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

Form 10-K

(Mark One)
☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2019

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	**52-2013874**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

300 Continental Drive	**Newark,**	**Delaware**	**19713**
(Address of principal executive offices)			**(Zip Code)**

(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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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. (Check one):

Large accelerated filer	☑		Accelerated filer ☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company ☐
Emerging growth company	☐		

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 ☑

The aggregate market value of voting common stock held by non-affiliates of the Registrant as of June 30, 2019 was $4.1 billion (based on closing sale price of $9.72 per share as reported for the NASDAQ Global Select Market).

As of January 31, 2020, there were 422,615,193 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement relating to the Registrant's 2020 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

SLM CORPORATION

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FORWARD-LOOKING AND CAUTIONARY STATEMENTS

References in this Annual Report on Form 10-K 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 Annual Report on Form 10-K 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, 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 for originations and earnings growth 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 this Annual Report on Form 10-K and subsequent filings with the Securities and Exchange Commission ("SEC"); 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 Annual Report on Form 10-K 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.

AVAILABLE INFORMATION

Our website address is www.salliemae.com. Copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as any amendments to those reports, and our Proxy Statements and any significant investor presentations, are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The SEC maintains a website at www.sec.gov that contains all such filed or furnished reports and other information. In addition, copies of our Board Governance Guidelines, Code of Business Conduct (which includes the code of ethics applicable to our Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer) and the governing charters for each committee of our Board of Directors are available free of charge on our website, as well as in print, to any stockholder upon request. We intend to disclose any amendments to or waivers of our Code of Business Conduct (to the extent applicable to our Principal Executive Officer, Principal Financial Officer or Principal Accounting Officer) by posting such information on our website. Information contained or referenced on our website is not incorporated by reference into and does not form a part of this Annual Report on Form 10-K.

PART I.

Item 1. Business

Our Company Mission

SLM Corporation, more commonly known as Sallie Mae, is the premier financial brand for college and continuous education. We are in the business of building prosperous futures by providing access, planning outcomes, and helping students and families responsibly fund their future.

We believe education, in all forms, is the foundation for success, an equalizer of opportunities, and a proven pathway to economic mobility. And data clearly shows those who attend and graduate from college, or other postsecondary programs, are better off personally and financially in the long run. For example, data from the U.S. Bureau of Labor and Statistics confirms those with bachelor's degrees earn 64 percent more than those with a high school diploma.[1] Those with advanced degrees earn an even greater percentage than those with a high school diploma.[1] Even further, our society prospers and becomes more economically inclusive when each of its members is provided with access to postsecondary education.[2] Education represents an investment in one's future, a transformative investment that yields our country's next nurses, teachers, engineers, business leaders, and more.

Our customers share a growth mindset that transcends demographics, and they make the investment in education because they aspire to a better future. For our customers, it is not just about getting to, and graduating from, their course of study, but unlocking new perspectives, thinking big, and achieving more after college. They want to make an impact in the world. Their path ahead is our purpose. Over the course of our relationship, our customers advance from an emerging financial understanding to learning financial responsibility, transitioning to financial stability, and ultimately achieving financial independence. Our tools, resources, and products help customers to accomplish what is next with confidence and build the strong foundation they will need to succeed.

Our History

While the Sallie Mae name has existed for more than 40 years, the company that operates as Sallie Mae today, SLM Corporation, was formed in late 2013 and includes its wholly-owned subsidiary, Sallie Mae Bank, an industrial bank established in 2005 (the "Bank"). On April 30, 2014, we legally separated (the "Spin-Off") from another public company that is now named Navient Corporation ("Navient"), which is in the education loan management, servicing, and asset recovery business. Navient retained all assets and liabilities generated prior to the Spin-Off other than those explicitly retained by us pursuant to the Separation and Distribution Agreement (as hereinafter defined) executed in connection with the Spin-Off. We are a consumer banking business and did not retain any assets or liabilities generated prior to the Spin-Off other than those explicitly retained by us pursuant to the Separation and Distribution Agreement. We sometimes refer to the company that existed prior to the Spin-Off as "pre-Spin-Off SLM."

The Bank was formed in 2005 to fund and originate Private Education Loans (as hereinafter defined) on behalf of pre-Spin-Off SLM. While the Bank first originated Private Education Loans in February 2006, pre-Spin-Off SLM continued to purchase a portion of its Private Education Loans from third-party lending partners through mid-2009. With some minor exceptions, the Bank became the sole originator of Private Education Loans for pre-Spin-Off SLM beginning with the 2009-2010 academic year, the first academic year following the launch of the Bank's Smart Option Student Loan program in mid-2009.

Our principal executive offices are located at 300 Continental Drive, Newark, Delaware 19713. Additionally, we have offices in New Castle, Delaware; Salt Lake City, Utah; Indianapolis, Indiana; Newton, Massachusetts; and Sterling, Virginia. Our telephone number is (302) 451-0200.

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[1] https://www.bls.gov/emp/chart-unemployment-earnings-education.htm
[2] https://research.collegeboard.org/trends/education-pays

Our Business

Our primary business is to originate and service high-quality Private Education Loans. “Private Education Loans” are education loans for students or their families that are not made, insured or guaranteed by any state or federal government. We also offer a range of deposit products insured by the Federal Deposit Insurance Corporation (the “FDIC”) and operate a consumer savings network that provides financial rewards on everyday purchases to help families save for college. In 2019, nearly 456,000 families chose us as their Private Education Loan provider, more than any other private student loan lender. We originated $5.6 billion of Private Education Loans, an increase of 6 percent from the year ended December 31, 2018. As of December 31, 2019, we had $22.9 billion of Private Education Loans, net, outstanding.

Private Education Loans

The Private Education Loans we make to students and families serve primarily to bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans and student and families’ resources. We also extend Private Education Loans as an alternative to similar federal education loan products where we believe our rates are competitive. We earn interest income on our Private Education Loan portfolio.

In 2009, we introduced the Smart Option Student Loan, our primary Private Education Loan product emphasizing in-school payment features that can produce shorter terms and reduce customers’ total finance charges. Customers generally elect one of three Smart Option repayment types at the time of loan origination. The first two, Interest Only and Fixed Payment options, require monthly payments while the student is in school and during the grace period thereafter, and accounted for approximately 50 percent of the Private Education Loans the Bank originated during 2019. The third repayment option is the more traditional deferred Private Education Loan product where customers are not required to make payments while the student is in school and during the grace period after separation from school. (The grace period for a Smart Option Student Loan generally runs for six months after the borrower separates from school, but can run for up to 36 months for a small subset of graduate loans). Lower interest rates on the Interest Only and Fixed Payment options encourage customers to elect those options, which help customers reduce their total loan cost compared with the traditional deferred option loan. Making payments while in school helps customers become accustomed to making on-time regular loan payments. We offer both variable-rate and fixed-rate loans.

In 2018, we expanded our offerings to include six new loan products for specific graduate programs of study. These included the Sallie Mae Law School Loan, the Sallie Mae MBA Loan, the Sallie Mae Health Professions Graduate Loan, the Sallie Mae Medical School Loan, the Sallie Mae Dental School Loan, and the Sallie Mae Graduate School Loan. These products were designed to address the specific needs of graduate students, such as extended grace periods for medical students.

We regularly review and update the terms of our Private Education Loan products. Our Private Education Loans include important protections for the family, including loan forgiveness in case of death or permanent disability of the student borrower, a free, quarterly FICO score benefit to students and cosigners and, for borrowers with a Smart Option Student Loan, on-line tutoring services to help students succeed in school.

As a holder of Private Education Loans, we bear the full credit risk of the customers. We manage this risk by underwriting and pricing based on customized credit scoring criteria and the addition of qualified cosigners. For Private Education Loans originated during the year ended December 31, 2019, our average FICO scores (representing the higher credit scores of the cosigners or borrowers) at the time of original approval were 746 and approximately 86.6 percent of those loans were cosigned. In addition, we voluntarily require school certification of both the need for, and the amount of, every Private Education Loan we originate (to prevent unnecessary borrowing beyond a school’s cost of attendance), and we disburse the loan proceeds directly to the higher education institutions to ensure loan proceeds are applied directly to the student’s education expenses.

The core of our marketing strategy is to promote our products on campuses through financial aid offices as well as through online and direct marketing to students and families. Our on-campus efforts with approximately 2,400 higher education institutions are led by our sales force, the largest in the industry, which has become a trusted resource for financial aid offices.

Our loans are high credit quality and the overwhelming majority of our customers manage their payments with great success. Loans in repayment include loans on which customers 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. At December 31, 2019, 2.8 percent of loans in repayment were greater than 30 days delinquent, and loans in forbearance were 4.1 percent of loans in repayment and forbearance. In 2019, net charge-offs as a percentage of average loans in repayment was 1.17 percent.

Sallie Mae Bank

The Bank, which is regulated by the Utah Department of Financial Institutions (the "UDFI"), the FDIC, and the Consumer Financial Protection Bureau (the "CFPB"), offers traditional savings products, such as high-yield savings accounts, money market accounts, and certificates of deposit ("CDs"), originates Private Education Loans, and manages a loan portfolio that also includes Personal Loans (as defined below), loans insured or guaranteed under the previously existing Federal Family Education program ("FFELP Loans") and credit card loans ("Credit Cards"). At December 31, 2019, the Bank had total assets of $32.5 billion, including $22.9 billion of Private Education Loans, net, $984 million of Personal Loans, net, $784 million of FFELP Loans, net, $4 million of Credit Cards, net, and total deposits of $24.6 billion.

Our ability to obtain deposit funding and offer competitive interest rates on deposits will be necessary to sustain the growth of our Private Education Loan and other originations. Our ability to obtain such funding is dependent, in part, on the capital levels of the Bank and its compliance with other applicable regulatory requirements. At the time of this filing, there are no regulatory restrictions on our ability to obtain deposit funding or the interest rates we offer other than those restrictions generally applicable to all FDIC-insured banks of similar charter and size. We maintained our diversified funding base by raising $1.1 billion in term funding collateralized by pools of Private Education Loans in the long-term asset-backed securities ("ABS") market in 2019. This brought our total ABS funding outstanding at December 31, 2019 (which takes into account $1.0 billion in ABS repayments during 2019) to $4.2 billion, or 18 percent of our total Private Education Loan portfolio. We plan to continue to use ABS funding, market conditions permitting. This helps us better match-fund our assets and avoids excessive reliance on deposit funding.

See the subsection titled "Regulation of Sallie Mae Bank" under "Supervision and Regulation" for additional details about the Bank.

Credit Cards

In 2019, we introduced three new credit card offerings, each uniquely designed to promote and reward financial responsibility, including the only card that offers a cash back bonus that cardholders can apply to pay down a student loan. At December 31, 2019, we had $4 million of Credit Cards, net outstanding.

Personal Loans

We began purchasing unsecured personal loans used for non-educational purposes ("Personal Loans") from a marketplace lender in 2016 and discontinued those purchases in July 2018. In 2018, we began to originate Personal Loans. In the fourth quarter of 2019, we discontinued new Personal Loan originations in order to focus resources on core business strategic priorities and do not expect to originate or purchase any Personal Loans in 2020. We processed completed Personal Loan applications received by December 15, 2019 and continue to provide Personal Loan customers with the high-quality service they have come to expect. At December 31, 2019, we had $984 million of Personal Loans, net outstanding.

Upromise and SmartyPig

Upromise is a free to join rewards program helping Americans save for college. Members can earn cash back rewards when shopping at participating on-line retailers, dining out at participating restaurants, and by using their Upromise Mastercard. Since inception, Upromise members have earned more than $1 billion through the program.

Our SmartyPig™ product is a free, FDIC-insured, online, goal-based savings account that helps consumers save for long- and short-term goals. Its tiered interest rates reward consumers for growing their savings.

Our Lending Philosophy

Sallie Mae is committed to lending responsibly and encourages responsible borrowing by advising students and families to follow this three-step approach to paying for college:

Start with money you won't have to pay back. Supplement your college savings and income by maximizing scholarships, grants, and work-study.

Explore federal student loans. We encourage students to explore federal student loan options by completing the Free Application for Federal Student Aid.

Consider a responsible private student loan. Fill the gap between your available resources and the cost of college.

The best interests of our customers are front-and-center and integral to our responsible lending philosophy. We reward financial responsibility, emphasize building good credit, and provide flexible repayment terms to help customers manage and eliminate debt. We also embed customer protections in our products. To ensure applicants borrow only what they need to cover their school's cost of attendance, we actively engage with schools and require school certification before we disburse a Private Education Loan. To help applicants understand their loan and its terms, we provide multiple, customized disclosures explaining the applicant's starting interest rate, the interest rate during the life of the loan, and the loan's total cost under the available repayment options. Our Private Education Loans feature (i) no origination fees and no prepayment penalties, (ii) interest rate reductions for those who enroll in and make monthly payments through auto debit, (iii) free access to quarterly FICO credit scores to help customers monitor their credit health, (iv) a choice of repayment options, and (v) a choice of either variable or fixed interest rates. Beginning in 2017, all newly-originated Private Education Loans for undergraduate students included the benefit of free access to study services at an online third-party vendor to assist students in advancing their education.

Our Approach to Assisting Students and Families Borrowing and Repaying Private Education Loans

The majority of our Private Education Loan customers elect an in-school repayment option. By making in-school payments, customers learn to establish good repayment patterns, reduce their total loan cost, and graduate with less debt. We send monthly communications to customers while they are in school, even if they have no monthly payments scheduled, to keep them informed and encourage them to reduce the amount they will owe when they leave school.

Some customers transitioning from school to the work force may require more time before they are financially capable of making full payments of principal and interest. Sallie Mae created a Graduated Repayment Program (the "GRP") to assist borrowers with additional payment flexibility, allowing customers to make interest-only payments instead of full principal and interest payments for a period of 12 months if they elect within a specified time frame to participate in the GRP. The time frame for electing to participate in the GRP begins six months before expiration of a borrower's grace period and extends until 12 months after the expiration of the grace period. The 12-month interest only payments under the GRP begin upon expiration of a borrower's grace period or election of the GRP, whichever is later.

Our experience has taught us the successful transition from school to full principal and interest repayment status involves making and carrying out a financial plan. As customers approach the principal and interest repayment period on their loans, Sallie Mae engages with them and communicates what to expect during the transition. In addition, SallieMae.com provides educational content for customers on how to organize loans, set up a monthly budget, and understand repayment obligations. Examples are provided to help explain how payments are applied and allocated, and see how the accrued interest on alternative repayment programs could affect the cost of customers' loans. The site also provides important information on benefits available to service men and women under the Servicemembers Civil Relief Act (the "SCRA").

After graduation, a customer may apply for the cosigner to be released from the loan. This option is available after 12 principal and interest payments are made and the student borrower adequately meets our credit requirements. In the event of a cosigner's death, the student borrower automatically continues as the sole individual on the loan with the same terms.

If a customer's account becomes delinquent, our collections centers work with the customer and/or the cosigner to understand their ability to make ongoing payments. If the customer is in financial hardship, we work with the customer and/or cosigner to understand their financial circumstances and identify any available alternative arrangements designed to reduce monthly payment obligations. These can include extended repayment schedules, temporary interest rate reductions and, if appropriate, short-term hardship forbearance (which typically is retroactive and granted by our collections department), suited to their individual circumstances and ability to make payments. Currently, our servicing centers generally also grant prospective forbearance if a borrower who is current requests it for increments of up to three months at a time, for up to 12 months. When we grant forbearance, we counsel customers on the effect forbearance will have on their loan balance. See Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition —

Allowance for Loan Losses — Use of Forbearance and Rate Modifications as a Private Education Loan Collection Tool” for additional information about planned changes to our credit administration practices.

Customer Service

We perform the origination, servicing and collections activities for all of our Private Education Loans in the United States with dedicated representatives assisting customers with various needs, including the military personnel customers who may be eligible for military benefits. We expect the Bank or affiliates of the Bank to retain servicing of all Private Education Loans the Bank originates, regardless of whether the loans are held, sold or securitized.

Over the past few years, we have implemented several improvements in our ability to interact with our loan customers, including:

- an integrated platform that allows customers and servicing agents to simultaneously access the same systems in real time interaction;
- an on-line chat function for customer service;
- a mobile application accessible through smart phones and the Apple watch; and
- initiation of customer surveys to gain feedback on areas for improvement within our servicing function.

These and other enhancements have contributed to streamlined originations and servicing processes, increased customer self-services rates, and improved customer satisfaction in all channels. The Company maintains an A+ rating with the Better Business Bureau and in 2019 earned the J.D. Powers and Associates Certification for Customer Service for phone support.

Customer Success

We continue to adapt our business to best serve the needs of families who see us as a trusted advisor and partner. And when our customers succeed, we succeed. Of total customers, 91 percent of our borrowers complete their program of study, 91 percent are employed, and 98 percent are successfully repaying their Sallie Mae loans.

Our College Planning Calculator helps families set college savings goals, projects the full costs of a college degree, and estimates future student loan payments and the annual starting salary level needed to keep payments manageable.

Scholarship Search, our free online scholarship database, is home to more than 5 million scholarships collectively worth over $25 billion. For academic year (“AY”) 2018-2019, more than 20,000 students reported receiving at least one scholarship via our database, covering more than $61 million in college costs. Our Scholarship Search for Graduate Students includes access to approximately 1 million graduate school scholarships with an aggregate value of more than $1 billion.

In 2019, we unveiled a new, one-stop college-planning destination — Sallie Mae’s Paying for College Resource — created with, and for, high school educators and counselors. The Sallie Mae Paying for College Resource provides access to free, online college planning tools, short educational videos on financial aid and other valuable information to help guide students and their families through the planning for college process.

Key Drivers of Private Education Loan Market Growth

The size of the Private Education Loan market is based primarily on three factors: college enrollment levels, the costs of attending college, and the availability of funds from the federal government to pay for a college education. The amounts students and their families can contribute toward college costs and the availability of scholarships and institutional grants are also important. If the cost of education increases at a pace exceeding the sum of family income, savings, federal lending, and scholarships, more students and families can be expected to rely on Private Education Loans. If enrollment levels or college costs decline, or the availability of federal education loans, grants or subsidies and scholarships significantly increases, Private Education Loan demand could decrease.

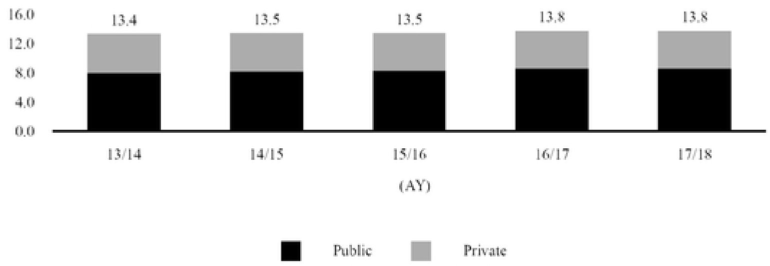
We focus primarily on students attending public and private not-for-profit four-year degree granting institutions. We lend to some students attending two-year and for-profit schools. Due to the low cost of two-year programs, federal grant and loan programs are typically sufficient for the funding needs of these students. The for-profit industry has been the subject of increased scrutiny and regulation over the last several years. Approximately 10 percent or $571 million of our 2019 Private Education Loan originations were for students attending for-profit schools. The for-profit schools where we continue to do business are primarily focused on career training and health care fields. We expect students who attend and complete programs at for-profit schools to support the same repayment performance as students who attend and graduate from public and private not-for-profit four-year degree granting institutions.

Our competitors[1] in the Private Education Loan market include large banks such as Wells Fargo Bank, N.A., Discover Bank, Citizens Financial Group, Inc. and PNC Bank, National Association, as well as a number of smaller specialty finance companies and members of the Education Finance Council. We compete based on our products, originations capability, price, and customer service.

Enrollment

We expect modest enrollment growth over the next several years.

Enrollment at Four-Year Degree Granting Institutions[2]
(in millions)



- According to the U.S. Department of Education's projections released in February 2019, the high school graduate population is projected to remain relatively flat from 2020 to 2027.[2]

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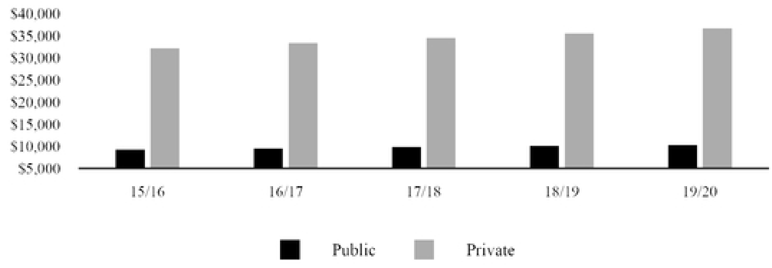
[1]Source: MeasureOne Q3 2019 Private Student Loan Report, November 2019. www.measureone.com.
[2]Source: U.S. Department of Education, National Center for Education Statistics, Projections of Education Statistics to 2027 (NCES, February 2019), Enrollment in Postsecondary Institutions (NCES, October 2018). These are the most recent sources available to us for this information.

Tuition Rates

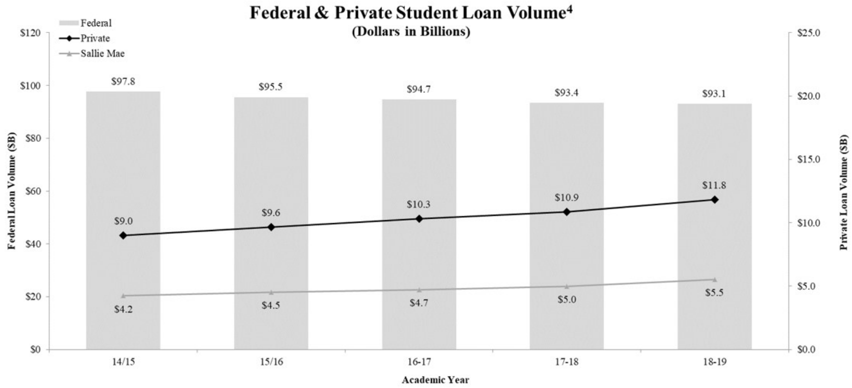
- Average published tuition and fees (exclusive of room and board) at four-year public and private not-for-profit institutions increased at compound annual growth rates of 2.1 percent and 2.7 percent, respectively, from AYs 2015-2016 through 2019-2020. Average published tuition and fees at public and private four-year not-for-profit institutions grew 2.3 percent and 2.8 percent, respectively, between AYs 2017-2018 and 2018-2019 and 2.3 percent and 3.4 percent, respectively, between AYs 2018-2019 and 2019-2020.[3] Tuition and fees are likely to continue to grow at the more modest rates of recent years.

