligation to deliver any Shares or other securities on any date due (an “**Original Delivery Date**”) by making separate deliveries of Shares or such securities, as the case may be, at more than one time on or prior to such Original Delivery Date, so long as the aggregate number of Shares and other securities so delivered on or prior to such Original Delivery Date is equal to the number required to be delivered on such Original Delivery Date.
15. **Alternative Termination Settlement.** In the event that (a) an Early Termination Date (whether as a result of an Event of Default or a Termination Event) occurs or is designated with respect to any Transaction or (b) any Transaction is cancelled or terminated upon the occurrence of an Extraordinary Event (except as a result of (i) a Nationalization, Insolvency or Merger Event in which the consideration to be paid to holders of Shares consists solely of cash, (ii) a Merger Event or Tender Offer that is within Counterparty’s control, or (iii) an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the Affected Party other than an Event of Default of the type described in Section 5(a)(iii), (v), (vi), (vii) or (viii) of the Agreement or a Termination Event of the type described in Section 5(b) of the Agreement, in each case that resulted from an event or events outside Counterparty’s control), if either party would owe any amount to the other party pursuant to Section 6(d)(ii) of the Agreement or any Cancellation Amount pursuant to Article 12 of the Equity Definitions (any such amount, a “**Payment Amount**”), then, in lieu of any payment of such Payment Amount, unless Counterparty makes an election to the contrary no later than the Early Termination Date or the date on which such Transaction is terminated or cancelled, Counterparty or JPMorgan, as the case may be, shall deliver to the other party a number of Shares (or, in the case of a Nationalization, Insolvency or Merger Event, a number of units, each comprising the number or amount of the securities or property that a hypothetical holder of one Share would receive in such Nationalization, Insolvency or Merger Event, as the case may be (each such unit, an “**Alternative Delivery Unit**”)) with a value equal to the Payment Amount, as determined by the Calculation Agent over a commercially reasonable period of time (and the parties agree that, in making such determination of value, the Calculation Agent may take into account a number of factors, including, without limitation, the market price of the Shares or Alternative Delivery Units on the Early Termination Date or the date of early cancellation or termination, as the case may be, and, if such delivery is made by JPMorgan, the prices at which JPMorgan purchases Shares or Alternative Delivery Units to fulfill its delivery obligations under this Section 15); *provided* that in determining the composition of any Alternative Delivery Unit, if the relevant Nationalization, Insolvency or Merger Event involves a choice of consideration to be received by holders, such holder shall be deemed to have elected to receive the maximum possible amount of cash; and *provided further* that Counterparty may elect that the provisions of this Section 15 above providing for the delivery of Shares or Alternative Delivery Units, as the case may

be, shall not apply only if Counterparty represents and warrants to JPMorgan, in writing on the date it notifies JPMorgan of such election, that, as of such date, Counterparty is not aware of any material non-public information regarding Counterparty or the Shares and is making such election in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws. If delivery of Shares or Alternative Delivery Units, as the case may be, pursuant to this Section 15 is to be made by Counterparty, paragraphs 2 through 7 of Annex A hereto shall apply as if (A) such delivery were a settlement of such Transaction to which Net Share Settlement applied, (B) the Cash Settlement Payment Date were the Early Termination Date or the date of early cancellation or termination, as the case may be, and (C) the Forward Cash Settlement Amount were equal to (x) zero *minus* (y) the Payment Amount owed by Counterparty. For the avoidance of doubt, if Counterparty validly elects for the provisions of this Section 15 relating to the delivery of Shares or Alternative Delivery Units, as the case may be, not to apply to any Payment Amount, the provisions of Article 12 of the Equity Definitions, or the provisions of Section 6(d)(ii) of the Agreement, as the case may be, shall apply. If delivery of Shares or Alternative Delivery Units, as the case may be, is to be made by JPMorgan pursuant to this Section 15, the period during which JPMorgan purchases Shares or Alternative Delivery Units to fulfill its delivery obligations under this Section 15 shall be referred to as the **“Seller Termination Purchase Period.”**

16. **Calculations and Payment Date upon Early Termination.** The parties acknowledge and agree that in calculating (a) the Close-Out Amount pursuant to Section 6 of the Agreement and (b) the amount due upon cancellation or termination of any Transaction (whether in whole or in part) pursuant to Article 12 of the Equity Definitions as a result of an Extraordinary Event, JPMorgan may (but need not) in a commercially reasonable manner determine such amount based on (i) expected losses assuming a commercially reasonable (including, without limitation, with regard to reasonable legal and regulatory guidelines) risk bid were used to determine loss or (ii) the price at which one or more market participants would offer to sell to the Seller a block of Shares equal in number to the Seller’s hedge position in relation to such Transaction. Notwithstanding anything to the contrary in Section 6(d)(ii) of the Agreement or Article 12 of the Equity Definitions, all amounts calculated as being due in respect of an Early Termination Date under Section 6(e) of the Agreement or upon cancellation or termination of the relevant Transaction under Article 12 of the Equity Definitions will be payable on the day that notice of the amount payable is effective; *provided* that if Counterparty elects to receive or deliver Shares or Alternative Delivery Units in accordance with Section 15 hereof, such Shares or Alternative Delivery Units shall be delivered on a date selected by the Calculation Agent as promptly as practicable thereafter.
17. **Limit on Beneficial Ownership.** Notwithstanding any other provisions hereof, JPMorgan may not be entitled to take delivery of any Shares deliverable hereunder to the extent (but only to the extent) that, after such receipt of any Shares hereunder, (a) the Equity Percentage would exceed 7.5% or (b) the Bank Percentage would exceed 4.5%. Any purported delivery hereunder shall be void and have no effect to the extent (but only to the extent) that, after such delivery the Equity Percentage would exceed 7.5% or the Bank Percentage would exceed 4.5%. If any delivery owed to JPMorgan hereunder is not made, in whole or in part, as a result of this provision, Counterparty’s obligation to make such delivery shall not be extinguished and Counterparty shall make such delivery as promptly as practicable after, but in no event later than one Business Day after, JPMorgan gives notice to Counterparty that, after such delivery, the Equity Percentage would not exceed 7.5% or the Bank Percentage would not exceed 4.5%, as applicable. The **“Equity Percentage”** as of any day is the fraction, expressed as a percentage, (A) the numerator of which is the number of Shares that JPMorgan and any of its affiliates or any other person subject to aggregation with JPMorgan for purposes of the “beneficial ownership” test under Section 13 of the Exchange Act, or any “group” (within the meaning of Section 13) of which JPMorgan is or may be deemed to be a part beneficially owns (within the meaning of Section 13 of the Exchange Act), without duplication, on such day (or, to the extent that for any reason the equivalent calculation under Section 16 of the Exchange Act and the rules and regulations thereunder results in a higher number, such higher number) and (B) the denominator of which is the number of Shares outstanding on such day. The **“Bank Percentage”** as of any day is the fraction, expressed as a percentage, (A) the numerator of which is the number of Shares that JPMorgan and any of its affiliates directly or indirectly own or control, for purposes of the Bank Holding Company Act of 1956, as amended, and the Change in Bank Control Act of 1978, as amended, and (B) the denominator of which is the number of Shares outstanding on such day.