Published Tuition and Fees[3]
(Dollars in actuals)



[3] Source: The College Board-Trends in College Pricing 2019. © 2019 The College Board. www.collegeboard.org. The College Board restates its data annually, which may cause previously reported results to vary.

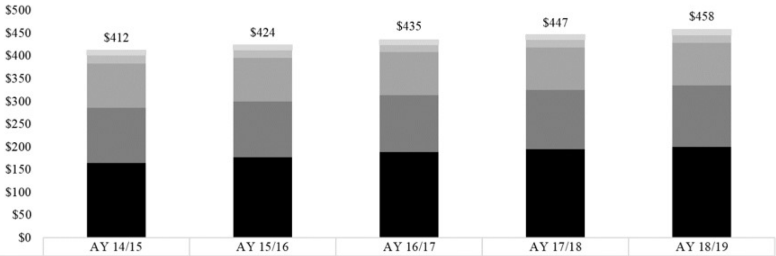
Private Education Loan originations increased to an estimated $11.8 billion in AY 2018-2019, up 8.8 percent over the previous year.[4]



[4] Source: The College Board-Trends in Student Aid 2016. © 2016 The College Board. www.collegeboard.org and The College Board-Trends in Student Aid 2019. © 2019 The College Board. www.collegeboard.org. Funding sources in current dollars and include federal and private loan data. 2019 Private Education Loan market assumptions use The College Board-Trends in Student Aid 2016© 2016 trends and College Board-Trends in Student Aid 2019 © 2019 data. Other sources for the size of the Private Education Loan market exist and may cite the size of the market differently. We believe the College Board source includes Private Education Loans made by major financial institutions in the Private Education Loan market, with an unknown adjustment for Private Education Loans made by smaller lenders such as credit unions. The College Board restates its data annually, which may cause previously reported results to vary.

- We estimate total spending on higher education was $458 billion in AY 2018-2019, up from $412 billion in AY 2014-2015. Private Education Loans represent just 2.6 percent of total spending on higher education. Modest growth in total spending can lead to meaningful increases in Private Education Loans in the absence of growth in other sources of funding.[5]

Education Funding Sources [5]
(Dollars in Billions)



	AY 14/15	AY 15/16	AY 16/17	AY 17/18	AY 18/19
Private Education Loans	$9	$10	$10	$11	$12
Tax Benefits & Work Study	$19	$18	$17	$17	$17
State & Federal Loans	$98	$96	$95	$93	$93
Grants	$121	$123	$124	$131	$136
Family Contribution	$165	$177	$189	$195	$200

■ Family Contribution ■ Grants ■ State & Federal Loans ■ Tax Benefits & Work Study ■ Private Education Loans

- Over the AYs 2015-2019 period, increases in total spending have been absorbed primarily through increased family contributions. If household finances continue to improve, we would expect this trend to continue.

[5] Source: Total post-secondary education spending is estimated by Sallie Mae determining the full-time equivalents for both graduates and undergraduates and multiplying by the estimated total per person cost of attendance for each school type. In doing so, we utilize information from the U.S. Department of Education, National Center for Education Statistics, Projections of Education Statistics to 2027 (NCES 2019, February 2019), The Integrated Postsecondary Education Data System (IPEDS), College Board -Trends in Student Aid 2016. © 2016 The College Board, www.collegeboard.org, College Board -Trends in Student Aid 2019. © 2019 The College Board, www.collegeboard.org, College Board -Trends in Student Pricing 2019. © 2019 The College Board, www.collegeboard.org, National Student Clearinghouse - Term Enrollment Estimates, and Company analysis. 2019 Private Education Loan market assumptions use The College Board-Trends in Student Aid 2016 © 2016 trends and College Board-Trends in Student Aid 2019 © 2019 data. Other sources for these data points also exist publicly and may vary from our computed estimates. NCES, IPEDS, and College Board restate their data annually, which may cause previous reports to vary. We have also recalculated figures in our Company analysis to standardize all costs of attendance to dollars not adjusted for inflation. This has a minimal impact on historically-stated numbers.

Supervision and Regulation

Overview

We are subject to extensive regulation, examination and supervision by various federal, state and local authorities. The more significant aspects of the laws and regulations that apply to us and our subsidiaries are described below. These descriptions are qualified in their entirety by reference to the full text of the applicable statutes, legislation, regulations and policies, as they may be amended, and as interpreted and applied, by federal, state and local agencies.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) was adopted to reform and strengthen regulation and supervision of the U.S. financial services industry. It contains comprehensive provisions to govern the practices and oversight of financial institutions and other participants in the financial markets. It mandates significant regulations, additional requirements and oversight on almost every aspect of the U.S. financial services industry, including increased capital and liquidity requirements, limits on leverage and enhanced supervisory authority. It requires the issuance of many regulations, which will take effect over several years.

Additionally, states are taking an increased interest in directly regulating the conduct and practices of student loan servicers. Some states recently have enacted legislation creating specialized offices within state government to oversee the student loan servicing industry operating within those states, as well as to set minimum standards governing the practices of student loan servicers. This represents a significant change from the past in which states generally did not issue laws and regulations tailored specifically to the student loan servicing industry.

Consumer Protection Laws and Regulations

Our origination, servicing, first-party collection and deposit taking activities subject us to federal and state consumer protection, privacy and related laws and regulations. Some of the more significant laws and regulations that are applicable to our business include:

- various state and federal laws governing unfair, deceptive or abusive acts or practices;
- various state laws and regulations imposing specific, mandated standards and requirements on the conduct and practices of student loan servicers;
- the federal Truth-In-Lending Act and Regulation Z, which govern disclosures of credit terms to consumer borrowers;
- the Fair Credit Reporting Act and Regulation V, which govern the use and provision of information to consumer reporting agencies;
- the Equal Credit Opportunity Act and Regulation B, which prohibit creditor practices that discriminate on the basis of race, religion and other prohibited factors in extending credit;
- the SCRA, which applies to all debts incurred prior to commencement of active military service (including education loans) and limits the amount of interest, including fees, that may be charged;
- the Truth in Savings Act and Regulation DD, which mandate certain disclosures related to consumer deposit accounts;
- the Expedited Funds Availability Act, Check Clearing for the 21st Century Act and Regulation CC issued by the Federal Reserve Bank (“FRB”), which relate to the availability of deposit funds to consumers;
- the Right to Financial Privacy Act, which imposes a duty to maintain the confidentiality of consumer financial records and prescribes procedures for complying with federal government requests for and subpoenas of financial records;
- the Electronic Funds Transfer Act and Regulation E, which govern automated transfers of funds and consumers’ rights related thereto;
- the Telephone Consumer Protection Act, which governs communication methods that may be used to contact customers;
- the Gramm-Leach-Bliley Act, which governs the ability of financial institutions to disclose nonpublic information about consumers to non-affiliated third-parties; and
- the California Consumer Privacy Act, which governs transparency and disclosure obligations regarding personal information of residents of the State of California.

Consumer Financial Protection Bureau

The Consumer Financial Protection Act, a part of the Dodd-Frank Act, established the CFPB, which has broad authority to promulgate regulations under federal consumer financial protection laws and to directly or indirectly enforce those laws, including providing regulatory oversight of the Private Education Loan industry, and to examine financial institutions for compliance. It is authorized to collect fines and order consumer restitution in the event of violations, engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. It has authority to prevent unfair, deceptive or abusive acts and practices by issuing regulations or by using its enforcement authority without first issuing regulations. The CFPB has been active in its supervision, examination and enforcement of financial services companies, notably bringing enforcement actions, imposing fines and mandating large refunds to customers of several large banking institutions. As of January 1, 2015, the CFPB has been the Bank's primary consumer compliance supervisor with compliance examination authority and primary consumer protection enforcement authority. The UDFI and FDIC remain the prudential regulatory authorities with respect to the Bank's financial strength.

The Dodd-Frank Act created the Private Education Loan Ombudsman within the CFPB to receive and attempt to informally resolve inquiries about Private Education Loans. The Private Education Loan Ombudsman is required by law to report to Congress annually on the trends and issues identified through this process. The CFPB continues to take an active interest in the student loan industry, undertaking a number of initiatives related to the Private Education Loan market and student loan servicing. In early February 2020, the CFPB entered into a Memorandum of Understanding with the U.S. Department of Education (the "CFPB/DOE MOU") in order to better serve student loan borrowers. Under the agreement, the agencies will share complaint information from borrowers and meet quarterly to discuss, among other things, the nature of complaints received and available information about the resolution of complaints.

Regulation of Sallie Mae Bank

The Bank was chartered in 2005 and is a Utah industrial bank regulated by the FDIC, the UDFI and the CFPB. We are not a bank holding company under the Bank Holding Company Act and therefore are not subject to the federal regulations applicable to bank holding companies. However, we and our non-bank subsidiaries are subject to regulation and oversight as institution-affiliated parties. The following discussion sets forth some of the elements of the bank regulatory framework applicable to us, the Bank and our other non-bank subsidiaries.

General

The Bank is currently subject to prudential regulation and examination by the FDIC and the UDFI, and consumer compliance regulation and examination by the CFPB. Numerous other federal and state laws and regulations govern almost all aspects of the operations of the Bank and, to some degree, our operations and those of our non-bank subsidiaries as institution-affiliated parties.

Actions by Federal and State Regulators

Under federal and state laws and regulations pertaining to the safety and soundness of insured depository institutions, the UDFI and the FDIC have the authority to compel or restrict certain actions of the Bank if it is determined to lack sufficient capital or other resources, or is otherwise operating in a manner deemed to be inconsistent with safe and sound banking practices. Under this authority, the Bank's regulators can require it to enter into informal or formal supervisory agreements, including board resolutions, memoranda of understanding, written agreements and consent or cease and desist orders, pursuant to which the Bank would be required to take identified corrective actions to address cited concerns and refrain from taking certain actions.

Enforcement Powers of Regulators

As “institution-affiliated parties” of the Bank, we, our non-bank subsidiaries and our management, employees, agents, independent contractors and consultants are subject to potential civil and criminal penalties for violations of law, regulations or written orders of a government agency. Violations can include failure to timely file required reports, filing false or misleading information or submitting inaccurate reports. Civil penalties may be as high as $1,000,000 per day for such violations, and criminal penalties for some financial institution crimes may include imprisonment for 20 years. Regulators have flexibility to commence enforcement actions against institutions and institution-affiliated parties, and the FDIC has the authority to terminate deposit insurance. When issued by a banking agency, cease and desist and similar orders may, among other things, require affirmative action to correct any harm resulting from a violation or practice, including by compelling restitution, reimbursement, indemnifications or guarantees against loss. A financial institution may also be ordered to restrict its growth, dispose of certain assets, rescind agreements or contracts, or take other actions determined to be appropriate by the ordering agency. The federal banking regulators also may remove a director or officer from an insured depository institution (or bar them from the industry) if a violation is willful or reckless.

In May 2014, the Bank received a Civil Investigative Demand (“CID”) from the CFPB as part of the CFPB’s separate investigation relating to customer complaints, fees and charges assessed in connection with the servicing of student loans and related collection practices of pre-Spin-Off SLM by entities now subsidiaries of Navient during a time period prior to the Spin-Off (the “CFPB Investigation”). Two state attorneys general also provided the Bank identical CIDs and other state attorneys general have become involved in the inquiry over time (collectively, the “Multi-State Investigation”). To the extent requested, the Bank has been cooperating fully with the CFPB and the attorneys general conducting the Multi-State Investigation. Given the timeframe covered by the CIDs, the CFPB Investigation and the Multi-State Investigation, and the focus on practices and procedures previously conducted by Navient and its servicing subsidiaries prior to the Spin-Off, Navient is leading the response to these investigations. Consequently, we have no basis from which to estimate either the duration or ultimate outcome of these investigations.

With regard to the CFPB Investigation, we note that on January 18, 2017, the CFPB filed a complaint in federal court in Pennsylvania against Navient, along with its subsidiaries, Navient Solutions, Inc. and Pioneer Credit Recovery, Inc. The complaint alleges these Navient entities, among other things, engaged in deceptive practices with respect to their historic servicing and debt collection practices. Neither SLM, the Bank, nor any of their current subsidiaries are named in, or otherwise a party to, the lawsuit and are not alleged to have engaged in any wrongdoing. The CFPB’s complaint asserts Navient’s assumption of these liabilities pursuant to the Separation and Distribution Agreement entered into by the Company and Navient in connection with the Spin-Off (the “Separation and Distribution Agreement”).

On January 18, 2017, the Illinois Attorney General filed a lawsuit in Illinois state court against Navient - its subsidiaries Navient Solutions, Inc., Pioneer Credit Recovery, Inc., and General Revenue Corporation - and the Bank arising out of the Multi-State Investigation. On March 20, 2017, the Bank moved to dismiss the Illinois Attorney General action as to the Bank, arguing, among other things, 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 July 10, 2018, the Court granted the Bank’s motion to dismiss without prejudice. On August 7, 2018, the Illinois Attorney General filed a First Amended Complaint and, on October 9, 2018, the Bank again moved to dismiss the action based on grounds similar to those raised in its March 20, 2017 motion. The Illinois Attorney General filed its response on November 21, 2018, and the Bank filed its reply on December 10, 2018. Oral argument on the motion took place on January 9, 2019. The Court took the motion under advisement.

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.

To date, three other state attorneys general (California, Washington and Pennsylvania) have filed suits against Navient and one or more of its current subsidiaries arising out of the Multi-State Investigation. Neither SLM, the Bank, nor any of their current subsidiaries are named in, or otherwise a party to, the California, Washington or Pennsylvania lawsuits, and no claims are asserted against them. Each complaint asserts in its own fashion that Navient assumed responsibility under the Separation and Distribution Agreement for the alleged conduct in the complaints prior to the Spin-Off. On September 24, 2018, the Washington Attorney General served a third-party subpoena on the Bank calling for the production of certain records. The Bank has responded to the subpoena.

Additional lawsuits may arise from the Multi-State Investigation which may or may not name the Company, the Bank or any of their current subsidiaries as parties to these suits. Pursuant to the terms of the Separation and Distribution Agreement, and as contemplated by the structure of the Spin-Off, Navient is legally obligated to indemnify the Bank against all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM occurring prior to the Spin-Off, except for certain liabilities related to the conduct of the pre-Spin-Off consumer banking business that were specifically assumed by the Bank (and as to which the Bank is obligated to indemnify Navient). Navient has acknowledged its indemnification obligations under the Separation and Distribution Agreement, in connection with the Multi-State Investigation and the related lawsuits in which the Bank has been named as a party. Navient has informed the Bank, however, that it believes that the Bank may be responsible to indemnify Navient against certain potential liabilities arising from the above-described lawsuits under the Separation and Distribution Agreement and/or a separate loan servicing agreement between the parties, and has suggested that the parties defer further discussion regarding indemnification obligations, and reimbursement of ongoing legal costs, in connection with the lawsuits until the lawsuits are resolved. The Bank disagrees with Navient’s position and the Bank has reiterated to Navient that Navient is responsible for promptly indemnifying the Bank against all liabilities arising out of the conduct of pre-Spin-Off SLM that are at issue in the Multi-State Investigation and in the above-described lawsuits.

Standards for Safety and Soundness

The Federal Deposit Insurance Act requires the federal banking regulatory agencies such as the FDIC to prescribe, by regulation or guidance, operational and managerial standards for all insured depository institutions, such as the Bank, relating to internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, and asset quality. The agencies also must prescribe standards for earnings and stock valuation, as well as standards for compensation, fees and benefits. The federal banking regulators have implemented these required standards through regulations and interagency guidance designed to identify and address problems at insured depository institutions before capital becomes impaired. Under the regulations, if a regulator determines a bank fails to meet any prescribed standards, the regulator may require the bank to submit an acceptable plan to achieve compliance, consistent with deadlines for the submission and review of such safety and soundness compliance plans.

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 Company pays quarterly cash dividends on its outstanding Floating-Rate Non-Cumulative Preferred Stock, Series B (the “Series B Preferred Stock”) when, as, and if declared by its Board of Directors, in the Board’s discretion. In January 2019, the Company initiated a new policy to pay a regular, quarterly cash dividend on its common stock as well, beginning in the first quarter of 2019, and its Board of Directors approved a common stock share repurchase program.

Common stock dividend declarations are subject to determination by, and the discretion of, the Company’s Board of Directors. The Company’s business plan contemplates that common stock dividends may increase from time to time if the Company’s diluted earnings per common share increase subject to determination by, and discretion of, the Company’s Board of Directors. The Company may change its common stock dividend policy at any time.

The January 23, 2019 share repurchase program (the “2019 Share Repurchase Program”), which was effective upon announcement and expires on January 22, 2021, permits the Company to repurchase from time to time shares of its common stock up to an aggregate repurchase price not to exceed $200 million. Under the 2019 Share Repurchase Program, we repurchased 17 million shares of common stock for $167 million for the year ended December 31, 2019. We had $33 million of remaining capacity under the 2019 Share Repurchase Program available as of December 31, 2019.

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

The timing and volume of any repurchases under the 2019 Share Repurchase Program and the 2020 Share Repurchase Program will be subject to market conditions, and there can be no guarantee that the Company will repurchase up to the limit of the programs or at all. Repurchases under the programs 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.

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 the share repurchase programs. The Bank declared $254 million in dividends for the year ended December 31, 2019, with the proceeds primarily used to fund the 2019 Share Repurchase Program and stock dividends. The Bank paid no dividends on its common stock for the years ended December 31, 2018 and 2017.

Regulatory Capital Requirements

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 material adverse effect on our business, results of operations and financial position. 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 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.

Stress Testing Requirements

The Dodd-Frank Act as enacted imposed stress testing requirements on banking organizations with total consolidated assets, averaged over the four most recent consecutive quarters, of more than $10 billion. The Bank completed its third annual stress test (using the scenarios provided by the FDIC) with the January 1, 2018 stress testing cycle. As a result of the passage of the Economic Growth, Regulatory Relief, and Consumer Protection Act, signed into law on May 24, 2018, the Bank became exempt from formally filing and publishing the results. However, under regulatory guidance, the Bank still conducts annual capital stress tests, the results of which it presents to its prudential regulators - the FDIC and the UDFI - for their review. The Bank also conducts quarterly liquidity stress tests to evaluate the adequacy of its liquidity sources under various stress scenarios and provides the results to its Board of Directors. These scenarios are submitted to the Bank’s prudential regulators at their request.

Deposit Insurance and Assessments

Deposits at the Bank are insured up to the applicable legal limits by the FDIC - administered Deposit Insurance Fund (the "DIF"), which is funded primarily by quarterly assessments on insured banks. An insured bank's assessment is calculated by multiplying its assessment rate by its assessment base. A bank's assessment base and assessment rate are determined each quarter.

The Bank's insurance assessment base currently is its average consolidated total assets minus its average tangible equity during the assessment period. The Bank's assessment rate is determined by the FDIC using a number of factors, including the results of supervisory evaluations, the Bank's capital ratios and its financial condition, as well as the risk posed by the Bank to the DIF. Assessment rates for insured banks also are subject to adjustment depending on a number of factors, including significant holdings of brokered deposits in certain instances and the issuance or holding of certain types of debt.

Deposits

With respect to brokered deposits, an insured depository institution must be well capitalized under the prompt corrective action framework in order to accept, renew or roll over such deposits without FDIC clearance. An adequately capitalized insured depository institution must obtain a waiver from the FDIC to accept, renew or roll over brokered deposits. Undercapitalized insured depository institutions generally may not accept, renew or roll over brokered deposits. For more information on the Bank's deposits, see Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Financial Measures — Funding Sources."

Regulatory Examinations

The Bank currently undergoes regular on-site examinations by the Bank's regulators, who examine for adherence to a range of legal and regulatory compliance responsibilities. A regulator conducting an examination has complete access to the books and records of the examined institution. The results of the examination are confidential. The cost of examinations may be assessed against the examined institution as the agency deems necessary or appropriate.

Source of Strength

Under the Dodd-Frank Act, we are required to serve as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances when we might not do so absent the statutory requirement. Any loan by us to the Bank would be subordinate in right of payment to depositors and to certain other indebtedness of the Bank.

Community Reinvestment Act

The Community Reinvestment Act (the "CRA") requires the FDIC to evaluate the record of the Bank in meeting the credit needs of its local community, including low- and moderate-income neighborhoods. These evaluations are considered in evaluating mergers, acquisitions and applications to open a branch or facility. Failure to adequately meet these criteria could result in additional requirements and limitations on the Bank. The Bank has received a CRA rating of Outstanding.

Privacy Laws

The federal banking regulators, as required by the Gramm-Leach-Bliley Act ("GLBA"), have adopted regulations that limit the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third-parties. Financial institutions are required to disclose to consumers their policies for collecting and protecting confidential customer information. Customers generally may prevent financial institutions from sharing nonpublic personal financial information with nonaffiliated third-parties, with some exceptions, such as the processing of transactions requested by the consumer. Financial institutions generally may not disclose certain consumer or account information to any nonaffiliated third-party for use in telemarketing, direct mail marketing or other marketing. The privacy regulations also restrict information sharing among affiliates for marketing purposes and govern the use and provision of information to consumer reporting agencies. Federal and state banking agencies have prescribed standards for maintaining the security and confidentiality of consumer information, and the Bank is subject to such standards, as well as certain federal and state laws or standards for notifying consumers in the event of a security breach. In addition, we must comply with increasingly complex and rigorous data privacy and data security laws and regulatory standards enacted to protect business and personal data. These laws impose additional obligations on companies regarding the handling of personal data and provide certain individual privacy rights to persons whose data is stored. Any failure to comply with these laws and regulatory standards could subject us to legal and reputational risk. For example, California passed the California Consumer Privacy Act (the "CCPA"), which became effective on January 1, 2020, and applies to for-profit businesses that conduct business in California and meet certain revenue or data collection thresholds. The CCPA contains several exemptions, including an exemption applicable to information that is collected, processed, sold or disclosed pursuant to the GLBA. However, the definition of personal information is expanded under the CCPA to apply to certain data beyond the scope of the GLBA exemption. Misuse of or failure to secure certain personal information could result in violation of data privacy laws and regulations, proceedings against the Company by governmental entities or others, damage to our reputation and credibility and could negatively affect our business, financial condition, and results of operations. If other states in the U.S. adopt similar laws or if a comprehensive federal data privacy law is enacted, we may expend considerable additional resources to meet these requirements and the overall risk to the Company could incrementally increase depending upon the reach and application of any such laws.

State Regulation of Student Loan Servicers

In certain states, laws regulating the conduct of student loan servicers may apply to and impact the servicing practices of the Bank. While these state laws vary in content, they generally include components relating to licensure and oversight by state authorities and the creation of specialized student loan ombudsman offices to oversee the student loan industry operating within these states. These laws may also include requirements pertaining to payment processing, the handling of customer inquiries and complaints, information concerning loan repayment options and access to borrower account records, among other requirements. Notably, these laws often include provisions for enforcement of alleged violations by state regulators as well as private litigation by aggrieved consumers.

Other Sources of Regulation

Many other aspects of our businesses are subject to federal and state regulation and administrative oversight. Some of the most significant of these are described below.

Oversight of Derivatives

Title VII of the Dodd-Frank Act requires all standardized derivatives, including most interest rate swaps, to be submitted for clearing to central intermediaries to reduce counterparty risk. Two of the central intermediaries we use are the Chicago Mercantile Exchange (the “CME”) and the London Clearing House (the “LCH”). All variation margin payments on derivatives cleared through the CME and LCH are required to be accounted for as legal settlement. As of December 31, 2019, $9.4 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 the LCH represent 95.0 percent and 5.0 percent, respectively, of our total notional derivative contracts of $9.9 billion at December 31, 2019. 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.

Credit Risk Retention

In October 2014, the Department of the Treasury, the Federal Reserve, the Office of the Comptroller of the Currency, the FDIC, the SEC, the Federal Housing Finance Agency and the Department of Housing and Urban Development issued final rules to implement the credit risk retention requirements of Section 941 of the Dodd-Frank Act for ABS, including those backed by residential and commercial mortgages and automobile, commercial, credit card, and student loans, except for certain transactions with limited connections to the United States and U.S. investors. The final Dodd-Frank risk retention rules generally require sponsors of ABS, such as Sallie Mae, to retain an economic interest in an ABS transaction that represents at least five percent of the credit risk of the assets being securitized. The final rules took effect in December 2015 for securitization transactions backed by residential mortgages and became effective in December 2016 for other securitization transactions, including those collateralized by Private Education Loans. The Bank early adopted the Dodd-Frank risk retention rules beginning with its 2016-A securitization transaction completed in May 2016. For its 2016-A transaction and subsequent securitizations to date, the Bank complies with the Dodd-Frank risk retention rules by retaining (for a requisite period of time) an “eligible horizontal interest” comprised of residual certificates representing at least five percent of the fair value of all interests issued in the securitization transaction, determined as of the date of transfer. Prior to May 2016, the Bank’s on-balance sheet securitizations complied with the credit risk retention requirements of the FDIC “safe harbor” rule, which generally reduces the risk to securitization investors in the event of an insolvency of the Bank, by retaining five percent of each class of securities issued in each securitization transaction. With any securitizations, including any structured loan sale transactions, that are treated as off-balance sheet, the Bank intends to comply with the Dodd-Frank risk retention rules by retaining (for a requisite period) an “eligible vertical interest” comprised of a five percent interest in each class of ABS interests issued in any such transaction or a single interest entitling the holder to five percent of any amounts payable by the trustee in respect of each interest issued by the trust. The risk retention provisions of the FDIC safe harbor rule were superseded by the Dodd-Frank risk retention rules.

Anti-Money Laundering, the USA PATRIOT Act, and U.S. Economic Sanctions

The USA PATRIOT Act of 2001 (the "USA Patriot Act"), which amended the Bank Secrecy Act, substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The U.S. Treasury Department has issued and, in some cases proposed, a number of regulations that apply various requirements of the USA Patriot Act to financial institutions such as the Bank. These regulations impose obligations on financial institutions to maintain appropriate internal policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. In addition, U.S. law generally prohibits or substantially restricts U.S. persons from doing business with countries designated by the U.S. Department of State as state sponsors of terrorism. Under U.S. law, there are similar prohibitions or restrictions with countries subject to other U.S. economic sanctions administered by the U.S. Department of the Treasury's Office of Foreign Assets Control or other agencies. We maintain policies and procedures designed to ensure compliance with relevant U.S. laws and regulations applicable to U.S. persons.

Volcker Rule

In December 2013, the U.S. banking agencies, the SEC and the U.S. Commodity Futures Trading Commission issued final rules to implement the "Volcker Rule" provisions of the Dodd-Frank Act. The rules prohibit insured depository institutions and their affiliates from engaging in proprietary trading and from investing in, sponsoring or having certain financial relationships with certain private funds. These prohibitions are subject to a number of important exclusions and exemptions that, for example, permit insured depository institutions and their affiliates to trade for risk-mitigating hedging and liquidity management, subject to certain conditions and restrictions. A conformance period ended on July 21, 2015. We do not expect the Volcker Rule to have a meaningful effect on our current operations or those of our subsidiaries, as we do not materially engage in the businesses prohibited by the Volcker Rule.

Employees

At December 31, 2019, we had approximately 1,900 employees, none of whom are covered by collective bargaining agreements.

Item 1A. Risk Factors

Economic Environment

Economic conditions could have a material adverse effect on our business, results of operations, financial condition and/or liquidity.

Our business is significantly influenced by economic conditions. In general, economic growth in the United States remains uneven. Employment levels in the United States are often sensitive not only to domestic economic growth but to the performance of major foreign economies and commodity prices. Rising unemployment rates and the failure of our in-school borrowers to graduate are two of the most significant macroeconomic factors that could increase loan delinquencies, defaults and loan modifications, or otherwise negatively affect performance of our existing education loan portfolios. Likewise, high unemployment and decreased savings rates may impede Private Education Loan originations growth, as well as growth in credit cards and the development of other financial products, as loan applicants and cosigners may experience trouble repaying credit obligations or may not meet our credit standards. Additionally, if interest rates rise causing payments on variable-rate loans to increase, borrowers and cosigners could experience trouble repaying loans we have made to them. Consequently, for a number of reasons, our borrowers may experience more trouble in repaying loans we have made to them, which could increase our loan delinquencies, defaults and loan modifications. In addition, some consumers may find that higher education is an unnecessary investment during uncertain economic times and defer enrollment in educational institutions until continued economic growth appears to be more likely or sustainable, or they may turn to less costly forms of secondary education, thus decreasing our education loan application and funding volumes. Increased savings rates, especially those related to savings by consumers for educational purposes, also could potentially lead to reduced Private Education Loan originations and funding volumes, as customers may prefer to use targeted savings to pay for college or graduate school in lieu of incurring additional household debt. Higher credit-related losses and weaker credit quality negatively affect our business, financial condition and results of operations and limit funding options, which could also adversely impact our liquidity position.

Competition/Concentration

We operate in a competitive environment. Our product offerings are primarily concentrated in loan products for higher education and deposit products for online depositors. Such concentrations and the competitive environment subject us to risks that could adversely affect our financial position.

At December 31, 2019, approximately 70 percent of our assets and 84 percent of our assets, excluding cash and cash equivalents, were comprised of Private Education Loans. This concentration poses the risk that any disruption, dislocation or other negative event or trend in the Private Education Loan market could disproportionately and adversely affect our business, financial condition and results of operations. We compete in the Private Education Loan market with banks and other consumer lending institutions, many with strong consumer brand name recognition and greater financial resources. Many of those lenders also have a greater level of diversification in their mix of assets, which can enable them to be more competitive in uncertain or challenging economic times. Moreover, our competition will increase as various lending institutions and other competitors, including Navient, enter or re-enter the Private Education Loan market. We also compete with FinTech companies (as defined below), many of whom have lower return hurdles than more traditional consumer lending institutions. We compete based on our products, origination capability and customer service. To the extent our competitors compete more aggressively or effectively, we could lose market share to them or subject our existing loans to consolidation or refinancing risk.

Competition plays a significant role in our online deposit gathering activities. The market for online deposits is highly competitive, based primarily on a combination of reputation and rate. Increased competition for deposits could cause our cost of funds to increase, which could negatively impact our loan pricing and net interest margin.

In addition to competition with banks and other consumer lending institutions, the federal government, through the Federal Direct Student Loan Program (the “DSLP”), poses significant competition to our Private Education Loan products. The availability and terms of loans the government originates or guarantees affect the demand for Private Education Loans because students and their families often rely on Private Education Loans to bridge the gap between available funds, including family savings, scholarships, grants, and federal and state loans, and the costs of post-secondary education. The federal government currently places both annual and aggregate limits on the amount of federal loans any student can receive and determines the criteria for student eligibility. Parents and graduate students may obtain additional federal education loans through other programs. These federal education lending programs are generally adjusted in connection with funding authorizations from the U.S. Congress for programs under the Higher Education Act of 1965 (the “HEA”). The HEA’s reauthorization is currently pending in the U.S. Congress, but it remains unlikely that a Republican-led Senate and Democratic-controlled House can produce legislation. Should legislation be enacted, one possible component could be increased federal education loan limits, which could decrease demand for Private Education Loans. Other components of any legislation also could have a negative impact on our business and financial condition.

Consumer access to alternative means of financing the costs of education and other factors may reduce demand for, or adversely affect our ability to retain, Private Education Loans, which could have a material adverse effect on our business, financial condition, results of operations and/or cash flows.

The demand for Private Education Loans could weaken if families and student borrowers use other vehicles to bridge the gap between available funds and costs of post-secondary education. These vehicles include, among others:

- Home equity loans or other borrowings available to families to finance their education costs;
- Pre-paid tuition plans, which allow students to pay tuition at today’s rates to cover tuition costs in the future;
- Section 529 plans, which include both pre-paid tuition plans and college savings plans that allow a family to save funds on a tax-advantaged basis;
- Education IRAs, now known as Coverdell Education Savings Accounts, under which a holder can make annual contributions for education savings;
- Government education loan programs such as the DSLP; and
- Direct loans from colleges and universities, as well as income sharing agreements with schools.

In addition, our ability to grow Private Education Loan originations and retain assets at our planned levels could be negatively affected if:

- demographic trends in the United States result in a decrease in college-age individuals;
- demand for higher education decreases;
- the cost of attendance of higher education decreases;
- prepayment rates on our Private Education Loans increase or accelerate due to greater market liquidity, availability of alternative means of financing, improved household incomes, increasing consumer confidence, and/or various other factors;
- public resistance to increasing higher education costs strengthens; or
- proposals for new federal education spending designed to make higher education “free” or substantially so regardless of financial need, or to create new federally funded programs to refinance private student loans, gain broader appeal or momentum.

Consolidation or refinancing of existing Private Education Loans could have a material adverse effect on our business, financial condition, results of operations and/or cash flows.

We believe the design of our Private Education Loan products, with emphasis on rigorous underwriting, credit-worthy cosigners and variable or fixed interest rates, creates sustainable, competitive loan products. However, increasing amounts of private education consolidation loans at interest rates below those of our existing portfolio - whether from private sources (including financial technology (“FinTech”) companies) or otherwise - have contributed to an increase in the prepayment rates of our existing Private Education Loans and, if prolonged and continuous, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Since 2010, there have been a number of bills introduced in the United States Congress to promote federal financing for consolidation or refinancing of existing student loans, as well as an increase in the number of lenders offering similar products. Also, on July 31, 2018, the Office of the Comptroller of the Currency (the "OCC") issued a policy statement announcing that it would consider applications from FinTech companies to become special purpose national banks. The special purpose national bank charter is available to qualifying companies engaged in a limited range of banking activities, including paying checks or lending money, but that do not take deposits. Concurrent with the announcement, the OCC issued a supplement to the Comptroller's licensing manual to provide guidance for evaluating special purpose national bank charters for FinTechs. While the OCC has not approved any applications from FinTech companies for special purpose national bank charters, we are still evaluating the potential competitive impact if the OCC begins to charter FinTech companies that offer bank products and services, including loans to consolidate or refinance existing student loans.

We are dependent on key personnel and the loss of one or more of those key personnel could harm our business.

Our future success depends significantly on the continued services and performance of our management team. We believe our management team's depth and breadth of experience in our industry is integral to executing our business plan. We also will need to continue to attract, motivate and retain other key personnel. The loss of the services of members of our management team or other key personnel to our competitors or other companies or the inability to attract additional qualified personnel as needed could have a material adverse effect on our business, financial position, results of operations and/or cash flows.

Regulatory

Failure to comply with consumer protection, privacy or cybersecurity laws and requirements could subject us to civil and criminal penalties or litigation, including class actions, and have a material adverse effect on our business.

We are subject to a broad range of federal and state consumer protection laws applicable to our lending and retail banking activities, including laws governing fair lending, unfair, deceptive and abusive acts and practices, service member protections, interest rates and loan fees, disclosures of loan terms, marketing, servicing and collections.

We are also subject to a dynamically changing landscape of privacy and cybersecurity laws, regulations, and requirements. For example, the CCPA took effect on January 1, 2020, and is broad, sweeping legislation that gives California consumers certain rights similar to those provided by the European General Data Protection Regulation. Among other things, the CCPA provides for enhanced regulatory penalties and potential statutory damages in relation to certain types of data breaches. See Item 1. "Business — Supervision and Regulation — Regulation of Sallie Mae Bank — Privacy Laws" for additional information.

Violations of, or changes in, federal or state consumer protection, privacy or cybersecurity laws or related regulations, or in the prevailing interpretations thereof, may expose us to litigation, administrative fines, penalties and restitution, result in greater compliance costs, constrain the marketing and origination of Private Education Loans or other products, adversely affect the collection of balances due on the loan assets held by us or by securitization trusts or otherwise adversely affect our business. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations, as well as increased intensity in compliance and supervision activities, often impose additional compliance costs. Accordingly, we could incur substantial additional expense complying with these requirements and may be required to create new processes and information systems. Moreover, changes in federal or state consumer protection laws and related regulations, or in the prevailing interpretations thereof, could invalidate or call into question the legality of certain of our services and business practices.

The CFPB is the Bank's primary consumer compliance supervisor, with exclusive authority to conduct examinations for the purposes of assessing compliance with the requirements of Federal consumer financial laws and with primary consumer compliance enforcement authority. CFPB jurisdiction could result in additional regulation and supervision, which could increase our costs and limit our ability to pursue business opportunities. The CFPB/DOE MOU could lead to additional complaints received by the CFPB regarding us, which could lead to additional scrutiny of us and increase our costs. Consent orders, decrees or settlements entered into with governmental agencies may also increase our compliance costs or restrict certain of our activities.

Finally, we operate in an environment of heightened political and regulatory scrutiny of education loan lending, servicing and originations. The rising cost of higher education, questions regarding the quality of education provided, particularly among for-profit institutions, and the increasing amount of student loan debt outstanding in the United States have prompted this heightened and ongoing scrutiny. This environment could lead to further laws and regulations applicable to, or limiting, our business. For example, the regulatory environment at the state level has shifted such that many states recently have enacted new legislation specifically restricting the conduct and practices of student loan servicers. In addition, increasing state actions against for-profit institutions could lead us to further curtail the loans we make to students of these institutions or increase the risk of enforceability of our existing loans to graduates of particular institutions found to have made fraudulent misrepresentations or failed to provide reasonably expected training or educational benefits.

We operate in a highly regulated environment and the laws and regulations that govern our operations, or changes in these laws and regulations, or our failure to comply with them, may adversely affect us.

In addition to consumer protection laws, we are also subject to extensive regulation and supervision that govern almost all aspects of our operations. Intended to protect clients, depositors, the DIF, and the overall financial system, these laws and regulations may, among other matters:

- prescribe minimum capital requirements;
- limit the rates of growth of our business;
- impose limitations on the business activities in which we can engage;
- limit the dividends or distributions the Bank can pay to us;
- restrict the ability of institutions to guarantee our debt;
- limit proprietary trading and investments in certain private funds;
- impose certain specific accounting requirements on us that may be more restrictive;
- result in changes from time to time in our practices, policies, and procedures in various areas of our business; and
- result in greater or earlier charges to earnings or reductions in our capital.

The FDIC has the authority to limit the Bank’s annual total balance sheet growth, but no such limitations were imposed in recent years. There can be no assurance that limitations will not be imposed in the future, however.

Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations, as well as increased intensity in supervision, often impose additional compliance costs. We, like the rest of the banking sector, are facing increased regulation and supervision of our industry by bank regulatory agencies and expect there may be additional and changing requirements and conditions imposed on us, any of which could increase our costs, require increased management attention and adversely impact our results of operations. Our failure to comply with these laws and regulations, even if the failure is inadvertent or reflects a difference in interpretation, could subject us to fines, other penalties and restrictions on our business activities, any of which could adversely affect our business, financial condition, cash flows, results of operations, capital base and/or the price of our securities.

Significant increases in our FDIC insurance premiums could have an adverse impact on our financial position, results of operations and/or cash flows.

Deposits at the Bank are insured up to the applicable legal limits by the DIF, which is funded primarily by quarterly assessments on insured banks. An insured bank’s assessment is calculated by multiplying its assessment rate by its assessment base. A bank’s assessment base and assessment rate are determined each quarter. See Item 1. “Business — Supervision and Regulation — Regulation of Sallie Mae Bank — Deposit Insurance and Assessments.” The FDIC may further redefine how assessments are calculated, impose special assessments or surcharges on us or increase our deposit insurance premiums.

Regulatory agencies have increased their expectations with respect to how regulated institutions oversee their relationships with third-party vendors and service providers.

The CFPB and the FDIC have issued guidance to supervised banks with respect to increased responsibilities to supervise the activities of service providers to ensure compliance with federal consumer protection laws. The issuance of regulatory guidance and the enforcement of the enhanced vendor management standards via examination and investigation of us or any third-party with whom we do business may increase our costs, require increased management attention and adversely impact our operations. In the event we should fail to meet the heightened standards for management of service providers, we could be subject to supervisory orders to cease and desist, civil monetary penalties or other actions due to claimed noncompliance, which could have an adverse effect on our business, financial condition, operating results and/or cash flows.

Capital and Liquidity

Adverse market conditions or an inability to effectively manage our liquidity risk could negatively impact our ability to meet our liquidity and funding needs, which could materially and adversely impact our business operations and our overall financial condition.

We must effectively manage the liquidity risk inherent in our business. We require liquidity to meet cash requirements for such things as day-to-day operating expenses, funding of our Private Education Loan and Credit Card originations, deposit withdrawals and maturities, payment of any declared dividends on our preferred stock and common stock, and payment for any shares of common stock acquired under any common stock repurchase program or otherwise. Our primary sources of liquidity and funding are customer deposits, payments received on Private Education Loans and FFELP Loans that we hold, and proceeds from securitization transactions. We may maintain too much liquidity, which can be costly, or we may be too illiquid, which could result in financial distress during times of economic stress or capital market disruptions.

For at least the next several years, our ability to achieve our business goals will be heavily reliant on our ability to obtain deposits, obtain financing through asset-backed securitizations, and sell loans at attractive prices in order to help fund any share repurchase programs that may be authorized from time to time. Should those goals require us to increase deposits, generate asset-backed financing, or sell loans at a pace greater than we expect, and we are not able to meet this challenge, we may not achieve our business goals, which could have a material adverse effect on our business, financial condition, operating results and/or cash flows.

We fund Private Education Loan originations through asset-backed securitizations and deposits raised by the Bank, including term and liquid brokered and retail deposits, as well as Educational 529 and Health Savings Account deposits. Assets funded through deposits result in refinancing risk because the average term of the deposits is shorter than the expected term of the Private Education Loan assets we originate. The significant competition for deposits from other banking organizations that are also seeking stable deposits to support their funding needs may affect deposit renewal rates, costs or availability. In addition, our ability to maintain existing balances or obtain additional deposits may be affected by factors, including those beyond our control, such as a rising stock market, perceptions about our financial strength, quality of deposit servicing or online banking generally, and general economic conditions, including high unemployment and decreased savings rates, which could reduce the number of consumers choosing to make deposits with us. Also, our ability to maintain our current level of deposits or grow our deposit base could be affected by regulatory restrictions, including the possible imposition by our regulators of prior approval requirements or restrictions on deposit growth through brokered deposits. Given the potential negative impact of such restrictions on our ability to fund our business, we monitor and manage our reliance on brokered deposits.

Our short-term success also depends on our ability to structure Private Education Loan securitizations or execute other secured funding transactions. Several factors may have a material adverse effect on both our ability to obtain such funding and the time it takes us to structure and execute these transactions, including the following:

- Persistent and prolonged disruption or volatility in the capital markets or in the education loan ABS sector specifically;
- Degradation of the credit quality or performance of the Private Education Loans we sell or finance through securitization trusts, or adverse rating agency assumptions, rating actions or conclusions with respect to those trusts or the education loan-backed securitization trusts sponsored by other issuers;
- A material breach of our obligations to purchasers of our Private Education Loans, including securitization trusts;
- The timing, pricing and size of education loan asset-backed securitizations other parties issue, or the adverse performance of, or other problems with, such securitizations;

- Challenges to the enforceability of Private Education Loans based on violations of, or changes to, federal or state consumer protection or licensing laws and related regulations, or imposition of penalties or liabilities on assignees of Private Education Loans for violation of such laws and regulations; and
- Our inability to structure and gain market acceptance for new product features or services to meet new demands of ABS investors, rating agencies or credit facility providers.

If we require funding beyond that which we may be able to obtain through deposits and proceeds from ABS transactions, we may need to raise additional liquidity through other forms of secured and unsecured debt financing which, in turn, could increase our funding costs and reduce our net interest margin. Several factors, some of which may be beyond our control, may have a material adverse effect on our ability to raise this additional funding in the amounts, at the rates, or within the timeframes we desire.

If we are unable to obtain adequate liquidity through a combination of any of the channels described above in order to fund new Private Education Loan and Credit Card originations, our business, financial condition, results of operations and cash flows could be materially adversely affected.

Our ability to sell loans at attractive prices, as well as the timing and volume of any sales, will be subject to market conditions, and there can be no guarantee that we will be able to effectuate planned loan sales at the prices, times, or volumes we desire, or at all. If we are unable to effectuate loan sales at the prices, times, and volumes we desire, we may not be able to fund share repurchase programs that are authorized from time to time or achieve other business goals and our business, results of operations, financial position and/or cash flow could be materially and adversely affected.