18. **Maximum Share Delivery.** Notwithstanding anything to the contrary in this Master Confirmation, in no event shall JPMorgan be required to deliver any Shares, or any Shares or other securities comprising Alternative Delivery Units, in respect of any Transaction in excess of the Maximum Number of Shares set forth in the Supplemental Confirmation for such Transaction.
19. **Additional Termination Events.**
- xviii. The occurrence of an event described in paragraph III of Annex B hereto will constitute an Additional Termination Event, with Counterparty as the sole Affected Party and the Transactions specified in such paragraph III as the Affected Transactions.
- xix. Notwithstanding anything to the contrary in Section 6 of the Agreement, if a Termination Price is specified in the Supplemental Confirmation for any Transaction and the closing price of the Shares on the Exchange is below such Termination Price for any two consecutive Exchange Business Days, then an Additional Termination Event will occur on such second Exchange Business Day without any notice or action by JPMorgan or Counterparty, with Counterparty as the sole Affected Party and such Transaction as the sole Affected Transaction.
20. **Non-confidentiality.** JPMorgan and Counterparty hereby acknowledge and agree that, subject to Section 8(e) hereof, each is authorized to disclose every aspect of this Master Confirmation, any Supplemental Confirmation and the transactions contemplated hereby and thereby to any and all persons, without limitation of any kind, and there are no express or implied agreements, arrangements or understandings to the contrary.
21. [Reserved]
22. **Assignment and Transfer.** Notwithstanding anything to the contrary in the Agreement, JPMorgan may assign any of its rights or duties hereunder to any one or more of its Affiliates without the prior written consent of Counterparty; *provided* that such Affiliate of JPMorgan (1) has a rating for its long term, unsecured and unsubordinated indebtedness that is equal to or better than JPMorgan's credit rating at the time of such transfer or assignment, or (2) whose obligations hereunder will be guaranteed, pursuant to the terms of a customary guarantee in a form used by JPMorgan generally for similar transactions, by JPMorgan or JPMorgan's ultimate parent; *provided further* that such transfer and/or assignment shall be permitted only so long as (i) an Event of Default or Termination Event will not occur as a result of such transfer and assignment and (ii) as a result of such transfer and assignment, Counterparty will not (x) be required to pay or deliver to the transferee on any payment date or delivery date an amount under Section 2(d)(i)(4) of the Agreement or a number of Shares, as applicable, greater than the amount or the number of Shares, respectively, that Counterparty would have been required to pay or deliver to JPMorgan in the absence of such transfer and assignment or (y) receive from the transferee on any payment date or delivery date an amount or a number of Shares, as applicable, that would, after taking into account amounts paid by the transferee under Section 2(d)(i)(4) of the Agreement, be less than the amount or the number of Shares, respectively, that Counterparty would have received from JPMorgan in the absence of such transfer and assignment. Notwithstanding any other provision in this Master Confirmation to the contrary requiring or allowing JPMorgan to purchase, sell, receive or deliver any Shares or other securities to or from Counterparty, but subject to the limitations in the preceding sentence regarding obligations under Section 2(d)(i)(4) of the Agreement, (i) JPMorgan may designate any of its Affiliates to purchase, sell, receive or deliver such Shares or other securities and otherwise to perform JPMorgan's obligations in respect of any Transaction and any such designee may assume such obligations and (ii) JPMorgan may assign the right to receive Settlement Shares to any third party who may legally receive Settlement Shares. JPMorgan shall be discharged of its obligations to Counterparty only to the extent of any such performance. For the avoidance of doubt, JPMorgan hereby acknowledges that notwithstanding any such designation hereunder, to the extent any of JPMorgan's obligations in respect of any Transaction are not completed by its designee, JPMorgan shall be obligated to continue to perform or to cause any other of its designees to perform in respect of such obligations.
23. **Amendments to the Equity Definitions.**