We currently maintain sufficient risk-based capital through adequate retention and reinvestment of earnings from operations. If our business objectives require capital above and beyond what we generate through retained earnings, we may need to raise capital for our business by issuing additional equity to investors. Several factors, some of which may be beyond our control, may have a material adverse effect on our ability to issue additional equity in the amounts, at the prices, or within the timeframes we desire. If this occurs, our business, results of operations, financial position and/or cash flow could be materially and adversely affected.

In structuring and facilitating securitizations of Private Education Loans, administering securitization trusts or providing portfolio management, we may incur liabilities to transaction parties.

Under applicable state and federal securities laws, if investors incur losses as a result of purchasing ABS issued in connection with our securitization transactions, we could be deemed responsible and could be liable to investors for damages. We could also be liable to investors or other parties for certain updated performance information that we may provide subsequent to the original issuances. If we fail to cause the securitization trusts or other transaction parties to disclose adequately all material information regarding an investment in any securities, if we or the trusts make statements that are misleading in any material respect in information delivered to investors in any securities, if we breach any representations or warranties made in connection with securitization of the loans, or if we breach any other duties as the administrator or servicer of the securitization trusts, it is possible we could be sued and ultimately held liable to an investor or other transaction party. This risk includes failure to properly administer or oversee servicing or collections and may increase if the performance of the securitization trusts' loan portfolios degrades. In addition, under various agreements, we may be contractually bound to indemnify transaction parties if an investor is successful in seeking to recover any loss from those parties and the securitization trusts are found to have made a materially misleading statement or to have omitted material information. We may also be required to repurchase affected loans if we were to breach certain representations, warranties or covenants in various agreements. Incurring substantial liabilities to securitization transaction parties could adversely affect our business, financial condition, operating results and/or cash flows.

If we are liable to an investor or other transaction party for a loss incurred in any securitization we facilitated or structured and any insurance that we may have does not cover this liability or proves to be insufficient, our business, financial position, results of operations and/or cash flows could be materially adversely affected.

The interest rate and maturity characteristics of our earning assets do not always match the interest rate and maturity characteristics of our funding arrangements, which may increase the price of, or decrease our ability to obtain, necessary liquidity. We are also subject to repayment and prepayment risks, which can adversely affect our financial condition.

Net interest income is the primary source of cash flow generated by our loan portfolios. Interest earned on our Private Education Loans and FFELP Loans is either fixed rate or indexed to a short-term rate, primarily one-month LIBOR, and these loans are originated with a relatively long repayment periods. Personal loans carry a fixed rate and are of shorter maturities. ABS funding closely mirrors the expected maturities of our education loans and provides a combination of fixed and variable rate funding. Deposits are issued with both fixed and variable rates, and the average term is typically shorter than the expected term of our combined loan portfolios.

The different interest rate and maturity characteristics of our loan portfolio and the liabilities funding that portfolio result in interest rate risk, basis risk and re-pricing risk. In certain interest rate environments, this mismatch may reduce our net interest margin (the interest yield earned on our portfolio less the rate paid on our interest-bearing liabilities). While we actively monitor and manage mismatches in the interest rate and maturity characteristics of our assets and liabilities, using derivative transactions where necessary to avoid excessive levels of repricing and refunding risk, it is not possible to hedge all of our exposure to such risks. While the assets, liabilities and related hedging derivative contract re-pricing indices are typically highly correlated, there can be no assurance that the historically high correlation will not be disrupted by capital market dislocations or other factors outside our control. In these circumstances, our earnings could be materially adversely affected.

We are also subject to risks associated with changes in repayment and prepayment rates on Private Education Loans and Personal Loans, and changes in our interest rates and to repricing risk. Consolidations and refinancings continue to contribute to increased prepayment rates. In addition, increases in employment levels, wages, family income, or alternative sources of financing may also contribute to higher than expected prepayment rates, which can adversely affect our interest rate and repricing risk and our financial condition.

Our use of derivatives to manage interest rate sensitivity exposes us to credit and market risk that could have a material adverse effect on our earnings.

We maintain an overall interest rate strategy that uses derivatives to reduce the economic effect of interest rate changes. Developing an effective hedging strategy for dealing with movements in interest rates is complex, and no strategy can completely avoid the risks associated with these fluctuations. For example, our education loan portfolios remain subject to prepayment risk that could cause them to be under- or over-hedged, which could result in material losses. In addition, some of our interest rate risk management activities expose us to mark-to-market losses if interest rates move in a materially different way than was expected when we entered into the related derivative contracts. As a result, there can be no assurance hedging activities using derivatives will effectively manage our interest rate sensitivity, have the desired beneficial impact on our results of operations or financial condition or not adversely impact our liquidity and earnings.

Our use of derivatives also exposes us to market risk and credit risk. Market risk is the chance of financial loss resulting from changes in interest rates and market liquidity. Some of the interest rate swaps we use to economically hedge interest rate risk between our assets and liabilities do not qualify for hedge accounting treatment. Therefore, the change in fair value, called the “mark-to-market,” of the swaps that do not qualify as accounting hedges is included in our statement of income. A decline in the fair value of those derivatives could have an adverse effect on our reported earnings.

We are also subject to the creditworthiness of third-parties, including counterparties to derivative transactions. For example, we have exposure to the financial conditions of various lending, investment and derivative counterparties. If a counterparty fails to perform its obligations, we could, depending on the type of counterparty arrangement, experience a loss of liquidity or an economic loss. In addition, if a derivative counterparty fails to perform, we might not be able to cost effectively replace the derivative position, depending on the type of derivative and the current economic environment, and thus could be exposed to a greater level of interest rate risk, potentially leading to additional losses. Our counterparty exposure is more fully discussed in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations —

Liquidity and Capital Resources — Counterparty Exposure.” If our counterparties are unable to perform their obligations, such inability could have a material adverse impact on our business, financial condition, results of operations and/or cash flows.

The future of LIBOR as a “benchmark” interest rate is uncertain and that uncertainty or any change to the LIBOR benchmark could adversely affect the value of or the interest rates on our assets and obligations indexed to LIBOR, as well as the revenue and expenses associated with those assets and obligations.

The interest rates on our variable-rate Private Education Loans and certain other assets are indexed to LIBOR, the London interbank offered rate. Certain of our interest rate swaps, notes issued under our term ABS and our education loan-backed multi-lender secured borrowing facility (the “Secured Borrowing Facility”), brokered and non-brokered deposits and other obligations also are indexed to LIBOR. In each case, the terms of the relevant agreements define LIBOR and provide differing methods for how it may be replaced or computed if LIBOR is no longer available as defined. LIBOR is used worldwide as a reference for setting interest rates on loans, derivatives, and other assets and obligations.

On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks on the London interbank market to submit LIBOR rates after 2021. It is unclear at this time, and we are not able to predict, whether or when LIBOR will cease to exist, whether or when new methods of calculating LIBOR will be established such that it continues to exist after 2021, or whether or when alternative benchmark or reference rates will be available, either through regulatory action or financial market developments, as viable alternatives to LIBOR. If one or more replacement benchmark or reference rates is available, it is unknown at this time, and we are unable to predict, whether any such alternatives will be acceptable to investors, financial markets or regulators, or applied consistently and concurrently to various assets, obligations or financial instruments. Certain of our existing assets and obligations do not include provisions clearly specifying a method for transitioning from LIBOR to an alternative benchmark rate. Given this situation, it is unclear what consents or approvals, if any, will be required, and from whom they will be required, to replace LIBOR under our various agreements. As a result of these potential changes and related uncertainties, the interest rates on and value of our assets and obligations indexed to LIBOR, and the revenue and expenses associated with those assets and obligations, could be affected in disparate ways at disparate times, which could have an adverse effect on our business and results of operations.

The Company has actively monitored market developments with respect to LIBOR replacement since 2017 and in 2020 will conduct a formal cross-functional replacement project with the goal of ensuring a smooth transition to a replacement index with minimal negative impact on our customers, investors and the Company’s business, financial condition and results of operations. There can be no guarantee our replacement project will occur as planned, however, and failure to implement the project effectively could have a material adverse effect on our business, results of operations, financial position and/or cash flows.

Defaults on our loans, particularly Private Education Loans and Personal Loans, could adversely affect our business, financial position, results of operations and/or cash flows.

We bear the full credit exposure on our Private Education Loans, Personal Loans and Credit Card loans. If they were to default at rates much higher than anticipated or at speeds faster than anticipated, our business, financial position, results of operations and/or cash flows could be adversely affected. Delinquencies are an important indicator of the potential future credit performance of those loan portfolios. Many factors can have an impact on borrower delinquencies, including, without limitation, economic conditions, changes in interest rates, personal circumstances and hardships, risk characteristics such as school type, loan status, loan seasoning, underwriting criteria, presence of a cosigner, changes made in credit administration practices from time to time, changes in loan underwriting criteria made from time to time, regulatory and operational changes and unforeseen trends. See Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Allowance for Loan Losses — Use of Forbearance and Rate Modifications as a Private Education Loan Collection Tool” for a discussion of how items such as changes in credit administration practices can impact the timing and level of delinquencies and defaults on our loans. Our Private Education Loan delinquencies (loans greater than 30 days past due), as a percentage of Private Education Loans in repayment, were 2.8 percent at December 31, 2019. Our Personal Loan delinquencies (loans greater than 30 days past due), as a percentage of Personal Loans in repayment, were 2.4 percent at December 31, 2019. In addition, we will bear full credit exposure on credit cards and other products we may introduce to the market.

Our allowance for loan losses may not be adequate to cover actual losses, and we may be required to materially increase our allowance, which may adversely affect our capital, financial condition, and/or results of operations.

The evaluation of our allowance for loan losses is inherently subjective, as it requires material estimates that may be subject to significant changes. As of December 31, 2019, our allowance for Private Education Loan losses was approximately $374 million. During the year ended December 31, 2019, we recognized provisions for Private Education Loan losses of approximately $280 million. As of December 31, 2019, our allowance for Personal Loan losses was approximately $66 million. During the year ended December 31, 2019, we recognized provisions for Personal Loan losses of approximately $73 million. The provision for loan losses in 2019 reflects the respective Private Education Loan and Personal Loan performance for the applicable period and establishes the allowance at a level that management believes is appropriate to cover probable losses inherent in the loan portfolio (based on the accounting standards in effect during 2019). See "The current expected credit loss standard established by the FASB will result in a significant change in how we recognize credit losses and will have a material impact on our financial condition, results of operations and capital levels" in Part I, Item 1A. "Risk Factors" for a discussion of CECL (as hereinafter defined), which will become effective for the Company on January 1, 2020 and impact the manner in which the Company will recognize credit losses. Future defaults can be higher than anticipated, however, due to a variety of factors outside of our control, such as downturns in the economy, rising interest rates, regulatory or operational changes and other unforeseen future trends. Losses on Private Education Loans are also determined by risk characteristics such as school type, loan status (in-school, grace, forbearance, repayment and delinquency), loan seasoning (number of months in active repayment), underwriting criteria (e.g., credit scores), presence of a cosigner and the current economic environment. Losses on Personal Loans are affected by risk characteristics such as FICO scores at origination and seasoning. Worsening general economic and employment conditions may lead to higher rates of loan defaults. In addition, our product offerings may incur higher than expected losses resulting in these products being unprofitable. If actual loan performance is worse than currently estimated, it could materially increase our estimate of the allowance for loan losses in our balance sheet and the related provision for loan losses in our statements of income and, as a result, adversely affect our capital, financial condition and results of operations.

Changes in accounting standards could adversely affect our capital levels, results of operation and/or financial condition.

We are subject to the requirements of entities that set and interpret the accounting standards governing the preparation of our financial statements and other financial reports. These entities, which include the Financial Accounting Standards Board ("FASB"), the SEC, banking regulators and our independent registered public accounting firm, may add new requirements or change their interpretations of how those standards should be applied. Changes in our accounting policies or in accounting standards could materially affect how we report our financial condition and/or results of operations. As a result of changes to financial accounting or reporting standards, whether promulgated or required by the FASB or other regulators, we could be required to change certain of the assumptions or estimates we have previously used in preparing our financial statements, which could negatively impact how we record and report our financial condition, results of operations and capital levels. For additional information on the key areas for which assumptions and estimates are used in preparing our financial statements, see Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates" and Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies."

The current expected credit loss standard established by the FASB will result in a significant change in how we recognize credit losses and will have a material impact on our financial condition, results of operations and capital levels.

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which will become effective for us on January 1, 2020. Under the new guidance, for all loans carried at amortized cost, upon loan origination we will be required to measure our allowance for loan losses based on our estimate of all current expected credit losses ("CECL") over the remaining contractual term of the assets. The CECL standard will result in a significant change in how we recognize credit losses and will have a material impact on our financial condition, results of operations and capital levels. The measurement of expected credit losses is based on historical information, current conditions and reasonable and supportable forecasts to estimate the expected loss over the life of the loan. This differs significantly from the "incurred loss" model, which was in effect during 2019 and delays recognition until it is probable a loss has been incurred. Our models take into account historical loss experience in various economic conditions to estimate expected future losses based upon future economic forecasts over a period of time, at which point we revert expected losses to our historical rates. These models may not accurately estimate future loan loss performance. The models used in calculating our CECL estimates include forecasts of future economic conditions, loss rates and prepayment rates. If these forecasts prove to be inaccurate, or our models were not designed properly, our allowance for loan losses may not be sufficient to cover future losses, which could negatively impact our financial condition, results of operations and capital levels. In addition, the amount of losses recorded under CECL is very sensitive to the inputs described above. As such, changes to these inputs could significantly change the amount of allowance necessary, which could have a negative impact on our financial results and capital levels. See Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates — Recently Issued but Not Yet Adopted Accounting Pronouncements" for further details. See also "Our allowance for loan losses may not be adequate to cover actual losses, and we may be required to materially increase our allowance, which may adversely affect our capital, financial condition, and/or results of operations" in Part I, Item 1A. "Risk Factors" for further details.

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 material adverse effect on our business, results of operations and/or 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 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.

The Bank is required to maintain the following minimum regulatory 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, since January 1, 2019, the Bank has been 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 by the Bank to maintain the buffer may result in restrictions on dividend payments, share repurchases and the payment of discretionary bonuses to executive officers. Including the buffer, the Bank is required to maintain the following 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, an insured depository institution 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. As of December 31, 2019, the Bank had a Common Equity Tier 1 risk-based capital ratio of 12.2 percent, a Tier 1 risk-based capital ratio of 12.2 percent, a Total risk-based capital ratio of 13.4 percent and a Tier 1 leverage ratio of 10.2 percent.

If the Bank fails to satisfy regulatory risk-based or leverage capital requirements, it may be subject to serious regulatory sanctions that could prevent us from successfully executing our business plan and may have a material adverse effect on our business, results of operations, financial position and/or cash flows. See Item 1. "Business — Supervision and Regulation — Regulation of Sallie Mae Bank — Regulatory Capital Requirements."

Unfavorable results from the periodic stress tests we conduct under regulatory guidance may adversely affect our business and result in regulatory action that could adversely affect our cost of capital and liquidity position.

Pursuant to regulatory guidance, the Bank conducts annual capital stress tests utilizing systemic and company-specific stress scenarios. In 2019, the Bank conducted its annual capital stress tests and the results of these tests were presented to and reviewed by the Bank's senior management, the Bank's Board of Directors and the Board's Risk Committee. In addition, the Bank made the results of the stress tests available to its prudential regulators - the FDIC and the UDFI. Generally, the stress test results include certain measures that evaluate the Bank's ability to absorb losses in severely adverse economic and financial conditions. On the basis of this analysis, senior management may elect to adjust its business plans or capital targets to reduce risks identified by the analysis. Our regulators may also require the Bank to raise additional capital or take other actions, or may impose restrictions on our business, based on the results of the stress tests. We may not be able to raise additional capital if required to do so, or may not be able to do so on terms which are advantageous to us. Any such capital raises, if required, may also be dilutive to our existing stockholders.

We also conduct quarterly liquidity stress tests to evaluate the adequacy of our liquidity sources under several stress scenarios, including a severely adverse macroeconomic scenario. The results of these scenarios may lead management to determine, or regulators to demand, that higher levels of liquidity be maintained at significant incremental expense to the Bank.

Operations

Failure of our operating systems or infrastructure or the inability to adapt to changes could disrupt our business, cause significant losses, result in regulatory action or damage our reputation.

Our business is dependent on our ability to process and monitor large numbers of transactions in compliance with legal and regulatory standards and our product specifications. As processing demands change and our loan portfolios grow in both volume and differing terms and conditions, developing and maintaining our operating systems and infrastructure become increasingly challenging. There is no assurance we can adequately or efficiently develop, maintain or acquire access to such systems and infrastructure.

Our loan originations and the servicing, financial, accounting, data processing or other operating systems and facilities that support them may fail to operate properly, become disabled as a result of events beyond our control or be unable to be rapidly configured to timely address regulatory changes, in each case potentially adversely affecting our ability to process these transactions. Any such failure could adversely affect our ability to service our customers, result in financial loss or liability to our customers and investors, disrupt our business, result in regulatory action or cause reputational damage. Despite the plans and facilities we have in place, our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our businesses. This may include a disruption involving electrical, communications, internet, information technology, transportation or other services used by us or third-parties with whom we conduct business. Notwithstanding our efforts to maintain business continuity, a disruptive event impacting our processing locations could adversely affect our business, financial condition, results of operations and/or cash flows.

Our business processes are becoming increasingly dependent upon technological advancement, and we could lose market share if we are not able to keep pace with rapid changes in technology.

Our future success depends, in part, on our ability to underwrite and approve loans, process loan applications and payments and provide other customer services, in a safe, automated manner with high-quality service standards. The volume of loan originations we are able to process is based, in large part, on the systems and processes we have implemented and developed. These systems and processes are becoming increasingly dependent upon technological advancement, such as the ability to process loans and payments over the internet via personal computers or mobile devices, accept electronic signatures and provide initial decisions instantly. Our future success also depends, in part, on our ability to develop and implement technology solutions that anticipate and keep pace with continuing changes in technology, industry standards and client preferences, including FinTech developments, and technological innovations such as bitcoin. We may not be successful in anticipating or responding to these developments on a timely basis. We have made, and need to continue to make, investments in our technology platform to provide competitive products and services. We may be required to expend significant funds to develop or acquire new technologies. If competitors introduce products, services, systems and processes that are better than ours or that are more cost-effective or that gain greater market acceptance, those we offer or use may become obsolete or noncompetitive and we could lose market share. Any one of these circumstances could have a material adverse effect on our business reputation and ability to obtain and retain clients and, therefore, could materially adversely affect our business, financial condition and/or results of operations.

We depend on secure information technology and a breach of those systems or those of third-party vendors could result in significant losses, unauthorized disclosure of confidential customer information and reputational damage, which could materially adversely affect our business, financial condition and/or results of operations and could lead to significant financial and legal exposure.

Our operations rely on the 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. To access our products and services, our customers may use computers, smart phones, tablets and other mobile devices that are outside our security systems and those of our third-party service providers, and thus may create risks that we cannot control. Information security risks for financial institutions and third-party service providers have increased in recent years and continue to evolve in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists and other external parties, including foreign state-sponsored actors. These parties also may fraudulently induce employees, customers and others who use our or our service providers' systems or have access to our or our customers' data, to gain access to our and our customers' data or our assets. As further evidence that cyber incidents have been accelerating in frequency and impact, in recent years several financial institutions and major companies across industries have reported cyber-attacks that compromised significant customer or employee data, or resulted in the theft of funds, or the theft or destruction of corporate information or other assets.

While we have not been materially impacted by these reported or other cyber incidents, we continue to evolve our security controls to effectively prevent, detect and respond to the continually changing threats, and we may be required to expend significant additional resources in the future to modify and enhance our security controls in response to new or more sophisticated threats, new regulations related to cybersecurity and other developments. Additionally, while we, and our third-party service providers, commit resources to the design, implementation, maintenance, security and monitoring of our networks and systems, there is no guarantee that our security controls, or those of our third-party service providers, will protect against all threats.

Despite the measures we and our third-party service providers implement to protect our systems and our or our customers' data, we may not be able to anticipate, identify, prevent or detect cyber-attacks, particularly because the techniques used by attackers change frequently or are not recognized until launched, and because cyber-attacks can originate from a wide variety of sources, including third parties who are or may be involved in organized crime or linked to terrorist organizations or hostile foreign governments. Such third parties may seek to gain unauthorized access to our systems either directly or using equipment or security passwords belonging to employees, customers, third-party service providers or other users of our systems or those of our third-party service providers. Or, they may seek to disrupt or disable our or our service providers' services through attacks such as denial-of-service and ransomware attacks. In addition, we or our service providers may be unable to identify, or may be significantly delayed in identifying, cyber-attacks and incidents due to the increasing use of techniques and tools that are designed to circumvent controls, to avoid detection, and to remove or obfuscate forensic artifacts. As a result, our computer systems, software and networks, as well as those of third-party vendors we utilize, may be vulnerable to unauthorized access, computer viruses, malicious attacks and other events that could have a security impact beyond our control. Our staff, technologies, systems, networks and those of third-parties we utilize also may become the target of cyber-attacks, unauthorized access, malicious code, computer viruses, denial of service attacks, ransomware, and physical attacks that could result in information security breaches, the unauthorized release, gathering, monitoring, misuse, loss or destruction of systems, our or our customers' confidential, proprietary and other information, or otherwise disrupt our or our customers' or other third-party service providers' business operations. We also routinely transmit and receive personal, confidential and proprietary information, some through third parties, which may be vulnerable to interception, misuse or mishandling.

If one or more of such events occur, personal, confidential and other information processed by, stored in, or transmitted through our computer systems and networks, or those of third-party vendors, could be compromised or could cause interruptions or malfunctions in our or our customers' or service providers' operations that could result in significant losses, loss of business and confidence by, and harm to reputation with, businesses and customers, customer dissatisfaction, significant litigation, regulatory exposures and harm to our reputation and brand.

In the event personal, confidential or other information is threatened, intercepted, misused, mishandled, accessed, acquired or otherwise compromised without authorization, we may be required to expend significant additional resources to modify our protective measures, to investigate the circumstances surrounding the event and implement mitigation and remediation measures. We also may be subject to fines, penalties, litigation (including securities fraud class action lawsuits) and regulatory investigation costs and settlements and financial losses that are either not insured against or not fully covered through any insurance maintained by us. If one or more of such events occur, our business, financial condition and/or results of operations could be significantly and adversely affected.

While we seek to mitigate cyber and related risks associated with outsourcing to third-party service providers, including through our vendor management processes, both operational and technological cyber risks remain and certain risks are beyond our security and control systems. Cyber-attacks targeted at our service providers may result in unauthorized interception, misuse, mishandling, access, acquisition, loss or destruction of our or our customers' data, or other cyber incidents, that may affect the availability of our services, and impose costs and other liabilities that significantly and adversely affect us in the ways discussed above.

We depend significantly on third-parties for a wide array of our operations and customer services and key components of our information technology infrastructure, and a breach of security or service levels, or violation of law by one of these third-parties, could disrupt our business or provide our competitors with an opportunity to enhance their position at our expense.

We depend significantly on third-parties for a wide array of our operations and customer services and key components of our information technology and security infrastructures. Third-party vendors are significantly involved in aspects of our servicing for Private Education Loans, FFELP Loans and Personal Loans, Bank deposit-taking activities, payroll software and systems development, data center and operations, including the timely and secure transmission of information across our data communication network, and for other telecommunications, email, processing, storage, remittance and technology-related services in connection with our business. If a service provider fails to provide the services we require or expect, or fails to meet applicable regulatory or contractual requirements, such as service levels, protection of our customers' personal and confidential information, or compliance with applicable laws, that failure could negatively impact our business by adversely affecting our ability to process customers' transactions in a timely and accurate manner, otherwise hampering our ability to serve our customers and investors, or subjecting us to litigation and regulatory risk for matters as diverse as poor vendor oversight, improper release or protection of personal information, or release of incorrect information. Such a failure could adversely affect the perception of the reliability of our networks and services, and the quality of our brands, and could materially adversely affect our business, financial condition or results of operations.

We primarily rely upon Amazon Web Services to deliver our offerings to users on our platform, and any disruption of or interference with our use of Amazon Web Services could adversely impact our business and operations.

Amazon Web Services ("AWS") provides a distributed computing infrastructure platform for business operations, which is commonly referred to as "cloud" computing services. In 2019, we completed the migration of our computing infrastructure over to AWS. We currently run the majority of computing to power our websites, mobile applications, and other technology products and services on AWS, and we store a significant amount of our users' information and our confidential business information on AWS.

We have limited control over the AWS operations and facilities that we use to store our data. While we've implemented contingencies for disaster recovery and business continuity, those operations and facilities are susceptible to damage and/or service interruptions. AWS' continuing and uninterrupted performance is critical to our continuing and uninterrupted operations. Given the nature of the outsourcing of these services, along with the fact that we cannot easily switch our AWS operations to another cloud provider, any disruption of or interference with our use of AWS could adversely impact our operations and business. Any negative publicity arising from these disruptions could also harm our reputation and brand and may affect the usage of our offerings.

We may face risks from our operations related to litigation or regulatory actions that could result in significant legal expenses and settlement or damage awards.

Pursuant to the terms of the Separation and Distribution Agreement, and as contemplated by the structure of the Spin-Off, Navient is legally obligated to indemnify the Bank against all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM occurring prior to the Spin-Off, except for certain liabilities specifically assumed by the Bank in the agreement as to which the Bank would be obligated to indemnify Navient. Among other things, Navient is obligated to indemnify us for any liabilities, costs or expenses we may incur arising from any action or threatened action related to the servicing, operations and collections activities of pre-Spin-Off SLM and its subsidiaries with respect to Private Education Loans and FFELP Loans that were assets of the Bank or Navient at the time of the Spin-Off, but that obligation extends only to claims or potential claims for which Navient has received notice from us on or before April 30, 2017. Due to Navient's indemnification obligations and the smaller, relatively younger vintages of our Private Education Loans, over the near term our dispute-related expenses may be lower than might otherwise be expected. As our business grows, we will likely be subject to additional claims and litigation, which could seriously harm our business and require us to incur significant costs. Defending against litigation may require significant attention and resources of management and, regardless of the outcome, such actions could result in significant expenses. If we are a party to material litigation and if the defenses we assert are ultimately unsuccessful, or if we are unable to achieve a favorable settlement, we could be liable for large damages and that could have a material adverse effect on our business, results of operations and/or financial condition. Likewise, similar material adverse effects could occur if Navient is unwilling or unable to honor its indemnification or other obligations under the Separation and Distribution Agreement.

Our ability to sustain or exceed our recent rates of earnings growth over the long term may be supported by, among other things, strategically diversifying our consumer products beyond Private Education Loans, which may be difficult.

Our success in sustaining or exceeding our recent rates of earnings growth over the long term may be supported by, among other things, our ability to profitably acquire or originate a more diversified suite of complimentary consumer products. Our ability to profitably acquire or originate complimentary consumer products is in turn dependent on a number of factors, some of which are beyond our control, including general economic conditions, demographic trends, demand for other consumer products, and capital markets conditions. There also may be substantial regulatory, operational and credit challenges, risks and uncertainties associated with these efforts. We may invest significant time and resources in developing, launching and/or attempting to acquire new products or services, yet not be successful in achieving our goal regarding earnings growth, credit performance and/or profitability due to any or all of the factors, risks and uncertainties noted above, as well as others. In addition, our initial timetables for the introduction and development or acquisition of new products or services may not be met, market acceptance may fall short of our expectations, and price and profitability targets for any or all of our products may not prove achievable, which could in turn unnecessarily divert management’s attention and focus and have a material negative effect on our perception in the marketplace, our business, results of operations and/or financial condition.

The launch of our Credit Card product in 2019 raises risks and uncertainties specific to that particular product. For example, we may be unable to originate Credit Card loans of acceptable credit quality or in sufficient quantities to achieve our goals. Also, economic conditions can reduce the usage of credit cards in general and the average purchase amount of transactions industry-wide, including our card, which reduces interest income and transaction fees. Competition is intense in the credit card industry, and customers may frequently switch credit cards or transfer balances to another card. Competition in credit cards is also based on the value provided to the customer by a related rewards program. Our rewards program could be viewed as less attractive to customers than other credit card issuers’ reward programs and thereby adversely impact the timing and/or success of any new credit card product of ours.

Incorrect estimates and assumptions by management in connection with the preparation of our consolidated financial statements could adversely affect our reported assets, liabilities, income and/or expenses.

The preparation of our consolidated financial statements requires us to make critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Incorrect estimates and assumptions by us in connection with the preparation of our consolidated financial statements could adversely affect the reported amounts of assets, liabilities, income and expenses. A description of our critical accounting estimates and assumptions may be found in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates” and Notes to Consolidated Financial Statements, Note 2, “Significant Accounting Policies” included in this Form 10-K. If we make incorrect assumptions or estimates, we may under- or overstate reported financial results, which could materially and adversely affect our business, financial condition and/or results of operations.

Our framework for managing risks may not be effective in mitigating our risk of loss.

Our risk management framework seeks to mitigate risk and appropriately balance risk and return. We have established processes and procedures intended to identify, measure, monitor, control and report the types of risk to which we are subject. We seek to monitor and control our risk exposure through a framework of policies, procedures, limits and reporting requirements.

We also rely on quantitative models to measure and manage risks and estimate certain financial values. Models may be used in such processes as product pricing, extending credit, measuring interest rate and other market risk, estimating losses, calculating and assessing capital levels, estimating the value of financial instruments and balance sheet items, and various other processes. If the models that we use to measure and/or mitigate these risks and values are poorly designed, based upon incorrect or incomplete information, poorly implemented, or are otherwise inadequate, our business decisions may be adversely affected, we may provide inaccurate information to the public or regulators, and/or we may incur increased losses.

In addition, there may be existing or developing risks that we have not appropriately anticipated, identified or mitigated. If our risk management framework does not effectively identify or mitigate our risks, we could suffer unexpected losses and our business, financial condition and/or results of operations could be materially adversely affected.

Our internal controls over financial reporting and disclosure controls may be ineffective.

Our management is responsible for maintaining, regularly assessing and, as necessary, making changes to our internal controls over financial reporting and our disclosure controls. Nevertheless, our internal controls over financial reporting and our disclosure controls can provide only reasonable assurances regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles in the United States (“GAAP”) and may not prevent or detect misstatements. Any failure or circumvention of our internal controls over financial reporting or our disclosure controls, failure to comply with rules and regulations related to such controls or failure to make sound and appropriate application of the criteria established in the framework set forth in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission could have a material adverse effect on our financial condition and/or results of operations.

We are subject to reputational, political and other risks.

Our reputation as an originator and servicer of high-quality Private Education Loans and Personal Loans is very dependent upon how our customers, our regulators, legislators, the education community and the broader market perceive our business practices, financial heath and integrity and the business practices, financial health and integrity of the overall student loan market or other loan markets, as applicable. Negative publicity, including as a result of our actual or alleged conduct or public opinion of the student loan industry or other relevant industries generally, could damage our reputation and business and adversely impact the price of our common stock. Additionally, proposals of political candidates or legislators that may affect the financial industry, or the student loan industry in particular, such as proposals for new federal education spending designed to make higher education “free” or substantially so regardless of financial need, or to create new federally funded programs to refinance private student loans, could have a material adverse impact on our business, results of operations, financial condition and the price of our common stock.

Any internal, market or other developments, including those relating to our competitors or our business, that result in a negative impact on our reputation or the reputation of the student loan industry or other relevant industries could have an adverse effect on our ability to originate, service and retain Private Education Loans or other loans, as applicable, result in greater regulatory, legislative and media scrutiny, increase our risk of litigation and regulatory sanctions or other actions, and have a material adverse effect on our financial condition and/or results of operations.

As described above, any failure of our operating systems or infrastructure or cyber-attacks on or other unauthorized access to our information technology systems could harm our reputation and brand and result in significant financial losses. In addition, employee and customer misconduct could severely harm our reputation, subjecting us to financial losses, lawsuits and/or regulatory sanctions. Misconduct by our customers could include such activities as providing fraudulent credentials, information or authorization on behalf of a family member or other cosigner through identification theft or by other means in order to secure loan approval. Customers also may attempt to fraudulently secure Private Education Loan or other loan proceeds. Misconduct by our employees could include, among other things, theft of our or our customers’ confidential information, or making unauthorized payments on behalf of a collection client in order to meet certain incentive thresholds.

If our operating systems or infrastructure fail or our security and other internal controls fail to prevent or detect compromised records or data, data breaches or an occurrence of customer or employee fraud, or if any resulting loss is not insured or exceeds applicable insurance limits, or if insurance is denied, such occurrence could have a material adverse effect on our reputation, financial condition and/or results of operations.

A low ESG or sustainability score could result in the exclusion of our common shares from consideration by certain investment funds and a negative perception of us by certain investors.

Certain organizations that provide corporate governance and other corporate risk information to investors and shareholders have developed scores and ratings to evaluate companies and investment funds based upon environmental, social and governance (“ESG”) or “sustainability” metrics. Currently, there are no universal standards for such scores or ratings, but the importance of sustainability evaluations is becoming more broadly accepted by investors and shareholders. Indeed, many investment funds focus on positive ESG business practices and sustainability scores when making investments. In addition, investors, particularly institutional investors, use these scores to benchmark companies against their peers and if a company is perceived as lagging, these investors may engage with companies to require improved ESG disclosure or performance. Moreover, certain members of the broader investment community may consider a company's sustainability score as a reputational or other factor in making an investment decision. Consequently, a low sustainability score could result in exclusion of the Company's common shares from consideration by certain investment funds, engagement by investors seeking to improve such scores and a negative perception of the Company by certain investors.

Risks Related to the Spin-Off

We continue to rely on Navient's Private Education Loan data and, because of Navient's indemnification obligations, have significant exposures to risks related to its creditworthiness. If we are unable to rely on this data or to obtain indemnification payments from Navient, we could experience higher than expected costs and operating expenses and our results of operations, cash flows and/or financial condition could be materially and adversely affected.

Through the end of 2018, Navient regularly provided us with a significant amount of current and historical data on their portfolios of Private Education Loans, including data that supported, among other things, the tracking of loan performance metrics such as default and recovery rates on those loans, including loans classified as troubled debt restructurings, and, in connection with our ABS financing transactions, our ability to provide investors with historical information about Private Education Loan performance. We also used these metrics in the development of certain critical accounting assumptions.

Pursuant to the terms of the Separation and Distribution Agreement, and as contemplated by the structure of the Spin-Off, Navient is legally obligated to indemnify the Bank against all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM occurring prior to the Spin-Off, except for certain liabilities specifically assumed by the Bank in the agreement as to which the Bank would be obligated to indemnify Navient. Some significant examples of the types of indemnification obligations Navient has under the Separation and Distribution Agreement and related ancillary agreements include:

- Navient is required to indemnify us for any liabilities, costs or expenses we may incur arising from any action or threatened action related to the servicing, operations and collections activities of pre-Spin-Off SLM and its subsidiaries with respect to Private Education Loans and FFELP Loans that were assets of the Bank or Navient at the time of the Spin-Off; provided that written notice was provided to Navient on or prior to April 30, 2017, the third anniversary date of the Spin-Off. Navient is not required to indemnify for changes in law or changes in prior existing interpretations of law that occur on or after April 30, 2014.

- In connection with the Spin-Off, we recorded a liability related to uncertain tax positions of $27 million for which we are indemnified by Navient. As of December 31, 2019, the remaining balance of the indemnification receivable related to those uncertain tax positions was $15 million.

The Separation and Distribution Agreement provides specific processes and procedures pursuant to which we may submit claims for indemnification to Navient. If for any reason Navient is unable or unwilling to pay claims made against it, our costs, operating expenses, cash flows and/or financial condition could be materially and adversely affected over time.

Risks Related to Our Securities

Our common and preferred stock prices may fluctuate significantly.

The market price of shares of our common stock may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- Actual or anticipated fluctuations in our operating results;
- Our smaller market capitalization as compared to pre-Spin-Off SLM;
- Changes in earnings estimated by securities analysts or our ability to meet those estimates;
- Any existence or lack of, or change in, capital return initiatives or policies regarding our common stock;
- The operating and stock price performance of comparable companies;
- News reports relating to trends, concerns and other issues in the student loan industry or other parts of the financial services industry, including regulatory actions against other financial institutions or proposed legislation, or proposals of political candidates, that may affect the student loan industry or other parts of the financial services industry;
- Perceptions in the marketplace regarding us and/or our competitors;
- New technology used, or services offered, by competitors;
- Significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- Changes to the regulatory and legal environment under which we and our subsidiaries operate;
- Our ability to securitize our loans;
- Domestic and worldwide economic conditions; and
- Other major events that may occur domestically or internationally that impact capital markets or the stock market generally.

The market price of shares of our preferred stock may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- Significant sales of our preferred stock, or the expectation of significant sales;
- Lack of or a downgrade of credit agency ratings;
- Movements in interest rates and spreads that negatively affect return; and
- Call and redemption features; and
- Other major events that may occur domestically or internationally that impact capital markets or the stock market generally.

In addition, when the market price of a company's common stock drops significantly, stockholders often institute securities class action lawsuits against the company. A securities class action lawsuit against the Company could cause it to incur substantial costs and could divert the time and attention of its management and other resources, which could materially adversely affect our business, financial condition and/or results of operations.

An investment in our securities is not an insured deposit.

Our common stock, preferred stock and indebtedness are not bank deposits and, therefore, are not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in our common stock is inherently risky for the reasons described in this “Risk Factors” section and elsewhere in this report and is subject to the same market forces that affect the price of securities of any company. As a result, if you acquire our common stock, preferred stock or indebtedness, you may lose some or all of your investment.

The holders of our preferred stock have rights that are senior to those of our common shareholders.

At December 31, 2019, we had issued and outstanding 4.0 million shares of our Series B Preferred Stock.

Our Series B Preferred Stock is senior to our shares of common stock in right of payment of dividends and other distributions. Generally, we must be current on dividends payable to holders of our Series B Preferred Stock before any dividends can be paid on our common stock. We also must comply with certain provisions that are protective of the Series B Preferred Stock in order to effectuate any repurchases under our common stock share repurchase program. In the event of our bankruptcy, dissolution or liquidation, the holders of our Series B Preferred Stock must be satisfied before any distributions can be made to our common shareholders.

We may be limited in our ability to pay dividends on, and repurchase, our common stock.

The declaration and payment of future common stock dividends, as well as the amount thereof, are subject to determination by, and the discretion of, our Board of Directors. In addition, we may change our policy regarding the payment of dividends and reduce or eliminate our common stock dividend in the future, which could adversely affect the market price of our common stock.

Our share repurchase programs permit us to repurchase from time to time shares of our common stock up to an aggregate repurchase price not to exceed the authorized limits described in this Form 10-K. We may not be able to sell loans at prices, in volumes, or on a schedule, that will provide us with sufficient funds to effect share repurchases under our share repurchase programs. The timing and volume of any repurchases will be subject to market conditions, and there can be no guarantee that we will repurchase up to the limit of any program or at all, which could adversely affect the market price of our common stock.

We are dependent on funds obtained from the Bank to fund dividend payments and any share repurchases. Regulatory and other legal restrictions may limit our ability to transfer funds freely, either to or from our subsidiaries. In particular, the Bank is subject to laws and regulations that authorize regulatory bodies to block or reduce the flow of funds to us, or that prohibit such transfers altogether in certain circumstances. These laws, regulations and rules may hinder our ability to access funds that we may need to make payments in respect of our stock or to satisfy our other responsibilities. The FDIC has the authority to prohibit or limit the payment of dividends by the Bank and SLM Corporation.

Restrictions on Ownership

The ability of a third-party to acquire us is limited under applicable U.S. and state banking laws and regulations.

Under the Change in Bank Control Act of 1978, as amended (“CIBC Act”), the FDIC’s regulations thereunder, and similar Utah banking laws, any person, either individually or acting through or in concert with one or more other persons, must provide notice to, and effectively receive prior approval from, the FDIC and the UDFI before acquiring “control” of us. In practice, the process for obtaining such approval is complicated and time-consuming, often taking longer than six months, and a proposed acquisition may be disapproved for a variety of factors, including, but not limited to, antitrust concerns, financial condition and managerial competence of the applicant, and failure of the applicant to furnish all required information. Under the FDIC’s CIBC Act regulations, control is rebuttably presumed to exist, and notice is required, where a person owns, controls or holds with the power to vote 10 percent or more of any class of our voting shares and no other person owns, controls or holds with the power to vote a greater percentage of that class of voting shares.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table lists the principal facility owned by us as of December 31, 2019:

Location	Function	Approximate Square Feet
Newark, DE	Headquarters	160,000

The following table lists the principal facilities leased by us as of December 31, 2019:

Location	Function	Approximate Square Feet
Indianapolis, IN	Administrative Offices	115,000
New Castle, DE	Loan Servicing Center	57,000
Sterling, VA	Administrative Offices	27,000
Newton, MA	Administrative Offices	24,000
Salt Lake City, UT	Sallie Mae Bank	17,000

The facility that we own is not encumbered by a mortgage. We believe that our headquarters, loan servicing centers, data center, back-up facility and data management and collection centers are generally adequate to meet our long-term lending and business goals. Our headquarters are currently located in owned space at 300 Continental Drive, Newark, Delaware, 19713.

Item 3. 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.

Pursuant to the terms of the Spin-Off and applicable law, Navient is responsible for all liabilities (whether accrued, contingent or otherwise and whether known or unknown) arising out of or resulting from the conduct of pre-Spin-Off SLM and its subsidiaries' businesses prior to the Spin-Off, other than certain specifically identified liabilities relating to the conduct of our consumer banking business for which the Bank is responsible. Nonetheless, given the prior usage of the Sallie Mae and SLM names by entities now owned by Navient, we and our subsidiaries may from time to time be improperly named as defendants in legal proceedings where the allegations at issue are the legal responsibility of Navient. Most of these legal proceedings involve matters that arose in whole or in part in the ordinary course of business of pre-Spin-Off SLM. Likewise, as the period of time since the Spin-Off increases, so does the likelihood any allegations that may be made may be in part for our own actions in a post-Spin-Off time period and in part for Navient's conduct in a pre-Spin-Off time period. We will not be providing information on these proceedings unless there are material issues of fact or disagreement with Navient as to the bases of the proceedings or responsibility therefor that we believe could have a material, adverse impact on our business, assets, financial condition, liquidity or outlook if not resolved in our favor.

On January 18, 2017, the Illinois Attorney General filed a lawsuit in Illinois state court against Navient - its subsidiaries Navient Solutions, Inc., Pioneer Credit Recovery, Inc., and General Revenue Corporation - and the Bank arising out of the Multi-State Investigation. On March 20, 2017, the Bank moved to dismiss the Illinois Attorney General action as to the Bank, arguing, among other things, 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 July 10, 2018, the Court granted the Bank's motion to dismiss without prejudice. On August 7, 2018, the Illinois Attorney General filed a First Amended Complaint and, on October 9, 2018, the Bank again moved to dismiss the action based on grounds similar to those raised in its March 20, 2017 motion. The Illinois Attorney General filed its response on November 21, 2018, and the Bank filed its reply on December 10, 2018. Oral argument on the motion took place on January 9, 2019. The Court took the motion under advisement.

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.

To date, three other state attorneys general (California, Washington and Pennsylvania) have filed suits against Navient and one or more of its current subsidiaries arising out of the Multi-State Investigation. Neither SLM, the Bank, nor any of their current subsidiaries are named in, or otherwise a party to, the California, Washington or Pennsylvania lawsuits, and no claims are asserted against them. Each complaint asserts in its own fashion that Navient assumed responsibility under the Separation and Distribution Agreement for the alleged conduct in the complaints prior to the Spin-Off. On September 24, 2018, the Washington Attorney General served a third-party subpoena on the Bank calling for the production of certain records. The Bank has responded to the subpoena.

Additional lawsuits may arise from the Multi-State Investigation which may or may not name the Company, the Bank or any of their current subsidiaries as parties to these suits. Pursuant to the terms of the Separation and Distribution Agreement, and as contemplated by the structure of the Spin-Off, Navient is legally obligated to indemnify the Bank against all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM occurring prior to the Spin-Off, except for certain liabilities related to the conduct of the pre-Spin-Off consumer banking business that were specifically assumed by the Bank (and as to which the Bank is obligated to indemnify Navient). Navient has acknowledged its indemnification obligations under the Separation and Distribution Agreement, in connection with the Multi-State Investigation and the related lawsuits in which the Bank has been named as a party. Navient has informed the Bank, however, that it believes that the Bank may be responsible to indemnify Navient against certain potential liabilities arising from the above-described lawsuits under the Separation and Distribution Agreement and/or a separate loan servicing agreement between the parties, and has suggested that the parties defer further discussion regarding indemnification obligations, and reimbursement of ongoing legal costs, in connection with the lawsuits until the lawsuits are resolved. The Bank disagrees with Navient’s position and the Bank has reiterated to Navient that Navient is responsible for promptly indemnifying the Bank against all liabilities arising out of the conduct of pre-Spin-Off SLM that are at issue in the Multi-State Investigation and in the above-described lawsuits.