- xx. Section 11.2(a) of the Equity Definitions is hereby amended by deleting the words “a diluting or concentrative” and replacing them with the words “a material”; and adding the phrase “or such Transaction” at the end of the sentence.
- xxi. Section 11.2(c) of the Equity Definitions is hereby amended by (i) replacing the words “a diluting or concentrative” with “a material” in the fifth line thereof, (ii) adding the phrase “or such Transaction” after the words “the relevant Shares” in the same sentence, (iii) replacing the words “diluting or concentrative” in the sixth to last line thereof with the word “material”, and (iv) deleting the phrase “(provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)” and replacing it with the phrase “(and, for the avoidance of doubt, adjustments may be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares).”
- xxii. Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words “that may have a diluting or concentrative” and replacing them with the words “that is the result of a corporate event within the Issuer’s control involving the Issuer or its securities that has a material economic”; and adding the phrase “or the relevant Transaction” at the end of the sentence.
- xxiii. Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (i) deleting from the fourth line thereof the word “or” after the word “official” and inserting a comma therefor, and (ii) deleting the semi-colon at the end of subsection (B) thereof and inserting the following words therefor “or (C) at JPMorgan’s option, the occurrence of any of the events specified in Section 5(a)(vii) (1) through (9) of the ISDA Master Agreement with respect to that Issuer.”
- xxiv. Section 12.9(b)(iv) of the Equity Definitions is hereby amended by:
  - (i) deleting (1) subsection (A) in its entirety, (2) the phrase “or (B)” following subsection (A) and (3) the phrase “in each case” in subsection (B); and
  - (ii) replacing the phrase “neither the Non-Hedging Party nor the Lending Party lends Shares” with the phrase “such Lending Party does not lend Shares” in the penultimate sentence.
- xxv. Section 12.9(b)(v) of the Equity Definitions is hereby amended by:
  - (i) adding the word “or” immediately before subsection “(B)” and deleting the comma at the end of subsection (A); and
  - (ii) (1) deleting subsection (C) in its entirety, (2) deleting the word “or” immediately preceding subsection (C), (3) deleting the penultimate sentence in its entirety and replacing it with the sentence “The Hedging Party will determine the Cancellation Amount payable by one party to the other” and (4) deleting clause (X) in the final sentence.
- xxvi. Section 12.9(b)(vi) of the Equity Definitions is hereby amended by:
  - (i) adding the word “or” immediately before subsection “(B)” and deleting the comma at the end of subsection (A); and
  - (ii) (1) deleting subsection (C) in its entirety, (2) deleting the word “or” immediately preceding subsection (C) and (3) deleting the final sentence in its entirety and replacing it with the sentence “The Hedging Party will determine the Cancellation Amount payable by one party to the other”.

24. **Extraordinary Dividend.** If Counterparty declares any Extraordinary Dividend that has an ex-dividend date during the period commencing on the Trade Date for any Transaction and ending of the last day of the

Relevant Period or, if applicable, the later of the last day of the Settlement Valuation Period and the last day of the Seller Termination Purchase Period for such Transaction, then prior to or on the date on which such Extraordinary Dividend is paid by Counterparty to holders of record, Counterparty shall pay to JPMorgan, for each Transaction under this Master Confirmation, an amount in cash equal to the product of (i) the amount of such Extraordinary Dividend and (ii) the theoretical short delta number of shares as of the opening of business on the related ex-dividend date, as determined by the Calculation Agent, required for JPMorgan to hedge its exposure to such Transaction.

25. **Status of Claims in Bankruptcy.** JPMorgan acknowledges and agrees that neither this Master Confirmation nor any Supplemental Confirmation is intended to convey to JPMorgan rights against Counterparty with respect to any Transaction that are senior to the claims of common stockholders of Counterparty in any United States bankruptcy proceedings of Counterparty; *provided* that nothing herein shall limit or shall be deemed to limit JPMorgan's right to pursue remedies in the event of a breach by Counterparty of its obligations and agreements with respect to any Transaction; *provided further* that nothing herein shall limit or shall be deemed to limit JPMorgan's rights in respect of any transactions other than any Transaction.
26. **Wall Street Transparency and Accountability Act.** In connection with Section 739 of the Wall Street Transparency and Accountability Act of 2010 ("**WSTAA**"), the parties hereby agree that neither the enactment of WSTAA or any regulation under the WSTAA, nor any requirement under WSTAA or an amendment made by WSTAA, nor any similar legal certainty provision in any legislation enacted, or rule or regulation promulgated, on or after the date of this Master Confirmation, shall limit or otherwise impair either party's otherwise applicable rights to terminate, renegotiate, modify, amend or supplement any Supplemental Confirmation, this Master Confirmation or the Agreement, as applicable, arising from a termination event, force majeure, illegality, increased costs, regulatory change or similar event under any Supplemental Confirmation, this Master Confirmation, the Equity Definitions incorporated herein, or the Agreement (including, without limitation, rights arising from Change in Law, Loss of Stock Borrow, Increased Cost of Stock Borrow, Increased Cost of Hedging, or Illegality).
27. **Communications with Employees of J.P. Morgan Securities LLC.** If Counterparty interacts with any employee of J.P. Morgan Securities LLC with respect to any Transaction, Counterparty is hereby notified that such employee will act solely as an authorized representative of JPMorgan Chase Bank, N.A. (and not as a representative of J.P. Morgan Securities LLC) in connection with such Transaction.
28. **Tax.**
- xxvii. For purposes of Section 3(f) of the Agreement, the parties make the following representations:
- (i) Counterparty represents that it is a "U.S. Person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "**Code**"), and it is "exempt" within the meaning of Treasury Regulation sections 1.6041-3(p) and 1.6049-4(c) from information reporting on Form 1099 and backup withholding.
- (ii) JPMorgan represents that it is a national banking association organized under the laws of the United States, an exempt recipient under Section 1.6049-4(c)(1)(ii) of the United States Treasury Regulations, and a "U.S. person" within the meaning of Section 7701(a)(30) of the Code.
- xxviii. "Tax" and "Indemnifiable Tax," each as defined in Section 14 of the Agreement, shall not include any U.S. federal withholding tax imposed or collected (i) pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code or (ii) on any amount treated as a dividend or dividend equivalent for U.S. federal income tax purposes. For the avoidance of doubt, a tax described in (i) or (ii) of this paragraph is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of the Agreement.

xxix. For purposes of Section 4(a)(i) of the Agreement, each party agrees to deliver to the other party one duly executed and completed United States Internal Revenue Service Form W-9 (or successor thereto) upon execution and delivery of this Master Confirmation; and promptly upon reasonable demand by the other party.

29. **Waiver of Jury Trial.** EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THE AGREEMENT, THIS MASTER CONFIRMATION, EACH SUPPLEMENTAL CONFIRMATION, THE TRANSACTIONS HEREUNDER AND ALL MATTERS ARISING IN CONNECTION WITH THE AGREEMENT, THIS MASTER CONFIRMATION AND ANY SUPPLEMENTAL CONFIRMATION AND THE TRANSACTIONS HEREUNDER. EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH A SUIT, ACTION OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THE TRANSACTIONS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS PROVIDED HEREIN.

30. **Counterparts.** This Master Confirmation may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Master Confirmation by signing and delivering one or more counterparts.

31. **U.S. Resolution Stay Protocol.** The parties acknowledge and agree that (i) to the extent that prior to the date hereof both parties have adhered to the 2018 ISDA U.S. Resolution Stay Protocol (the “**Protocol**”), the terms of the Protocol are incorporated into and form a part of the Agreement, and for such purposes the Agreement shall be deemed a Protocol Covered Agreement, JPMorgan shall be deemed a Regulated Entity and Counterparty shall be deemed an Adhering Party; (ii) to the extent that prior to the date hereof the parties have executed a separate agreement the effect of which is to amend the qualified financial contracts between them to conform with the requirements of the QFC Stay Rules (the “**Bilateral Agreement**”), the terms of the Bilateral Agreement are incorporated into and form a part of the Agreement, and for such purposes the Agreement shall be deemed a Covered Agreement, JPMorgan shall be deemed a Covered Entity and Counterparty shall be deemed a Counterparty Entity; or (iii) if clause (i) and clause (ii) do not apply, the terms of Section 1 and Section 2 and the related defined terms (together, the “**Bilateral Terms**”) of the form of bilateral template entitled “Full-Length Omnibus (for use between U.S. G-SIBs and Corporate Groups)” published by ISDA on November 2, 2018 (currently available on the 2018 ISDA U.S. Resolution Stay Protocol page at [www.isda.org](http://www.isda.org) and, a copy of which is available upon request), the effect of which is to amend the qualified financial contracts between the parties thereto to conform with the requirements of the QFC Stay Rules, are hereby incorporated into and form a part of the Agreement, and for such purposes the Agreement shall be deemed a “Covered Agreement,” JPMorgan shall be deemed a “Covered Entity” and Counterparty shall be deemed a “Counterparty Entity.” In the event that, after the date of the Agreement, both parties hereto become adhering parties to the Protocol, the terms of the Protocol will replace the terms of this paragraph. In the event of any inconsistencies between the Agreement and the terms of the Protocol, the Bilateral Agreement or the Bilateral Terms (each, the “**QFC Stay Terms**”), as applicable, the QFC Stay Terms will govern. Terms used in this paragraph without definition shall have the meanings assigned to them under the QFC Stay Rules. For purposes of this paragraph, references to “the Agreement” include any related credit enhancements entered into between the parties or provided by one to the other. In addition, the parties agree that the terms of this paragraph shall be incorporated into any related covered affiliate credit enhancements, with all references to JPMorgan replaced by references to the covered affiliate support provider.

“**QFC Stay Rules**” means the regulations codified at 12 C.F.R. 252.2, 252.81–8, 12 C.F.R. 382.1-7 and 12 C.F.R. 47.1-8, which, subject to limited exceptions, require an express recognition of the stay-and-transfer powers of the FDIC under the Federal Deposit Insurance Act and the Orderly Liquidation Authority under Title II of the Dodd Frank Wall Street Reform and Consumer Protection Act and the override of default

rights related directly or indirectly to the entry of an affiliate into certain insolvency proceedings and any restrictions on the transfer of any covered affiliate credit enhancements.

32. **Delivery of Cash.** For the avoidance of doubt, other than payment of the Prepayment Amount by Counterparty, nothing in this Master Confirmation shall be interpreted as requiring Counterparty to cash settle any Transaction, except in circumstances where cash settlement is within Counterparty's control or in those circumstances in which holders of the Shares would also receive cash.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Master Confirmation and returning it to us.

Very truly yours,

**JPMORGAN CHASE BANK, NATIONAL ASSOCIATION**

By: /s/ James B. Lee

Authorized Signatory

Name: James B. Lee

Accepted and confirmed as of the date first set forth above:

**SLM CORPORATION**

By: /s/ Steven J. McGarry

Authorized Signatory

Name: Steven J. McGarry

### FORM OF SUPPLEMENTAL CONFIRMATION

JPMorgan Chase Bank, National Association  
New York Branch  
383 Madison Avenue New York, NY, 10179

To: SLM Corporation 300 Continental Drive Newark, DE 19713 Attention: [\_\_\_\_\_] Telephone No.: [\_\_\_\_\_] Facsimile No.: [\_\_\_\_\_] [\_\_\_\_\_] 20[\_\_\_]

Re: Supplemental Confirmation—Uncollared Accelerated Share Repurchase

The purpose of this Supplemental Confirmation is to confirm the terms and conditions of the Transaction entered into between JPMorgan Chase Bank, National Association (“**JPMorgan**”) and SLM Corporation, a Delaware corporation (“**Counterparty**”) on the Trade Date specified below. This Supplemental Confirmation is a binding contract between JPMorgan and Counterparty as of the relevant Trade Date for the Transaction referenced below.

1. This Supplemental Confirmation supplements, forms part of, and is subject to the Master Confirmation, dated as of March 10, 2020 (the “**Master Confirmation**”), between JPMorgan and Counterparty, as amended and supplemented from time to time. All provisions contained in the Master Confirmation govern this Supplemental Confirmation except as expressly modified below.