Regulatory Update

In May 2014, the Bank received a CID from the CFPB as part of the CFPB Investigation. Two state attorneys general also provided the Bank identical CIDs and other state attorneys general have become involved in the Multi-State Investigation. To the extent requested, the Bank has been cooperating fully with the CFPB and the attorneys general conducting the Multi-State Investigation. Given the timeframe covered by the CIDs, the CFPB Investigation and the Multi-State Investigation, and the focus on practices and procedures previously conducted by Navient and its servicing subsidiaries prior to the Spin-Off, Navient is leading the response to these investigations. Consequently, we have no basis from which to estimate either the duration or ultimate outcome of these investigations.

With regard to the CFPB Investigation, we note that on January 18, 2017, the CFPB filed a complaint in federal court in Pennsylvania against Navient, along with its subsidiaries, Navient Solutions, Inc. and Pioneer Credit Recovery, Inc. The complaint alleges these Navient entities, among other things, engaged in deceptive practices with respect to their historic servicing and debt collection practices. Neither SLM, the Bank, nor any of their current subsidiaries are named in, or otherwise a party to, the lawsuit and are not alleged to have engaged in any wrongdoing. The CFPB’s complaint asserts Navient’s assumption of these liabilities pursuant to the Separation and Distribution Agreement.

Item 4. Mine Safety Disclosures

N/A

PART II.

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed and has traded on the Nasdaq Global Select Market (“Nasdaq”) under the symbol SLM since December 12, 2011. Previously, our common stock was listed and traded on the New York Stock Exchange. As of January 31, 2020, there were 422,615,193 shares of our common stock outstanding and 273 holders of record.

We paid quarterly cash dividends on our common stock of $0.03 per share for each quarter of 2019. For the years ended December 31, 2018 and 2017, we did not pay dividends on our common stock. Common stock dividend declarations are subject to determination by, and the discretion of, our Board of Directors. We may change our common stock dividend policy at any time.

Issuer Purchases of Equity Securities

The following table provides information relating to our purchase of shares of our common stock in the three months ended December 31, 2019.

(In thousands, except per share data)	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs(2)
Period:				
October 1 - October 31, 2019	426	$ 8.49	424	$ 39,000
November 1 - November 30, 2019	686	$ 8.87	676	$ 33,000
December 1 - December 31, 2019	29	$ 8.82	—	$ 33,000
Total fourth-quarter 2019	1,141	$ 8.73	1,100	

(1) The total number of shares purchased includes: (i) shares purchased under the stock repurchase program 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.

(2) The 2019 Share Repurchase Program permits us to repurchase shares of our common stock up to an aggregate repurchase price not to exceed $200 million. The 2019 Share Repurchase Program expires on January 22, 2021.

The closing price of our common stock on Nasdaq on December 31, 2019 was $8.91.

The 2019 Share Repurchase Program expires on January 22, 2021 and 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 17 million shares of common stock for $167 million for the year ended December 31, 2019. We had $33 million of remaining capacity under the 2019 Share Repurchase Program as of December 31, 2019.

The 2020 Share Repurchase Program 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.

The timing and volume of any repurchases will be subject to market conditions, and there can be no guarantee that the Company will repurchase up to the limit of the programs or at all. 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.

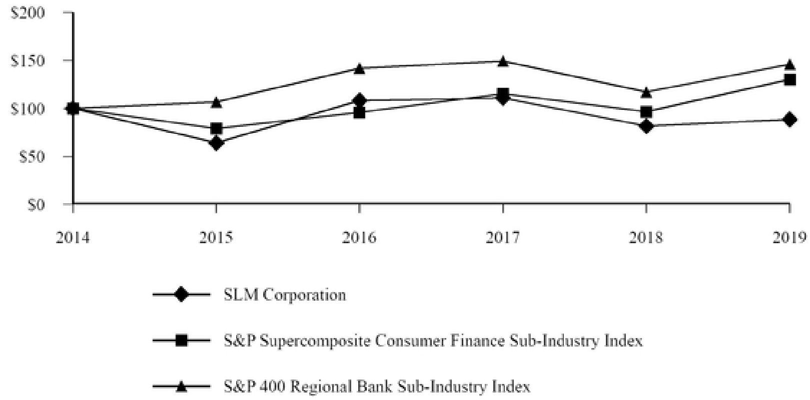
In addition to any repurchases that we may make under the share repurchase programs, we expect to repurchase common stock acquired as a result of taxes withheld in connection with award exercises and vesting under our employee stock-based compensation plans.

Stock Performance

The following graph compares the five-year cumulative total returns of SLM Corporation, the S&P Supercomposite Consumer Finance Sub-Industry Index, and the S&P 400 Regional Bank Sub-Industry Index.

This graph assumes $100 was invested in the stock or the relevant index on December 31, 2014, and also assumes the reinvestment of dividends through December 31, 2019, including the Company's distribution to its shareholders of one share of Navient Corporation common stock for every share of SLM Corporation on April 30, 2014. For the purpose of this graph, the Navient Corporation distribution is treated as a non-taxable cash dividend of $16.56 that would have been reinvested in SLM Corporation common stock at the close of business on April 30, 2014.

Five-Year Cumulative Total Stockholder Return



Company/Index	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
SLM Corporation	$100.0	$64.0	$108.2	$110.9	$81.6	$88.6
S&P Supercomposite Consumer Finance Sub-Industry Index	100.0	79.0	95.9	115.2	96.6	130.3
S&P 400 Regional Bank Sub-Industry Index	100.0	106.6	141.8	149.1	117.2	146.0

Source: Bloomberg Total Return Analysis

Item 6. Selected Financial Data.

Selected Financial Data 2015-2019
(Dollars in millions, except per share amounts)

The following table sets forth our selected financial and other operating information. The selected financial data in the table is derived from our consolidated financial statements. The data should be read in conjunction with the consolidated financial statements, related notes, and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	2019	2018	2017	2016	2015
Operating Data:					
Net interest income	$ 1,623	$ 1,413	$ 1,129	$ 891	$ 702
Non-interest income (loss)	49	(52)	(3)	69	183
Total revenue	1,672	1,361	1,126	960	885
Net income	$ 578	$ 487	$ 289	$ 250	$ 274
Basic earnings per common share attributable to SLM Corporation	$ 1.31	$ 1.08	$ 0.63	$ 0.54	$ 0.60
Diluted earnings per common share attributable to SLM Corporation	$ 1.30	$ 1.07	$ 0.62	$ 0.53	$ 0.59
Dividends per common share attributable to SLM Corporation common shareholders[1]	$ 0.12	$ —	$ —	$ —	$ —
Return on common stockholders' equity	21%	20%	14%	14%	18%
Net interest margin	5.76	6.10	5.93	5.68	5.49
Return on assets	1.96	2.01	1.43	1.52	2.04
Dividend payout ratio	9	—	—	—	—
Average equity/average assets	10.56	11.22	11.92	13.40	14.49
Non-GAAP operating efficiency ratio[2]	34.7	41.0	39.6	40.1	46.9
Balance Sheet Data:					
Total education loan portfolio, net	$ 23,680	$ 21,143	$ 18,174	$ 15,125	$ 11,631
Total Personal Loans, net	984	1,128	394	13	—
Total Credit Cards, net	4	—	—	—	—
Total assets	32,686	26,638	21,780	18,533	15,214
Total deposits	24,284	18,943	15,505	13,436	11,488
Total borrowings	4,643	4,284	3,275	2,168	1,079
Total SLM Corporation stockholders' equity	3,312	2,973	2,474	2,347	2,096
Book value per common share	6.91	5.90	4.80	4.15	3.59

(1) In 2019, we initiated a new policy to pay a regular, quarterly cash dividend on our common stock, beginning in the first quarter of 2019. Common stock dividend declarations are subject to determination by, and the discretion of, our Board of Directors. We may change our common stock dividend policy at any time. We did not pay common stock dividends in fiscal years 2018, 2017, 2016 and 2015.

(2) Our operating efficiency ratio is a non-GAAP measure because we adjust (a) the total non-interest expense numerator by deducting restructuring and other reorganization expenses, and (b) the net revenue denominator (which otherwise would consist of net interest income, before provisions for credit losses, and non-interest income) by excluding any gains and losses on sales of loans and securities, net and the net impact of derivative accounting as defined in the Core Earnings adjustments to GAAP table set forth in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Financial Measures — Core Earnings" of this Annual Report on Form 10-K. We believe doing so provides useful information to investors because it is a measure used by our management team to monitor our effectiveness in managing operating expenses. Other companies may use similarly titled non-GAAP financial measures that are calculated differently from the way we calculate our ratio. Accordingly, our non-GAAP operating efficiency ratio may not be comparable to similar measures used by other companies.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion and analysis also contains forward-looking statements and should also be read in conjunction with the disclosures and information contained in "Forward-Looking and Cautionary Statements" and Item 1A. "Risk Factors" in this Annual Report on Form 10-K.

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.

Overview

The following discussion and analysis presents a review of our business and operations as of and for the year ended December 31, 2019.

Key Financial Measures

Set forth below are brief summaries of our 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.

Net Interest Income

Most of our earnings are generated from the interest income earned on assets in our education loan portfolios and on Personal Loans and Credit Cards, net of the interest expense we pay on the funding for those loans. We report these earnings as net interest income. We also often refer to the net interest margin, which is the net interest yield earned on our interest-earning assets less the rate paid on our related interest-bearing liabilities. The majority of our interest income comes from our Private Education Loan portfolio. FFELP Loans have a lower net interest yield and carry lower risk than Private Education Loans, as a result of the federal government guarantee supporting FFELP Loans. Personal Loans tend to have higher risk, higher interest rates and shorter terms than Private Education Loans. In the fourth quarter of 2019, we discontinued new originations of our Personal Loan product and do not expect to originate or purchase any additional Personal Loans in 2020. As we do not expect to acquire or originate any Personal Loans or purchase additional FFELP Loans in 2020, these portfolios are expected to decline due to normal amortization.

Loan Sales and Secured Financings

We may sell loans to third-parties through whole loan sales, securitizations or other similar transactions. We typically retain servicing of loans subsequent to their sale and earn revenue for this servicing at prevailing market rates for such services. Selling loans removes the loan assets from our balance sheet and helps us manage our asset growth, capital and liquidity needs. Alternatively, we may use loans as collateral in connection with the creation of asset-backed securitizations or securitized commercial paper facilities structured as financings. These types of transactions may provide us long-term financing, but they do not remove loan assets from our balance sheet, nor do they generate gains on sales of loans, net. Consequently, our operating results may be significantly affected by whether we choose to sell loans and recognize current gains on sale or continue to hold or finance loans, thereby retaining some or all the net interest income from those loans. We did not sell loans in 2019, but we expect to sell approximately $3 billion in loans in 2020, depending on market conditions. For additional information, see Notes to Consolidated Financial Statements, Note 23, "Subsequent Events."

Allowance for Loan Losses

Management estimates and maintains an allowance for loan losses at a level sufficient to cover charge-offs expected over the next year, plus an additional allowance to cover life-of-loan expected losses for loans classified as troubled debt restructurings ("TDRs"). See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations

— Critical Accounting Policies and Estimates — Allowance for Loan Losses.” Allowances for loan losses are an important indicator of management’s perspective on the future performance of a loan portfolio. Each quarter, management makes an adjustment to the allowance for loan losses to reflect its most up-to-date estimate of future losses by recording a charge against quarterly revenues known as provision expense. As they occur, actual loan charge-offs and recoveries are then charged or credited, respectively, against the allowance for loan losses rather than against earnings.

The allowance for loan losses and provision expense rise when future charge-offs are expected to increase and fall when future charge-offs are expected to decline. We bear the full credit exposure on our Private Education Loans, Personal Loans, and Credit Cards. Losses on our Private Education Loans are affected by risk characteristics such as loan status (in-school, grace, forbearance, repayment and delinquency), loan seasoning (number of months in active repayment), underwriting criteria (e.g., credit scores), presence of a cosigner and the current economic environment. See “Defaults on our loans, particularly Private Education Loans and Personal Loans, could adversely affect our business, financial position, results of operations and/or cash flows” in Item 1A. “Risk Factors” for additional information. Losses typically emerge once a borrower separates from school and enters full principal and interest repayment after the borrower’s grace period (six months, typically) ends. Our experience indicates that approximately 50 percent of expected losses on a Private Education Loan occur in the first two years after a loan enters full principal and interest repayment. Therefore, changes in our allowance for loan losses will be driven in large measure by the amount and age of our Private Education Loans in full principal and interest repayment. As a larger proportion of our Private Education Loan portfolio enters full principal and interest repayment in the coming years, we would expect the amount of TDRs, as well as our allowance for loan losses and charge-offs, to increase. Losses on our Personal Loans are affected by risk characteristics such as FICO scores at origination and seasoning.

Our allowance for loan losses for FFELP Loans and related periodic provision expense are small because we generally bear a maximum of three percent loss exposure due to the federal guarantee on such loans. We maintain an allowance for loan losses for our FFELP Loans at a level sufficient to cover charge-offs expected over the next two years.

We maintain an allowance for Personal Loan and Credit Card losses at an amount sufficient to absorb losses estimated and viewed at the reporting date as probable credit losses to be incurred in the portfolio. In determining the allowance for loan losses on our Personal Loans and Credit Cards that are not classified as TDRs, we estimate the principal amount of the loans that will default over the next twelve months (twelve months being the expected period between a loss event and default) and how much we expect to recover over the same twelve-month period related to the defaulted amounts. The expected defaults less our expected recoveries adjusted for any qualitative factors equal the allowance related to this portfolio of Personal Loans and Credit Cards that are not TDRs.

On January 1, 2020, we adopted CECL. The adoption of CECL, which requires us to measure our allowance for losses based upon the estimate of current expected credit losses, will have a significant impact on the allowance for loan losses in future periods to reflect life-of-loan expected losses. See Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates — Recently Issued but Not Yet Adopted Accounting Pronouncements,” for further discussion regarding CECL.

Charge-Offs and Delinquencies

Delinquencies are another important indicator of potential future credit performance. When a Private Education Loan or Personal Loan reaches 120 days delinquent, it is charged against the allowance for loan losses. We charge off Credit Cards when they are 180 days delinquent. Charge-off data provides relevant information with respect to the actual performance of a loan portfolio over time. Management focuses on delinquencies as well as the progression of loans from early to late stage delinquency as a key metric in estimating the allowance for loan losses and tailoring its future collections strategies. We manage our charged-off loans through a mix of in-house collectors, third-party collectors and sales to third-parties.

Operating Expenses

The cost of operating our business directly affects our profitability. In 2019, we measured our effectiveness in managing operating expenses by monitoring our non-GAAP operating efficiency ratio. We calculate and report our non-GAAP operating efficiency ratio as the ratio of (a) the total non-interest expense numerator to (b) the net revenue denominator (which consists of the sum of net interest income, before provision for credit losses, and non-interest income, excluding any gains and losses on sales of loans and securities, net and the net impact of derivative accounting as defined in our “Core Earnings” adjustments to GAAP table in “- ‘Core Earnings’ ” in this Form 10-K). We believe doing so provides useful information to investors because it is a measure used by our management team to monitor our effectiveness in managing operating expenses. Other companies may use similarly titled non-GAAP financial measures that are calculated differently from the way we calculate our ratio. Accordingly, our non-GAAP operating efficiency ratio may not be comparable to similar measures used by other companies. In January 2020, we announced our plans to sell up to $3 billion of loans in 2020 and use a portion of the proceeds to repurchase common stock. The sale of these loans is expected to cause a significant decrease in our operating efficiency ratio because of the expected sizable gain to be recorded in the period of the sale. Conversely, the operating efficiency ratio is expected to increase in the periods subsequent to the period of sale because we no longer will report interest income on the loans sold. As a result, we will discontinue our focus on the non-GAAP operating efficiency ratio.

"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."

For periods prior to July 1, 2018, the amount recorded in "Gains (losses) on derivatives and hedging activities, net" includes (a) the accrual of the current payment on those interest rate swaps that do not qualify for hedge accounting treatment, (b) the change in fair values related to future expected cash flows for derivatives that do not qualify for hedge accounting treatment, and (c) ineffectiveness on derivatives that receive hedge accounting treatment. For purposes of "Core Earnings" in those periods prior to July 1, 2018, we include in GAAP earnings the current period accrual amounts (interest reclassification) on the swaps and exclude the remaining ineffectiveness (and change in fair values for those derivatives not qualifying for hedge accounting treatment). "Core Earnings" in those periods is meant to represent what earnings would have been had these derivatives qualified for hedge accounting and there was no ineffectiveness.

In the third quarter of 2018, we changed our definition of "Core Earnings" to no longer exclude ineffectiveness related to derivative instruments that are receiving hedge accounting treatment. Accordingly, the only 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. For periods beginning July 1, 2018, 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 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 (losses) on derivatives and hedging activities, net” that relates to the interest reclassification on the derivative contracts.

	Years Ended December 31,		
(Dollars in thousands)	2019	2018	2017
Hedge ineffectiveness (losses) gains prior to adoption of ASU No. 2017-12[(1)]	$ —	$ 2,684	$ (4,504)
Unrealized gains (losses) on instruments not in a hedging relationship	19,469	(1,400)	(3,693)
Interest reclassification	(1,644)	(1,371)	(69)
Gains (losses) on derivatives and hedging activities, net	$ 17,825	$ (87)	$ (8,266)

(1) The hedge ineffectiveness gains of $3 million for the year ended December 31, 2018 relate to hedging relationships that were discontinued in 2018 prior to the adoption of ASU No. 2017-12.

The following table reflects adjustments associated with our derivative activities.

	Years Ended December 31,		
(Dollars in thousands, except per share amounts)	2019	2018	2017
“Core Earnings” adjustments to GAAP:			
GAAP net income	$ 578,276	$ 487,476	$ 288,934
Preferred stock dividends	16,837	15,640	15,714
GAAP net income attributable to SLM Corporation common stock	$ 561,439	$ 471,836	$ 273,220
Adjustments:			
Net impact of derivative accounting[(1)]	(19,469)	(1,284)	8,197
Net tax expense (benefit)[(2)]	(4,758)	(312)	3,131
Total “Core Earnings” adjustments to GAAP	(14,711)	(972)	5,066
“Core Earnings” attributable to SLM Corporation common stock	$ 546,728	$ 470,864	$ 278,286
GAAP diluted earnings per common share	$ 1.30	$ 1.07	$ 0.62
Derivative adjustments, net of tax	(0.03)	—	0.01
“Core Earnings” diluted earnings per common share	$ 1.27	$ 1.07	$ 0.63

(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. For periods prior to July 1, 2018, “Core Earnings” also exclude the periodic unrealized gains and losses that are a result of ineffectiveness recognized related to effective hedges under GAAP, net of tax. 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:

(Dollars in thousands)	Years Ended December 31, 2019	2018	2017
Provisions for credit losses	$ 354,249	$ 244,864	$ 185,765
Total portfolio net charge-offs	(253,143)	(153,722)	(113,950)

Beginning in 2020, we plan 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.

Private Education Loan Originations

Private Education Loans are the principal asset on our balance sheet, and the amount of new Private Education Loan originations we generate each year is a key indicator of the trajectory of our business, including our future earnings and asset growth.

Funding Sources

Deposits

We utilize brokered, retail and other core deposits to meet funding needs and enhance our liquidity position. These deposits can be term or liquid deposits. Our term brokered deposits have terms as long as seven years. Interest rates on a portion of our long-term deposits are swapped into one-month LIBOR. This structure has the effect of transforming the interest rate characteristics of these deposits to match the index on which the majority of our assets reset, thereby minimizing our exposure to interest rate risk. Retail deposits are sourced through a direct banking platform and serve as an important source of diversified funding. Brokered deposits are sourced through a network of brokers and provide a stable source of funding. In addition, we accept certain deposits considered non-brokered that are held in large accounts structured to allow FDIC insurance to flow through to underlying individual depositors. In 2014, we began adding deposits from Educational 529 savings plan and later Health Savings plans as a way to diversify our funding sources. These and other large omnibus accounts, aggregating the deposits of many individual depositors, represented $6.8 billion of our deposit total as of December 31, 2019.

Loan Securitizations

We have diversified our funding sources by issuing term ABS and by entering into the Secured Borrowing Facility (which was previously called the asset-backed commercial paper facility, or ABCP Facility). Term ABS financing provides long-term funding for our Private Education Loan portfolio at attractive interest rates and at terms that effectively match the average life of the assets. Loans associated with these transactions will remain on our balance sheet if we retain the residual interest in these trusts. The Secured Borrowing Facility provides an extremely flexible source of funds that can be drawn upon on short notice to meet funding needs within the Bank. Borrowings under our Secured Borrowing Facility are accounted for as secured financings.

2019 Management Objectives

In 2019, we set out the following major goals for ourselves: (1) prudently grow our Private Education Loan assets and revenues; (2) maintain our strong capital position; (3) continue our Personal Loan and credit card initiatives to increase the level of engagement with our existing customers and attract new customers; (4) manage operating expenses while improving efficiency; (5) maintain our strong governance, risk oversight and compliance infrastructure; and (6) leverage our culture to engage employees, recognize and reward contributions to business results, and develop talent to support our business strategy and growth.

Prudently Grow Private Education Loan Assets and Revenues

We pursued managed growth in our Private Education Loan portfolio in 2019 by leveraging our Sallie Mae brand, our relationship with approximately 2,400 colleges and universities, and our direct consumer marketing efforts. We achieved our goal of growing loan originations while maintaining overall credit quality and cosigner rates in our Smart Option Student Loan originations. Private Education Loan originations were 6 percent higher in 2019 compared with 2018. The average FICO scores at approval and the cosigner rates for originations in the year ended December 31, 2019 were 746 and 86.6 percent, compared with 746 and 87.2 percent for originations in the year ended December 31, 2018, respectively. In addition, to help facilitate the expected increase in our Private Education Loan originations and the increasing percentage of fixed-rate loans being selected by our customers, we maintained our diversified funding base in 2019. In 2019, we completed two ABS secured financings totaling $1.1 billion compared with three ABS secured financings totaling $1.9 billion in 2018. We also raised fixed-rate brokered CDs in longer terms to manage potential interest rate risk.