2. The terms of the Transaction to which this Supplemental Confirmation relates are as follows:

Trade Date: [\_\_\_\_\_] 20[\_\_\_]

Forward Price Adjustment Amount: USD [\_\_\_]

Calculation Period Start Date: [\_\_\_\_\_] 20[\_\_\_]

Scheduled Termination Date: [\_\_\_\_\_] 20[\_\_\_]

First Acceleration Date: [\_\_\_\_\_] 20[\_\_\_]

Prepayment Amount: USD [\_\_\_]

Prepayment Date: [\_\_\_\_\_] 20[\_\_\_]

Initial Shares: [\_\_\_] Shares; *provided* that if, in connection with its establishment of a commercially reasonable hedge position associated with the Transaction, JPMorgan is unable to borrow or otherwise acquire a number of Shares equal to the Initial Shares for delivery to Counterparty on the Initial Share Delivery Date, as would be required to establish its commercially reasonable hedge position, the Initial Shares delivered on the Initial Share Delivery Date shall be reduced to such number of Shares that

JPMorgan is able to so borrow or otherwise acquire; *provided further* that if the Initial Shares are reduced as provided in the preceding proviso, then JPMorgan shall use commercially reasonable efforts to borrow or otherwise acquire an additional number of Shares, at a stock borrow cost no greater than the Initial Stock Loan Rate, equal to the shortfall in the Initial Shares delivered on the Initial Share Delivery Date and shall deliver such additional Shares as promptly as practicable, and all Shares so delivered shall be considered Initial Shares. All Shares delivered to Counterparty in respect of the Transaction pursuant to this paragraph shall be the “Initial Shares” for purposes of “Number of Shares to be Delivered” in the Master Confirmation.

Initial Share Delivery Date: [\_\_\_\_], 20[\_\_\_]

Ordinary Dividend Amount: For any Dividend before the Termination Date, USD [\_\_\_] per Share For any Dividend after the Termination Date, USD 0.00 per Share

Scheduled Ex-Dividend Dates: [\_\_\_\_\_]

Maximum Stock Loan Rate: [\_\_\_] basis points per annum

Initial Stock Loan Rate: [\_\_\_] basis points per annum

Maximum Number of Shares: [\_\_\_] Shares

Floor Price: USD 0.01 per Share

Specified ADTV Percentage: For any Exchange Business Day, [\_\_\_]% of the ADTV (as defined in Rule 10b-18) of the Shares.

Termination Price: USD [\_\_\_] per Share

Additional Relevant Days: The [\_\_\_] Exchange Business Days immediately following the Calculation Period.

Reserved Shares: [\_\_\_] Shares.

3. In addition to the covenants in the Agreement, the Master Confirmation and herein, JPMorgan agrees to use commercially reasonable efforts, during the Calculation Period and any Settlement Valuation Period or Seller Termination Purchase Period for the Transaction, to make or cause to be made all purchases of Shares in connection with the Transaction (other than any purchases made by JPMorgan or its affiliate in connection with dynamic hedge adjustments of JPMorgan’s exposure to the Transaction as a result of any equity optionality contained in the Transaction, including any timing optionality) in a manner that would comply with the limitations set forth in clauses (b)(2), (b)(3) and (b)(4) of Rule 10b-18, as if such rule was applicable to such purchases and taking into account any applicable Securities and Exchange Commission no-action letters as appropriate, and subject to any delays between the execution and reporting of a trade of the Shares on the Exchange and other circumstances beyond JPMorgan’s control; *provided* that, without limiting the generality of the foregoing, JPMorgan shall not be responsible for any failure to comply with Rule 10b-18(b)(3) to the extent any transaction that was executed (or deemed to be executed) by or on behalf of Counterparty or an “affiliated purchaser” pursuant to a separate agreement is not deemed to be an “independent bid” or an “independent transaction” for purposes of Rule 10b-18(b)(3).

3. Counterparty represents and warrants to JPMorgan that neither it nor any “affiliated purchaser” (as defined in Rule 10b-18 under the Exchange Act) has made any purchases of blocks pursuant to the proviso in Rule

10b-18(b)(4) under the Exchange Act during either (i) the four full calendar weeks immediately preceding the Trade Date or (ii) during the calendar week in which the Trade Date occurs, except as set forth in any notice delivered pursuant to Section 6(b)(xv) of the Master Confirmation.

4. This Supplemental Confirmation may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Supplemental Confirmation by signing and delivering one or more counterparts.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Supplemental Confirmation and returning it to us.

Very truly yours,

**JPMORGAN CHASE BANK, NATIONAL ASSOCIATION**

By: \_\_\_\_\_

Authorized Signatory

Name:

Accepted and confirmed as of the Trade Date:

**SLM CORPORATION**

By: \_\_\_\_\_

Authorized Signatory

Name:

FORM OF CERTIFICATE OF RULE 10B-18 PURCHASES

[Letterhead of Counterparty]

JPMorgan Chase Bank, National Association  
New York Branch  
383 Madison Avenue New York, NY, 10179

Re: Uncollared Accelerated Share Repurchase

Ladies and Gentlemen:

In connection with our entry into the Master Confirmation, dated as of March 10, 2020, between JPMorgan Chase Bank, National Association and SLM Corporation, a Delaware corporation, as amended and supplemented from time to time (the “**Master Confirmation**”) and the Supplemental Confirmation thereto, dated as of [\_\_\_\_\_], 20[\_\_\_], we hereby represent that set forth below is the total number of shares of our common stock purchased by or for us or any of our affiliated purchasers in Rule 10b-18 purchases of blocks (all as defined in Rule 10b-18 under the Securities Exchange Act of 1934) pursuant to the once-a-week block exception set forth in Rule 10b-18(b)(4) during the four full calendar weeks immediately preceding the first day of the [Settlement Valuation Period][Seller Termination Purchase Period] (as defined in the Master Confirmation) and the week during which the first day of such [Settlement Valuation Period][Seller Termination Purchase Period] occurs.

Number of Shares: \_\_\_\_\_

We understand that you will use this information in calculating trading volume for purposes of Rule 10b-18.

Very truly yours,

**SLM CORPORATION**

By: \_\_\_\_\_

Authorized Signatory

Name:

## COUNTERPARTY SETTLEMENT PROVISIONS

1. The following Counterparty Settlement Provisions shall apply to any Transaction to the extent indicated under the Master Confirmation:

Settlement Currency: USD

Settlement Method Election: Applicable; *provided* that (i) Section 7.1 of the Equity Definitions is hereby amended by deleting the word “Physical” in the sixth line thereof and replacing it with the words “Net Share” and (ii) the Electing Party may make a settlement method election only if the Electing Party represents and warrants to JPMorgan in writing on the date it notifies JPMorgan of its election that, as of such date, the Electing Party is not aware of any material non-public information regarding Counterparty or the Shares and is electing the settlement method in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws.

Electing Party: Counterparty

Settlement Method Election Date: The earlier of (i) the Scheduled Termination Date and (ii) the second Exchange Business Day immediately following the date of the Accelerated Notice (in which case the election under Section 7.1 of the Equity Definitions shall be made no later than 10 minutes prior to the open of trading on the Exchange on such second Exchange Business Day), as the case may be.

Default Settlement Method: Cash Settlement

Forward Cash Settlement Amount: An amount equal to (a) the Number of Shares to be Delivered, *multiplied by* (b) the Settlement Price.

Settlement Price: An amount equal to the average of the VWAP Prices for the Exchange Business Days in the Settlement Valuation Period, subject to Valuation Disruption as specified in the Master Confirmation.

Settlement Valuation Period: A number of Scheduled Trading Days selected by JPMorgan in its reasonable discretion, beginning on the Scheduled Trading Day immediately following the earlier of (i) the Scheduled Termination Date or (ii) the Exchange Business Day immediately following the Termination Date.

Cash Settlement: If Cash Settlement is applicable, then Buyer shall pay to JPMorgan the absolute value of the Forward Cash Settlement Amount on the Cash Settlement Payment Date.

Cash Settlement Payment Date: The date that is one Settlement Cycle immediately following the last day of the Settlement Valuation Period.

Net Share Settlement Procedures: If Net Share Settlement is applicable, Net Share Settlement shall be made in accordance with paragraphs 2 through 7 below.

2. Net Share Settlement shall be made by delivery on the Cash Settlement Payment Date of a number of Shares satisfying the conditions set forth in paragraph 3 below (the “**Registered Settlement Shares**”), or a number of Shares not satisfying such conditions (the “**Unregistered Settlement Shares**”), in either case with a

value equal to the absolute value of the Forward Cash Settlement Amount, with such Shares' value based on the value thereof to JPMorgan (which value shall, in the case of Unregistered Settlement Shares, take into account a commercially reasonable illiquidity discount), in each case as determined by the Calculation Agent. If all of the conditions for delivery of either Registered Settlement Shares or Unregistered Settlement Shares have not been satisfied, Cash Settlement shall be applicable in accordance with paragraph 1 above notwithstanding Counterparty's election of Net Share Settlement.

3. Counterparty may only deliver Registered Settlement Shares pursuant to paragraph 2 above if:

(a) a registration statement covering public resale of the Registered Settlement Shares by JPMorgan (the "**Registration Statement**") shall have been filed with the Securities and Exchange Commission under the Securities Act and been declared or otherwise become effective on or prior to the date of delivery, and no stop order shall be in effect with respect to the Registration Statement; a printed prospectus relating to the Registered Settlement Shares (including, without limitation, any prospectus supplement thereto, the "**Prospectus**") shall have been delivered to JPMorgan, in such quantities as JPMorgan shall reasonably have requested, on or prior to the date of delivery;

(b) the form and content of the Registration Statement and the Prospectus (including, without limitation, any sections describing the plan of distribution) shall be reasonably satisfactory to JPMorgan;

(c) as of or prior to the date of delivery, JPMorgan and its agents shall have been afforded a reasonable opportunity to conduct a due diligence investigation with respect to Counterparty customary in scope for underwritten offerings of equity securities by issuers of comparable size to Counterparty and in the same industry as Counterparty and the results of such investigation are satisfactory to JPMorgan, in its good faith discretion; and

(d) as of the date of delivery, an agreement (the "**Underwriting Agreement**") shall have been entered into with JPMorgan in connection with the public resale of the Registered Settlement Shares by JPMorgan substantially similar to underwriting agreements customary for underwritten offerings of equity securities by issuers of comparable size to Counterparty and in the same industry as Counterparty, in form and substance reasonably satisfactory to JPMorgan, which Underwriting Agreement shall include, without limitation, provisions substantially similar to those contained in such underwriting agreements relating, without limitation, to the indemnification of, and contribution in connection with the liability of, JPMorgan and its Affiliates and the provision of customary opinions, accountants' comfort letters and lawyers' negative assurance letters.