Maintain Our Strong Capital Position

As our balance sheet grew in 2019, our regulatory capital ratios remained stable and we generated earnings and capital sufficient to cover the growth in our risk-weighted assets and remain significantly in excess of the capital levels required to be considered “well capitalized” by our regulators. As of December 31, 2019, the Bank had a Common Equity Tier 1 risk-based capital ratio of 12.2 percent, a Tier 1 risk-based capital ratio of 12.2 percent, a Total risk-based capital ratio of 13.4 percent and a Tier 1 leverage ratio of 10.2 percent, all exceeding the current regulatory guidelines for “well capitalized” institutions by a significant amount.

Continue our Personal Loan and Credit Card Initiatives to Increase the Level of Engagement With Our Existing Customers and Attract New Customers

In June 2019, we launched our suite of cash-back credit cards with unique bonus rewards designed to help cardholders develop financially responsible habits. We ended 2019 with 4,100 accounts. Early indications show strong customer engagement key performance indicators with an over 84 percent plastic activation rate and, of those activated, 74 percent utilized the card for purchases in 2019. The average FICO score at approval was 722 with an average credit line of over $4,600, both in line with our expectations.

In 2019, we originated $480 million of Personal Loans. However, in the fourth quarter of 2019, we elected to discontinue new originations to focus resources on our core strategic priorities and do not expect to originate or purchase any additional Personal Loans in 2020. We processed completed Personal Loan applications received by December 15, 2019 and continue to provide Personal Loan customers with the high-quality service they have come to expect. Our organic Personal Loan pilot produced valuable information and we will continue to monitor the performance of the portfolio as it seasons. Our test and learn approach on Personal Loans has helped us better understand the challenges and opportunities related to this product, which drove numerous data centric adjustments that improved both our underwriting and targeting strategies.

Manage Operating Expenses While Improving Efficiency

We measure our effectiveness in managing operating expenses by monitoring our non-GAAP operating efficiency ratio. See Item 6. “Selected Financial Data” and Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Key Financial Measures — Operating Expenses,” for a discussion of the method for calculating this ratio. Full-year 2019 non-interest expenses grew 3 percent year-over-year, while the non-GAAP operating efficiency ratio was 34.7 percent for the year ended December 31, 2019, compared with 41.0 percent for the year ended December 31, 2018. The non-GAAP operating efficiency ratio for the year ended December 31, 2018 was unfavorably affected by a $94 million decrease in other income due to a decrease in our tax indemnification receivable arising from the expiration of certain statutes of limitations regarding certain indemnified uncertain tax positions. Excluding this item, the non-GAAP operating efficiency ratio would have been 38.3 percent for the year ended December 31, 2018.

Maintain Our Strong Governance, Risk Oversight and Compliance Infrastructure

We maintain a strong governance framework, which includes robust oversight, education, policies and procedures supported by Enterprise Risk Management, Compliance and Internal Audit functions. In addition, given our relentless focus on customer experience, we continually monitor customer protection policies, procedures and compliance management systems, all of which are currently sufficient to meet or exceed currently applicable regulatory standards. Our goal is to leverage the governance framework to create further value and competitive advantage in the marketplace.

Leverage Our Culture to Engage Employees, Recognize and Reward Contributions to Business Results, and Develop Talent to Support our Business Strategy and Growth

In 2019, we continued to focus on providing tools and resources to enable employee growth and development of our core and leadership competencies. We improved the effectiveness of our annual performance review process by adding an assessment of our competencies and the related behaviors to further differentiate performance and effectively recognize and reward contributions. We launched a program that provides employees the opportunity to expand their knowledge and capability by temporarily transferring to a role in a different area of the business. In addition, we continued to drive completion of multi-rater performance assessments and development planning in support of our management succession plan.

Environmental, Social and Governance Practices

Our mission is to equip aspiring minds to create the lives they imagine. That mission is firmly grounded in helping families achieve the dream of a higher education. To further fulfill our mission, we've introduced a number of programs and thought-leadership initiatives, including: (i) Sallie Mae's Bridging the Dream Scholarship Program; (ii) financial literacy initiatives with educator, turned hip-hop Artist, Dee-1; (iii) national and state partnerships to develop and distribute college planning materials; and (iv) annual research and thought leadership regarding paying and saving for college, as well as management of finances by students. In addition, we are passionate about getting involved and giving back in the communities where we live and work. We strive to help create brighter futures by working directly with not-for-profit organizations in order to help students, families, and individuals in our communities. The Sallie Mae Employee Volunteer Program gives full-time employees paid time off to volunteer in their communities. Also, the Sallie Mae Employee Matching Gift Program encourages employees' voluntary support of non-profit organizations, by matching personal donations to Internal Revenue Service registered charities through our charitable organization (The Sallie Mae Fund) dollar for dollar from $25 to a maximum of $1,000 per employee per calendar year. Since the Spin-Off, the Sallie Mae Fund has contributed more than $2.3 million to address key barriers to college access and support the community. In addition, we continue to make environmental improvements at our facilities as we are committed to improving the environmental sustainability of our business and to using resources and materials thoughtfully.

2020 Management Objectives

In 2020, we intend to devote ourselves to growing our primary student loan business, maintaining and enhancing our best-in-class customer experience platform, and continuing our efforts to diversify into other consumer finance products. We have set out the following major goals for ourselves: (1) prudently grow our Private Education Loan assets and revenues; (2) maintain our strong capital position; (3) continue our credit card initiative to increase the level of engagement with our existing customers and attract new customers; (4) manage operating expenses to improve the efficiency of our operations; (5) maintain our strong governance, risk oversight and compliance infrastructure; and (6) leverage our culture to engage employees, recognize and reward contributions to business results, and develop talent to support our business strategy and growth.

Results of Operations

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

GAAP Consolidated Statements of Income

	Years Ended December 31,			Increase (Decrease)			
				2019 vs. 2018		2018 vs. 2017	
(Dollars in millions, except per share data)	2019	2018	2017	$	%	$	%
Interest income:							
Loans	$ 2,249	$ 1,895	$ 1,413	$ 354	19%	$ 482	34 %
Investments	8	6	8	2	33	(2)	(25)
Cash and cash equivalents	74	34	16	40	118	18	113
Total interest income	2,331	1,935	1,437	396	20	498	35
Total interest expense	708	522	308	186	36	214	69
Net interest income	1,623	1,413	1,129	210	15	284	25
Less: provisions for credit losses	354	245	186	109	44	59	32
Net interest income after provisions for credit losses	1,269	1,168	943	101	9	225	24
Non-interest income (loss):							
Gains on sales of loans, net	—	2	—	(2)	—	2	—
Losses on sales of securities, net	—	(2)	—	2	—	(2)	—
Gains (losses) on derivatives and hedging activities, net	18	—	(8)	18	100	8	100
Other income (loss)	31	(52)	5	83	160	(58)	(1,160)
Total non-interest income (loss)	49	(52)	(3)	101	194	(49)	(1,633)
Non-interest expenses:							
Total non-interest expenses	574	557	449	17	3	108	24
Income before income tax expense	744	559	491	185	33	68	14
Income tax expense	165	72	203	94	131	(131)	(65)
Net income	578	487	289	91	19	199	69
Preferred stock dividends	17	16	16	1	6	—	—
Net income attributable to SLM Corporation common stock	$ 561	$ 472	$ 273	$ 89	19%	$ 199	73 %
Basic earnings per common share attributable to SLM Corporation	$ 1.31	$ 1.08	$ 0.63	$ 0.23	21%	$ 0.45	71 %
Diluted earnings per common share attributable to SLM Corporation	$ 1.30	$ 1.07	$ 0.62	$ 0.23	21%	$ 0.45	73 %
Declared dividends per common share attributable to SLM Corporation	$ 0.12	$ —	$ —	$ 0.12	100%	$ —	— %

GAAP Consolidated Earnings Summary

Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

For the year ended December 31, 2019, net income was $578 million, or $1.30 diluted earnings per common share, compared with net income of $487 million, or $1.07 diluted earnings per common share, for the year ended December 31, 2018. The year-over-year increase was primarily attributable to increases in net interest income and total non-interest income, which were offset by increases in provisions for credit losses, total non-interest expenses and an increase in income tax expense.

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

- Net interest income in 2019 increased by $210 million compared with the year-ago period primarily due to a $3.1 billion increase in average loans outstanding. Net interest margin decreased by 34 basis points primarily as a result of an additional $1.8 billion in average cash and other short-term investments held in 2019 compared with the year-ago period. In 2019, we began increasing the amount of cash and cash equivalents held to increase overall liquidity levels for risk management purposes. Yields on deposits placed with the Federal Reserve and government and agency securities are below our cost of funds, which reduces the weighted average yield on our interest-earning assets and our net interest margin. The increase in yield on our education loan portfolios in 2019 compared with the year-ago period was primarily due to the carryover benefit in early 2019 from the increase in LIBOR rates during 2018, which increased the yield on our variable-rate Private Education Loan and FFELP portfolios. The increase in our cost of funds in 2019 compared to the year-ago period was also due to the increasing rates that occurred in the latter half of 2018. The increased liquidity levels in 2019 reduced the net interest margin by approximately $11 million compared with the year-ago period.
- Provisions for credit losses in 2019 increased $109 million compared with the year-ago period primarily due to a higher provision for our TDR portfolio as a result of the impact of declining interest rates, higher delinquencies, and a 14 percent growth in Private Education Loans in repayment. The allowance for a TDR loan equals the difference between the carrying amount of the loan and the present value of the expected future cash flows discounted at the effective interest rate of the loan just prior to the loan's classification as a TDR. For our variable-rate TDR loans, we lock in the discount rate at the time of TDR classification and do not adjust that rate as interest rates change. Therefore, when interest rates increase, which they did in 2018, we record a lower allowance on our variable-rate TDR portfolio because of the higher future expected cash flows. Conversely, when interest rates decline, as they have during 2019, the present value of future expected cash flows of the variable-rate TDR portfolio decline and the related allowance increases.
- There were no gains on sales of loans, net in 2019. Gains on sales of loans, net, resulted in a net gain of $2 million in 2018, as we sold the $43 million Split Loan (as hereinafter defined) portfolio in second-quarter 2018. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management — Arrangements with Navient Corporation — Amended Loan Participation and Purchase Agreement."
- There were no sales of securities in 2019, compared with losses on sales of securities, net, of $2 million in 2018, due to the sale of $41 million of mortgage-backed securities in second-quarter 2018.
- Gains (losses) on derivatives and hedging activities, net, resulted in a net gain of $18 million in 2019 compared with a net loss of less than $1 million in the year-ago period. The increase was driven by several factors, including an additional $2.6 billion of notional derivative contracts entered into during 2019 that were economic hedges but did not receive hedge accounting treatment. These derivatives, as well as other derivative contracts that did not receive hedge accounting treatment, were favorably affected by interest rates and future interest rate expectations during 2019.
- Other income in the year ended December 31, 2019 increased $83 million from the year-ago period. In 2019 and 2018, we reduced other income by $12 million and $94 million, respectively, to reflect the reduction in our tax indemnification receivable because of the expiration of certain statutes of limitations related to a portion of indemnified uncertain tax positions. Absent these tax-related items, other income in 2019 increased $1 million compared to 2018. In 2019, we recorded an $8 million gain related to changes in the valuation of certain non-marketable securities, which was offset by lower revenue in our Upromise business.
- For the year ended December 31, 2019, non-interest expenses were $574 million, compared with $557 million in the year-ago period. Full-year non-interest expenses grew 3 percent year-over-year, and the non-GAAP operating

efficiency ratio decreased to 34.7 percent in 2019 from 41.0 percent in 2018. Absent the tax-related items described above, the non-GAAP operating efficiency ratio would have been 38.3 percent for 2018. The increase in non-interest expenses was driven by the growth in our Private Education Loan portfolio and increased investments in marketing, slightly offset by a reduction in initial costs related to our migration to the cloud.

- Income tax expense increased to $165 million in 2019 from $72 million in 2018. Our effective income tax rate increased to 22.2 percent in 2019 from 12.8 percent in 2018. The increase in the effective tax rate was primarily the result of a $94 million decrease in income tax expense in 2018 due to the previously mentioned expiration of certain statutes of limitations regarding a portion of indemnified uncertain tax positions. Absent that item, our effective tax rate for 2018 would have been 25.4 percent. The further decrease in the effective tax rate in 2019 was primarily driven by $14 million of tax credits recorded in 2019, the majority of which related to prior year tax filings.

Year Ended December 31, 2018 Compared with Year Ended December 31, 2017

For the year ended December 31, 2018, net income was $487 million, or $1.07 diluted earnings per common share, compared with net income of $289 million, or $0.62 diluted earnings per common share, for the year ended December 31, 2017. The year-over-year increase was primarily attributable to a $4.1 billion increase in average earning assets, a 17 basis point increase in net interest margin and a $131 million decrease in income tax expense (primarily as a result of the impact of the Tax Cuts and Jobs Act of 2017 (the “Tax Act”), which was signed into law by President Trump on December 22, 2017, and the reduction of the federal statutory corporate income tax rate), which more than offset the $108 million increase in total non-interest expenses.

The primary contributors to each of the identified drivers of change in net income for 2018 compared with 2017 are as follows:

- Net interest income increased by $284 million in 2018 compared with 2017 primarily due to a $3.8 billion increase in average loans outstanding. Net interest margin increased by 17 basis points primarily because of the benefit from an increase in LIBOR rates, which increased the yield on our variable-rate Private Education Loan portfolio more than it increased our cost of funds, and because of growth in the higher-yielding Personal Loan portfolio. Cost of funds increased primarily due to the increase in LIBOR rates as well as a higher percentage of our total interest-bearing liabilities consisting of higher cost other interest-bearing liabilities, which include both our unsecured and secured borrowings.
- Provisions for credit losses increased $59 million in 2018 compared with 2017 primarily due to a $67 million increase in the provision for Personal Loans. The provision for Personal Loans grew because the portfolio of Personal Loans increased from $400 million at December 31, 2017 to $1.2 billion at December 31, 2018. Provision for Private Education Loans declined $9 million in 2018 when compared to 2017 as a result of improved credit performance and increases in interest rates that had a favorable impact on the provision for losses on TDR loans.
- Gains on sales of loans, net, resulted in a net gain of $2 million in 2018 as we sold the $43 million Split Loan portfolio in second-quarter 2018. See Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Management — Arrangements with Navient Corporation — Amended Loan Participation and Purchase Agreement.” There were no gains on sales of loans, net in 2017.
- Losses on sales of securities, net, were $2 million in 2018 due to the sale of $41 million of mortgage-backed securities in second-quarter 2018. There were no sales of securities in 2017.
- Losses on derivatives and hedging activities, net, resulted in a net loss of less than $1 million in 2018 compared with a net loss of $8 million in 2017.
- Other income in the year ended December 31, 2018 decreased $58 million from 2017. This change was affected by unusual items that occurred in both 2017 and 2018. In 2018, we reduced other income by $94 million to reflect the reduction in our tax indemnification receivable because of the expiration of certain statutes of limitations related to a portion of indemnified uncertain tax positions. Income taxes payable and income tax expense were reduced by a corresponding amount. In 2017, to reflect the application of the reduction of the federal statutory corporate income tax rate from 35 percent to 21 percent pursuant to the Tax Act enacted in the fourth-quarter 2017, we reduced other income by $24 million due to a lower valuation of tax indemnification receivables for future years. Unrelated to the change in the federal income tax rate, we also reduced other income in 2017 by $11 million due to the expiration of certain statutes of limitations related to a portion of indemnified uncertain tax positions. Absent these tax-related items, other

income in 2018 was $2 million greater than in 2017, primarily due to increased credit card revenue from the Company's Upromise subsidiary.

- For the year ended December 31, 2018, non-interest expenses were $557 million, compared with $449 million in 2017. Full-year non-interest expenses grew 24.0 percent year-over-year, and the non-GAAP operating efficiency ratio increased to 41.0 percent in 2018 from 39.6 percent in 2017. Absent the tax-related items described above, the non-GAAP operating efficiency ratio would have been 38.3 and 38.4 percent for 2018 and 2017, respectively. The increase in non-interest expenses was driven by the growth in our loan portfolio and investments associated with the development of our Personal Loan product, as well as investments related to other product diversification and platform enhancements.

  In early 2018, we indicated our intention to invest $40 million to accelerate the diversification of our consumer lending platform into the Personal Loan and credit card businesses and to migrate our technology infrastructure to the cloud. Non-interest expenses associated with these efforts were $44 million in the year ended December 31, 2018. Expenses in our primary education loan business for the year ended December 31, 2018 increased 14 percent from the year-ago period, excluding the technology infrastructure migration costs.

- Income tax expense decreased to $72 million in 2018 from $203 million in 2017. Our effective income tax rate decreased to 12.8 percent in 2018 from 41.2 percent in 2017. The decrease in the effective tax rate was primarily due to a $94 million decrease in income tax expense in 2018 due to the previously mentioned expiration of certain statutes of limitations regarding a portion of indemnified uncertain tax positions. Absent that item, our effective tax rate for 2018 would have been 25.4 percent. The further decrease in the effective tax rate was primarily due to the reduction in the federal statutory corporate income tax rate from 35 percent to 21 percent under the Tax Act enacted in 2017.

Financial Condition

Average Balance Sheets - GAAP

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.

	Years Ended December 31,					
	2019		2018		2017	
(Dollars in thousands)	Balance	Rate	Balance	Rate	Balance	Rate
Average Assets						
Private Education Loans	$ 22,225,473	9.32%	$ 19,282,500	9.10%	$ 16,176,351	8.43%
FFELP Loans	814,198	4.79	888,301	4.57	970,738	3.91
Personal Loans	1,141,503	12.09	900,152	11.08	112,644	9.90
Taxable securities	324,849	2.35	235,700	2.61	326,757	2.53
Cash and other short-term investments	3,693,245	2.01	1,844,404	1.88	1,454,557	1.07
Total interest-earning assets	28,199,268	8.27%	23,151,057	8.36%	19,041,047	7.55%
Non-interest-earning assets	1,318,290		1,157,628		1,104,598	
Total assets	$ 29,517,558		$ 24,308,685		$ 20,145,645	
Average Liabilities and Equity						
Brokered deposits	$ 11,760,646	2.66%	$ 9,028,589	2.43%	$ 7,224,869	1.75%
Retail and other deposits	9,588,747	2.44	8,142,449	2.08	6,939,520	1.40
Other interest-bearing liabilities[(1)]	4,658,075	3.43	3,948,001	3.37	2,932,681	2.88
Total interest-bearing liabilities	26,007,468	2.72%	21,119,039	2.47%	17,097,070	1.80%
Non-interest-bearing liabilities	392,173		461,327		647,294	
Equity	3,117,917		2,728,319		2,401,281	
Total liabilities and equity	$ 29,517,558		$ 24,308,685		$ 20,145,645	
Net interest margin		5.76%		6.10%		5.93%

(1) 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 - GAAP

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

(Dollars in thousands)	Increase (Decrease)	Change Due To[1] Rate	Volume
2019 vs. 2018			
Interest income	$ 395,680	$ (21,847)	$ 417,527
Interest expense	185,429	56,072	129,357
Net interest income	$ 210,251	$ (83,975)	$ 294,226
2018 vs. 2017			
Interest income	$ 498,049	$ 165,548	$ 332,501
Interest expense	214,206	131,283	82,923
Net interest income	$ 283,843	$ 33,831	$ 250,012

(1) 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

	December 31, 2019				
(Dollars in thousands)	Private Education Loans	FFELP Loans	Personal Loans	Credit Cards	Total Portfolio
Total loan portfolio:					
In-school[1]	$ 4,288,239	$ 81	$ —	$ —	$ 4,288,320
Grace, repayment and other[2]	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%

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

(2) 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.

(Dollars in thousands)	December 31, 2018			
	Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Total loan portfolio:				
In-school[1]	$ 4,037,125	$ 163	$ —	$ 4,037,288
Grace, repayment and other[2]	16,467,340	846,324	1,190,091	18,503,755
Total, gross	20,504,465	846,487	1,190,091	22,541,043
Deferred origination costs and unamortized premium/(discount)	68,321	2,379	297	70,997
Allowance for loan losses	(277,943)	(977)	(62,201)	(341,121)
Total loan portfolio, net	$ 20,294,843	$ 847,889	$ 1,128,187	$ 22,270,919
% of total	91%	4%	5%	100%

(Dollars in thousands)	December 31, 2017			
	Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Total loan portfolio:				
In-school[1]	$ 3,740,237	$ 257	$ —	$ 3,740,494
Grace, repayment and other[2]	13,691,930	927,403	400,280	15,019,613
Total, gross	17,432,167	927,660	400,280	18,760,107
Deferred origination costs and unamortized premium/(discount)	56,378	2,631	—	59,009
Allowance for loan losses	(243,715)	(1,132)	(6,628)	(251,475)
Total loan portfolio, net	$ 17,244,830	$ 929,159	$ 393,652	$ 18,567,641
% of total	93%	5%	2%	100%

(Dollars in thousands)	December 31, 2016			
	Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Total loan portfolio:				
In-school[1]	$ 3,371,870	$ 377	$ —	$ 3,372,247
Grace, repayment and other[2]	10,879,805	1,010,531	12,893	11,903,229
Total, gross	14,251,675	1,010,908	12,893	15,275,476
Deferred origination costs and unamortized premium/(discount)	44,206	2,941	—	47,147
Allowance for loan losses	(182,472)	(2,171)	(58)	(184,701)
Total loan portfolio, net	$ 14,113,409	$ 1,011,678	$ 12,835	$ 15,137,922
% of total	93%	7%	—%	100%

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

(2) 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.