4. If Counterparty delivers Unregistered Settlement Shares pursuant to paragraph 2 above:

(a) all Unregistered Settlement Shares shall be delivered to JPMorgan (or any Affiliate of JPMorgan designated by JPMorgan) pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) thereof;

(b) as of or prior to the date of delivery, JPMorgan and any potential purchaser of any such shares from JPMorgan (or any Affiliate of JPMorgan designated by JPMorgan) identified by JPMorgan shall be afforded a commercially reasonable opportunity to conduct a due diligence investigation with respect to Counterparty customary in scope for private placements of equity securities by issuers of comparable size to Counterparty and in the same industry as Counterparty (including, without limitation, the right to have made available to them for inspection all financial and other records, pertinent corporate documents and other information reasonably requested by them);

(c) as of the date of delivery, Counterparty shall enter into an agreement (a "**Private Placement Agreement**") with JPMorgan (or any Affiliate of JPMorgan designated by JPMorgan) in connection with the private placement of such shares by Counterparty to JPMorgan (or any such Affiliate) and the private resale of such shares by JPMorgan (or any such Affiliate), substantially similar to private placement purchase agreements customary for private placements of equity securities by issuers of comparable size to Counterparty and in the same industry as Counterparty, in form and substance commercially reasonably satisfactory to JPMorgan, which Private Placement Agreement shall include, without limitation, provisions substantially similar to those contained in such private placement purchase agreements relating, without limitation, to the indemnification of, and contribution in connection with the liability of, JPMorgan and its Affiliates (but shall not provide for the delivery of legal opinions, accountants' comfort letters or lawyers' negative assurance letters) and shall provide for the payment by

Counterparty of all reasonable, out-of-pocket fees and expenses of JPMorgan (and any such Affiliate) in connection with such resale, including, without limitation, all reasonable fees and expenses of outside counsel for JPMorgan, and shall contain representations, warranties, covenants and agreements of Counterparty reasonably necessary or advisable to establish and maintain the availability of an exemption from the registration requirements of the Securities Act for such resales; and

(d) in connection with the private placement of such shares by Counterparty to JPMorgan (or any such Affiliate) and the private resale of such shares by JPMorgan (or any such Affiliate), Counterparty shall, if so requested by JPMorgan, prepare, in cooperation with JPMorgan, a private placement memorandum in form and substance reasonably satisfactory to JPMorgan.

5. JPMorgan, itself or through an Affiliate (the “**Selling Agent**”) or any underwriter(s), will sell all, or such lesser portion as may be required hereunder, of the Registered Settlement Shares or Unregistered Settlement Shares and any Makewhole Shares (as defined below) (together, the “**Settlement Shares**”) delivered by Counterparty to JPMorgan pursuant to paragraph 6 below as promptly as reasonably practicable commencing on the Cash Settlement Payment Date and continuing until the date on which the aggregate Net Proceeds (as such term is defined below) of such sales, as determined by JPMorgan, is equal to the absolute value of the Forward Cash Settlement Amount (such date, the “**Final Resale Date**”). If the proceeds of any sale(s) made by JPMorgan, the Selling Agent or any underwriter(s), net of any commercially reasonable fees and commissions (including, without limitation, underwriting or placement fees) customary for similar transactions under the circumstances at the time of the offering, together with carrying charges and expenses incurred in connection with the offer and sale of the Shares (including, without limitation, the covering of any over-allotment or short position (syndicate or otherwise)) (the “**Net Proceeds**”) exceed the absolute value of the Forward Cash Settlement Amount, JPMorgan will refund, in USD, such excess to Counterparty on the date that is three (3) Currency Business Days following the Final Resale Date, and, if any portion of the Settlement Shares remains unsold, JPMorgan shall return to Counterparty on that date such unsold Shares.

6. If the Calculation Agent determines that the Net Proceeds received from the sale of the Registered Settlement Shares or Unregistered Settlement Shares or any Makewhole Shares, if any, pursuant to this paragraph 6 are less than the absolute value of the Forward Cash Settlement Amount (the amount in USD by which the Net Proceeds are less than the absolute value of the Forward Cash Settlement Amount being the “**Shortfall**” and the date on which such determination is made, the “**Deficiency Determination Date**”), Counterparty shall on the Exchange Business Day next succeeding the Deficiency Determination Date (the “**Makewhole Notice Date**”) deliver to JPMorgan, through the Selling Agent, a notice of Counterparty’s election that Counterparty shall either (i) pay an amount in cash equal to the Shortfall on the day that is three Currency Business Days after the Makewhole Notice Date, or (ii) deliver additional Shares. If Counterparty elects to deliver to JPMorgan additional Shares, then Counterparty shall deliver additional Shares in compliance with the terms and conditions of paragraph 3 or paragraph 4 above, as the case may be (the “**Makewhole Shares**”), on the third Clearance System Business Day which is also an Exchange Business Day following the Makewhole Notice Date in such number as the Calculation Agent reasonably determines would have a market value on that Exchange Business Day equal to the Shortfall. Such Makewhole Shares shall be sold by JPMorgan in accordance with the provisions above; *provided* that if the sum of the Net Proceeds from the sale of the originally delivered Shares and the Net Proceeds from the sale of any Makewhole Shares is less than the absolute value of the Forward Cash Settlement Amount then Counterparty shall, at its election, either make such cash payment or deliver to JPMorgan further Makewhole Shares until such Shortfall has been reduced to zero.

7. Notwithstanding the foregoing, in no event shall the aggregate number of Settlement Shares for any Transaction be greater than the Reserved Shares for such Transaction *minus* the amount of any Shares actually delivered by Counterparty under any other Transaction under this Master Confirmation (the result of such calculation, the “**Capped Number**”). Counterparty represents and warrants (which shall be deemed to be repeated on each day that a Transaction is outstanding) that the Capped Number is equal to or less than the number of Shares determined according to the following formula:

$$A - B$$

Where A = the number of authorized but unissued shares of Counterparty that are not reserved for future issuance on the date of the determination of the Capped Number; and

B = the maximum number of Shares required to be delivered to third parties if Counterparty elected Net Share Settlement of all transactions in the Shares (other than Transactions in the Shares under this Master Confirmation) with all third parties that are then currently outstanding and unexercised.

“**Reserved Shares**” for any Transaction shall be as set forth in the Supplemental Confirmation for such Transaction.

If at any time, as a result of this paragraph 7, Counterparty fails to deliver to JPMorgan any Settlement Shares, Counterparty shall, to the extent that Counterparty has at such time authorized but unissued Shares not reserved for other purposes, promptly notify JPMorgan thereof and deliver to JPMorgan a number of Shares not previously delivered as a result of this paragraph 7. Counterparty agrees to use its best efforts to cause the number of authorized but unissued Shares to be increased, if necessary, to an amount sufficient to permit Counterparty to fulfill its obligation to deliver any Settlement Shares.

## COMMUNICATIONS PROCEDURES

March 10, 2020

I. Introduction

SLM Corporation (“**Counterparty**”) and JPMorgan Chase Bank, National Association (“**JPMorgan**”) have adopted these communications procedures (the “**Communications Procedures**”) in connection with entering into the Master Confirmation (the “**Master Confirmation**”), dated as of March 10, 2020, between JPMorgan and Counterparty relating to Uncollared Accelerated Share Repurchase transactions. These Communications Procedures supplement, form part of, and are subject to the Master Confirmation.

II. Communications Rules

For each Transaction, from the Trade Date for such Transaction until the date all payments or deliveries of Shares have been made with respect to such Transaction, Counterparty and its Employees and Designees shall not engage in any Program-Related Communication with, or disclose any Material Non-Public Information to, any EDG Trading Personnel. Except as set forth in the preceding sentence, the Master Confirmation shall not limit Counterparty and its Employees and Designees in their communication with Affiliates and Employees of JPMorgan, including, without limitation, Employees who are EDG Permitted Contacts.

III. Termination

If, in the sole judgment of any EDG Trading Personnel or any Affiliate or Employee of JPMorgan participating in any Communication with Counterparty or any Employee or Designee of Counterparty, such Communication would not be permitted by these Communications Procedures, such EDG Trading Personnel or Affiliate or Employee of JPMorgan shall immediately terminate such Communication. In such case, or if such EDG Trading Personnel or Affiliate or Employee of JPMorgan determines following completion of any Communication with Counterparty or any Employee or Designee of Counterparty that such Communication was not permitted by these Communications Procedures, such EDG Trading Personnel or such Affiliate or Employee of JPMorgan shall promptly consult with his or her supervisors and with counsel for JPMorgan regarding such Communication. If, in the reasonable judgment of JPMorgan’s counsel following such consultation, there is a more than insignificant risk that such Communication could materially jeopardize the availability of the affirmative defenses provided in Rule 10b5-1 under the Exchange Act with respect to any ongoing or contemplated activities of JPMorgan or its Affiliates in respect of any Transaction pursuant to the Master Confirmation, it shall be an Additional Termination Event pursuant to Section 19(a) of the Master Confirmation, with Counterparty as the sole Affected Party and all Transactions under the Master Confirmation as Affected Transactions.

IV. Definitions

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Master Confirmation. As used herein, the following words and phrases shall have the following meanings:

“**Communication**” means any contact or communication (whether written, electronic, oral or otherwise) between Counterparty or any of its Employees or Designees, on the one hand, and JPMorgan or any of its Affiliates or Employees, on the other hand.

“**Designee**” means a person designated, in writing or orally, by Counterparty to communicate with JPMorgan on behalf of Counterparty.

“**EDG Permitted Contact**” means any of Mr. David Aidelson, Mr. Elliot Chalom, Ms. Yana Chernobilsky, Mr. Ganaraj S. Hegde, Mr. James B. Lee and Mr. Noah L. Wynkoop or any of their designees; *provided* that JPMorgan may amend the list of EDG Permitted Contacts by delivering a revised list of EDG Permitted Contacts to Counterparty.

**“EDG Trading Personnel”** means Mr. Michael Captain, Ms. Jennifer Hilibrand, Mr. Spyros Kallipolitis, Mr. Michael Tatro and any other Employee of the public side of the Equity Derivatives Group of JPMorgan Chase & Co. notified to Counterparty in writing from time to time; *provided* that JPMorgan may amend the list of EDG Trading Personnel by delivering a revised list of EDG Trading Personnel to Counterparty; and *provided further* that, for the avoidance of doubt, the persons listed as EDG Permitted Contacts are not EDG Trading Personnel.

**“Employee”** means, with respect to any entity, any owner, principal, officer, director, employee or other agent or representative of such entity, and any Affiliate of any of such owner, principal, officer, director, employee, agent or representative.

**“Material Non-Public Information”** means information relating to Counterparty or the Shares that (a) has not been widely disseminated by wire service, in one or more newspapers of general circulation, by communication from Counterparty to its shareholders or in a press release, or contained in a public filing made by Counterparty with the Securities and Exchange Commission and (b) a reasonable investor might consider to be of importance in making an investment decision to buy, sell or hold Shares. For the avoidance of doubt and solely by way of illustration, information should be presumed “material” if it relates to such matters as dividend increases or decreases, earnings estimates, changes in previously released earnings estimates, significant expansion or curtailment of operations, a significant increase or decline of orders, significant merger or acquisition proposals or agreements, significant new products or discoveries, extraordinary borrowing, major litigation, liquidity problems, extraordinary management developments, purchase or sale of substantial assets and similar matters.

**“Program-Related Communication”** means any Communication the subject matter of which relates to the Master Confirmation or any Transaction under the Master Confirmation or any activities of JPMorgan (or any of its Affiliates) in respect of the Master Confirmation or any Transaction under the Master Confirmation.

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jonathan W. Witter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JONATHAN W. WITTER

Jonathan W. Witter

Chief Executive Officer

(Principal Executive Officer)

April 22, 2020

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Steven J. McGarry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEVEN J. MCGARRY

Steven J. McGarry

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

April 22, 2020

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

In connection with the Quarterly Report of SLM Corporation (the “Company”) on Form 10-Q for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jonathan W. Witter, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ JONATHAN W. WITTER

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Jonathan W. Witter

Chief Executive Officer

(Principal Executive Officer)

April 22, 2020

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

In connection with the Quarterly Report of SLM Corporation (the “Company”) on Form 10-Q for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Steven J. McGarry, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ STEVEN J. MCGARRY

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Steven J. McGarry

Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

April 22, 2020