(Dollars in thousands)	December 31, 2015 Private Education Loans	FFELP Loans	Total Portfolio
Total loan portfolio:			
In-school[(1)]	$ 2,823,035	$ 582	$ 2,823,617
Grace, repayment and other[(2)]	7,773,402	1,115,081	8,888,483
Total, gross	10,596,437	1,115,663	11,712,100
Deferred origination costs and unamortized premium/(discount)	27,884	3,114	30,998
Allowance for loan losses	(108,816)	(3,691)	(112,507)
Total loan portfolio, net	$ 10,515,505	$ 1,115,086	$ 11,630,591
% of total	90%	10%	100%

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

(2) 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)

(Dollars in thousands)	Years Ended December 31, 2019		2018		2017	
Private Education Loans	$ 22,225,473	92%	$ 19,282,500	92%	$ 16,176,351	94%
FFELP Loans	814,198	3	888,301	4	970,738	5
Personal Loans	1,141,503	5	900,152	4	112,644	1
Total portfolio	$ 24,181,174	100%	$ 21,070,953	100%	$ 17,259,733	100%

Loan Activity

	Year Ended December 31, 2019				
(Dollars in thousands)	Private Education Loans	FFELP Loans	Personal Loans	Credit Cards	Total Portfolio
Beginning balance	$ 20,294,843	$ 847,889	$ 1,128,187	$ —	$ 22,270,919
Acquisitions and originations:					
Fixed-rate	3,784,860	—	480,398	—	4,265,258
Variable-rate	1,866,914	—	—	5,933	1,872,847
Total acquisitions and originations	5,651,774	—	480,398	5,933	6,138,105
Capitalized interest and deferred origination cost premium amortization	722,153	28,258	(323)	—	750,088
Sales	—	—	—	—	—
Loan consolidations to third-parties	(1,512,279)	(27,461)	—	—	(1,539,740)
Allowance	(96,357)	(656)	(3,676)	(102)	(100,791)
Repayments and other	(2,163,619)	(64,214)	(620,943)	(2,013)	(2,850,789)
Ending balance	$ 22,896,515	$ 783,816	$ 983,643	$ 3,818	$ 24,667,792

	Year Ended December 31, 2018			
(Dollars in thousands)	Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Beginning balance	$ 17,244,830	$ 929,159	$ 393,652	$ 18,567,641
Acquisitions and originations:				
Fixed-rate	3,082,544	—	1,157,875	4,240,419
Variable-rate	2,252,948	—	—	2,252,948
Total acquisitions and originations	5,335,492	—	1,157,875	6,493,367
Capitalized interest and deferred origination cost premium amortization	597,997	31,093	(71)	629,019
Sales	(43,988)	—	—	(43,988)
Loan consolidations to third-parties	(991,044)	(30,076)	—	(1,021,120)
Allowance	(34,228)	155	(55,573)	(89,646)
Repayments and other	(1,814,216)	(82,442)	(367,696)	(2,264,354)
Ending balance	$ 20,294,843	$ 847,889	$ 1,128,187	$ 22,270,919

(Dollars in thousands)	Year Ended December 31, 2017 Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Beginning balance	$ 14,113,409	$ 1,011,678	$ 12,835	$ 15,137,922
Acquisitions and originations:				
Fixed-rate	1,524,893	—	424,889	1,949,782
Variable-rate	3,293,950	—	—	3,293,950
Total acquisitions and originations	4,818,843	—	424,889	5,243,732
Capitalized interest and deferred origination cost premium amortization	462,030	31,396	—	493,426
Sales	(11,863)	—	—	(11,863)
Loan consolidations to third-parties	(630,877)	(36,856)	—	(667,733)
Allowance	(61,243)	1,039	(6,570)	(66,774)
Repayments and other	(1,445,469)	(78,098)	(37,502)	(1,561,069)
Ending balance	$ 17,244,830	$ 929,159	$ 393,652	$ 18,567,641

“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 December 31, 2019 increased by 18 percent compared with December 31, 2018, and now total 46 percent of our Private Education Loan portfolio at December 31, 2019.

“Loan consolidations to third-parties” for the year ended December 31, 2019 total 14.2 percent of our Private Education Loan portfolio in full principal and interest repayment status at December 31, 2019, or 6.6 percent of our total Private Education Loan portfolio at December 31, 2019, compared with the year-ago period of 11.0 percent of our Private Education Loan portfolio in full principal and interest repayment status, or 4.9 percent of our total Private Education Loan portfolio, respectively. The increase in consolidations in 2019 was the result of the increase in the amount of loans in repayment and an increase in the number of active competitors in this market, including competition from Navient now that the non-compete covenant it entered into as part of the Spin-Off has expired. 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 vast majority of the aggregate increase in loan consolidations, scheduled repayments, unscheduled prepayments and capitalized interest set forth above.

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.

	Years Ended December 31,					
(Dollars in thousands)	**2019**	**%**	**2018**	**%**	**2017**	**%**
Smart Option - interest only[1]	$ 1,234,246	22%	$ 1,164,229	22%	$ 1,071,470	22%
Smart Option - fixed pay[1]	1,560,496	28	1,410,124	27	1,222,799	26
Smart Option - deferred[1]	2,082,147	37	2,017,927	38	1,889,682	39
Smart Option - principal and interest	9,806	—	8,450	—	6,831	—
Graduate Loan	622,181	11	609,742	11	536,125	11
Parent Loan	115,910	2	104,771	2	73,253	2
Total Private Education Loan originations	$ 5,624,786	100%	$ 5,315,243	100%	$ 4,800,160	100%

Percentage of loans with a cosigner	86.6%	87.2%	88.0%
Average FICO at approval[2]	746	746	747

(1) 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” for further discussion.

(2) Represents the higher credit score of the cosigner or the borrower.

Allowance for Loan Losses

Allowance for Loan Losses Activity

	Years Ended December 31,								
	2019					2018			
(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	$ 277,943	$ 977	$ 62,201	$ —	$ 341,121	$ 243,715	$ 1,132	$ 6,628	$ 251,475
Less:									
Charge-offs	(208,978)	(822)	(74,313)	(1)	(284,114)	(154,701)	(1,135)	(19,690)	(175,526)
Loan sales(1)	—	—	—	—	—	(1,216)	—	—	(1,216)
Plus:									
Recoveries	25,765	—	5,206	—	30,971	20,858	—	946	21,804
Provision for loan losses	279,570	1,478	72,783	103	353,934	169,287	980	74,317	244,584
Ending balance	$ 374,300	$ 1,633	$ 65,877	$ 102	$ 441,912	$ 277,943	$ 977	$ 62,201	$ 341,121
Troubled debt restructurings(2)	$ 1,581,966	$ —	$ —	$ —	$ 1,581,966	$ 1,257,856	$ —	$ —	$ 1,257,856

	Years Ended December 31,										
	2017				2016				2015		
(Dollars in thousands)	Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio	Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$182,472	$2,171	$ 58	$184,701	$108,816	$3,691	$ —	$112,507	$ 78,574	$5,268	$ 83,842
Less:											
Charge-offs	(130,063)	(954)	(579)	(131,596)	(90,203)	(1,348)	—	(91,551)	(55,357)	(2,582)	(57,939)
Loan sales(1)	(4,871)	—	—	(4,871)	(6,034)	—	—	(6,034)	(7,565)	—	(7,565)
Plus:											
Recoveries	17,635	—	11	17,646	10,382	—	—	10,382	5,820	—	5,820
Provision for loan losses	178,542	(85)	7,138	185,595	159,511	(172)	58	159,397	87,344	1,005	88,349
Ending balance	$243,715	$1,132	$ 6,628	$251,475	$182,472	$2,171	$ 58	$184,701	$108,816	$3,691	$112,507
Troubled debt restructurings(2)	$990,351	$ —	$ —	$990,351	$612,606	$ —	$ —	$612,606	$265,831	$ —	$265,831

(1) Represents fair value adjustments on loans sold.

(2) 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 December 31, 2019, 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 Loan provision for credit losses in 2019 increased $110 million compared with the year-ago period. This increase was primarily due to a higher provision for our TDR portfolio as a result of the impact of declining interest rates, higher delinquencies, and a 14 percent growth in Private Education Loans in repayment.

The allowance for losses on our variable-rate TDR portfolio is sensitive to changes in interest rates because we set the effective interest rate used to discount the future cash flows on these loans at the time they become TDRs. As interest rates rise, the future expected cash flows on variable-rate loans increase, which will in turn increase the net present values of the loans and lower the allowance. The converse is true when interest rates decline.

In the fourth quarter of 2017, we changed our policy for identifying TDRs to include an evaluation of the refreshed FICO scores for borrowers and cosigners receiving forbearance before determining if their loans will become TDRs. This change in policy has had the effect of slowing the growth rate of our TDR portfolio, while also increasing our loss rate for the TDR portfolio. This new policy was applied prospectively beginning in the fourth quarter of 2017 and was not applied to our historic TDR balances.

Changes in our allowance for loan losses are driven in large measure by the amount and age of our loans in full principal and interest repayment. As a larger proportion of our portfolio enters full principal and interest repayment in the coming years, we would expect the amount of TDRs to increase.

Loans classified as loans in full principal and interest repayment status now include only loans for which scheduled full principal and interest payments were due at the end of each applicable reporting period. Private Education Loans in full principal and interest repayment status were 46 percent of our total Private Education Loan portfolio at December 31, 2019, compared with 44 percent at December 31, 2018 and 41 percent at December 31, 2017.

For a more detailed discussion of our policy for determining the identification of TDRs, the collectability of Private Education Loans and maintaining our allowance for Private Education Loan losses, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates — Allowance for Loan Losses."

Our default aversion strategies are focused on the final stages of delinquency. A loss emergence period represents the expected period between the first occurrence of an event likely to cause a loss on a loan and the date the loan is expected to be charged off, taking into consideration account management practices that affect the timing of a loss, such as the usage of forbearance. The loss emergence period for our Private Education Loans, Personal Loans and Credit Cards is one year. For FFELP Loans the loss emergence period is two years.

The table below presents our Private Education Loan delinquency trends. 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		2018		2017	
(Dollars in thousands)	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[(1)]	$ 5,687,405		$ 5,260,445		$ 4,757,732	
Loans in forbearance[(2)]	714,516		577,164		468,402	
Loans in repayment and percentage of each status:						
Loans current	16,315,651	97.2%	14,289,705	97.4%	11,911,128	97.6%
Loans delinquent 31-60 days[(3)]	288,051	1.7	231,216	1.6	179,002	1.5
Loans delinquent 61-90 days[(3)]	121,302	0.7	95,105	0.7	78,292	0.6
Loans delinquent greater than 90 days[(3)]	62,666	0.4	50,830	0.3	37,611	0.3
Total Private Education Loans in repayment	16,787,670	100.0%	14,666,856	100.0%	12,206,033	100.0%
Total Private Education Loans, gross	23,189,591		20,504,465		17,432,167	
Private Education Loans deferred origination costs and unamortized premium/(discount)	81,224		68,321		56,378	
Total Private Education Loans	23,270,815		20,572,786		17,488,545	
Private Education Loans allowance for losses	(374,300)		(277,943)		(243,715)	
Private Education Loans, net	$ 22,896,515		$ 20,294,843		$ 17,244,830	
Percentage of Private Education Loans in repayment		72.4%		71.5%		70.0%
Delinquencies as a percentage of Private Education Loans in repayment		2.8%		2.6%		2.4%
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance		4.1%		3.8%		3.7%

(1) 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).

(2) 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.

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

Private Education Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance and Private Education Loans in delinquency as a percentage of total Private Education Loans in repayment have increased as of December 31, 2019, compared with December 31, 2018, primarily as a result of an increase in borrowers who have graduated or otherwise separated from school and whose loans are now in full principal and interest repayment status.

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

	Years Ended December 31,				
(Dollars in thousands)	2019	2018	2017	2016	2015
Beginning balance	$ 277,943	$ 243,715	$ 182,472	$ 108,816	$ 78,574
Total provision	279,570	169,287	178,542	159,511	87,344
Net charge-offs:					
Charge-offs	(208,978)	(154,701)	(130,063)	(90,203)	(55,357)
Recoveries	25,765	20,858	17,635	10,382	5,820
Net charge-offs	(183,213)	(133,843)	(112,428)	(79,821)	(49,537)
Loan sales[1]	—	(1,216)	(4,871)	(6,034)	(7,565)
Ending Balance	$ 374,300	$ 277,943	$ 243,715	$ 182,472	$ 108,816
Allowance as a percentage of the ending total loan balance	1.61%	1.36%	1.40%	1.28%	1.03%
Allowance as a percentage of the ending loans in repayment[2]	2.23%	1.90%	2.00%	1.88%	1.57%
Allowance coverage of net charge-offs	2.04	2.08	2.17	2.29	2.20
Net charge-offs as a percentage of average loans in repayment[2]	1.17%	1.01%	1.03%	0.96%	0.82%
Delinquencies as a percentage of ending loans in repayment[2]	2.81%	2.57%	2.42%	2.06%	2.23%
Loans in forbearance as a percentage of ending loans in repayment and forbearance[2]	4.08%	3.79%	3.70%	3.50%	3.36%
Ending total loans, gross	$ 23,189,591	$ 20,504,465	$ 17,432,167	$ 14,251,675	$ 10,596,437
Average loans in repayment[2]	$ 15,605,927	$ 13,303,801	$ 10,881,058	$ 8,283,036	$ 6,031,741
Ending loans in repayment[2]	$ 16,787,670	$ 14,666,856	$ 12,206,033	$ 9,709,758	$ 6,927,266

———

(1) Represents fair value adjustments on loans sold.

(2) 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. The allowance as a percentage of ending total loans and as a percentage of ending loans in repayment increased over the past three years primarily as a result of an increase in the balance of our TDRs, for which we hold a life-of-loan allowance.

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. Of our loans that are considered TDRs at December 31, 2019, approximately one-half involve a temporary forbearance of payments and do not change the contractual interest rate of the loan, and the other half involve a temporary contractual interest rate reduction and permanent extension of the loan term.

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 the Company 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.

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 plan to implement certain changes to our credit administration practices.

Specifically, 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. Beginning in the second quarter of 2020, we plan to phase in a required six-month period between successive grants of forbearance and between forbearance grants and certain other repayment alternatives. 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 plan to 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.

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 December 31, 2019 and December 31, 2018, 7.2 percent and 6.4 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.

Prior to full implementation of the credit administration practice 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 the total loan portfolio and will expand over subsequent quarters as the impacts are better understood. Management expects to have completed implementation of the new policies and practices by year-end 2020. 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.

While there are limitations to our estimate of the future impact of the credit administration practice 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 practice 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., Graduated Repayment Program 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.

As a result of the changes described above, we recorded a minimal increase in our current allowance for loan losses at December 31, 2019, as a result of higher expected losses on our TDR loans where we maintain a life of loan allowance. The full impact of these revisions may only be realized over the longer term, however. In particular, when calculated under CECL, which became effective on January 1, 2020, our loan loss reserves are expected to increase materially because we expect the life of loan defaults on our overall Private Education Loan portfolio to increase as a result of the planned changes to our credit administrative 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). 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 December 31, 2019, loans in forbearance status as a percentage of total Private Education Loans in repayment and forbearance were 2.9 percent for Private Education Loans that have been in active repayment status for fewer than 25 months. Approximately 70 percent of our Private Education Loans in forbearance status have been in active repayment status less than 25 months.

(Dollars in millions) December 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	$ —	$ —	$ —	$ —	$ —	$ 5,687	$ 5,687
Loans in forbearance	402	97	79	65	72	—	715
Loans in repayment - current	4,769	3,817	2,752	2,093	2,885	—	16,316
Loans in repayment - delinquent 31-60 days	108	53	45	35	47	—	288
Loans in repayment - delinquent 61-90 days	48	24	18	14	17	—	121
Loans in repayment - delinquent greater than 90 days	25	13	9	7	9	—	63
Total	$ 5,352	$ 4,004	$ 2,903	$ 2,214	$ 3,030	$ 5,687	23,190
Deferred origination costs and unamortized premium/(discount)							81
Allowance for loan losses							(374)
Total Private Education Loans, net							$ 22,897
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	2.30%	0.55%	0.45%	0.37%	0.41%	—%	4.08%

(Dollars in millions) December 31, 2018	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	$ —	$ —	$ —	$ —	$ —	$ 5,260	$ 5,260
Loans in forbearance	338	75	66	52	46	—	577
Loans in repayment - current	4,477	3,333	2,615	1,897	1,968	—	14,290
Loans in repayment - delinquent 31-60 days	94	43	38	27	29	—	231
Loans in repayment - delinquent 61-90 days	39	19	15	10	12	—	95
Loans in repayment - delinquent greater than 90 days	21	11	8	5	6	—	51
Total	$ 4,969	$ 3,481	$ 2,742	$ 1,991	$ 2,061	$ 5,260	20,504
Deferred origination costs and unamortized premium/(discount)							69
Allowance for loan losses							(278)
Total Private Education Loans, net							$ 20,295
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	2.22%	0.49%	0.44%	0.34%	0.30%	—%	3.79%

(Dollars in millions) December 31, 2017	Private Education Loans Monthly Scheduled Payments Due 0 to 12	13 to 24	25 to 36	37 to 48	More than 48	Not Yet in Repayment	Total
Loans in-school/grace/deferment	$ —	$ —	$ —	$ —	$ —	$ 4,758	$ 4,758
Loans in forbearance	272	74	58	36	28	—	468
Loans in repayment - current	3,855	3,095	2,326	1,436	1,199	—	11,911
Loans in repayment - delinquent 31-60 days	78	36	28	19	18	—	179
Loans in repayment - delinquent 61-90 days	35	16	12	7	8	—	78
Loans in repayment - delinquent greater than 90 days	17	8	5	4	4	—	38
Total	$ 4,257	$ 3,229	$ 2,429	$ 1,502	$ 1,257	$ 4,758	17,432
Deferred origination costs and unamortized premium/(discount)							57
Allowance for loan losses							(244)
Total Private Education Loans, net							$ 17,245
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	2.15%	0.58%	0.46%	0.29%	0.22%	—%	3.70%

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 for the years ended December 31, 2019 and 2018.

(Dollars in thousands	December 31, 2019 Signature and Other	Parent Loan	Smart Option	Career Training	Graduate Loan	Total
$ in repayment[(1)]	$ 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

(Dollars in thousands	December 31, 2018 Signature and Other	Parent Loan	Smart Option	Career Training	Graduate Loan	Total
$ in repayment[(1)]	$ 185,795	$ 175,885	$ 14,180,350	$ 12,777	$ 112,049	$ 14,666,856
$ in total	$ 333,222	$ 177,750	$ 19,801,184	$ 13,272	$ 179,037	$ 20,504,465

[(1)] 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. 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 that loan in that month. The accrued interest on these loans will be capitalized against the balance of the loans when the borrower exits the grace period upon separation from school. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due 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
December 31, 2019	$ 1,366,158	$ 2,390	$ 5,309
December 31, 2018	$ 1,168,823	$ 1,920	$ 6,322
December 31, 2017	$ 951,138	$ 1,372	$ 4,664
December 31, 2016	$ 739,847	$ 845	$ 2,898
December 31, 2015	$ 542,919	$ 791	$ 3,332

Personal Loan Delinquencies

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

	Personal Loans			
	December 31,			
	2019		2018	
(Dollars in thousands)	Balance	%	Balance	%
Loans in repayment and percentage of each status:				
Loans current	$ 1,023,517	97.6%	$ 1,172,776	98.5%
Loans delinquent 31-60 days[1]	9,435	0.9	6,722	0.6
Loans delinquent 61-90 days[1]	7,172	0.7	5,416	0.5
Loans delinquent greater than 90 days[1]	8,883	0.8	5,177	0.4
Total Personal Loans in repayment	1,049,007	100.0%	1,190,091	100.0%
Total Personal Loans, gross	1,049,007		1,190,091	
Personal Loans deferred origination costs and unamortized premium/(discount)	513		297	
Total Personal Loans	1,049,520		1,190,388	
Personal Loans allowance for losses	(65,877)		(62,201)	
Personal Loans, net	$ 983,643		$ 1,128,187	
Delinquencies as a percentage of Personal Loans in repayment		2.4%		1.5%

(1) 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 and other loans and 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

	December 31,		
(Dollars in thousands)	2019	2018	2017
Sources of primary liquidity:			
Unrestricted cash and liquid investments:			
Holding Company and other non-bank subsidiaries	$ 29,620	$ 25,990	$ 17,723
Sallie Mae Bank(1)	5,534,257	2,533,116	1,516,616
Available-for-sale investments	487,668	176,245	244,088
Total unrestricted cash and liquid investments	$ 6,051,545	$ 2,735,351	$ 1,778,427

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

Average Balances

(Dollars in thousands)	Years Ended December 31, 2019	2018	2017
Sources of primary liquidity:			
Unrestricted cash and liquid investments:			
Holding Company and other non-bank subsidiaries	$ 38,705	$ 22,570	$ 24,892
Sallie Mae Bank[(1)]	3,455,216	1,677,922	1,317,147
Available-for-sale investments	323,930	201,937	227,322
Total unrestricted cash and liquid investments	$ 3,817,851	$ 1,902,429	$ 1,569,361

(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)	December 31, 2019	2018
Deposits - interest bearing	$ 24,282,906	$ 18,942,082
Deposits - non-interest bearing	1,077	1,076
Total deposits	$ 24,283,983	$ 18,943,158

Our total deposits of $24.3 billion were comprised of $13.8 billion in brokered deposits and $10.5 billion in retail and other deposits at December 31, 2019, compared with total deposits of $18.9 billion, which were comprised of $10.3 billion in brokered deposits and $8.6 billion in retail and other deposits, at December 31, 2018.

Interest bearing deposits as of December 31, 2019 and 2018 consisted of retail and brokered non-maturity savings deposits, retail and brokered non-maturity money market deposit accounts ("MMDAs") and retail and brokered CDs. Interest bearing deposits include deposits from Educational 529 and Health Savings plans that diversify our funding sources and add 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 December 31, 2019, compared with $5.9 billion at December 31, 2018.

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 $18 million, $13 million, and $9 million in the years ended December 31, 2019, 2018 and 2017, respectively. Fees paid to third-party brokers related to brokered CDs were $28 million, $26 million, and $12 million during the years ended December 31, 2019, 2018 and 2017, respectively.

Interest bearing deposits at December 31, 2019 and 2018 are summarized as follows:

	December 31, 2019			December 31, 2018		
(Dollars in thousands)		Amount	Year-End Weighted Average Stated Rate[1]		Amount	Year-End Weighted Average Stated Rate[1]
Money market	$	9,616,547	2.04%	$	8,687,766	2.46%
Savings		718,616	1.71		702,342	2.00
Certificates of deposit		13,947,743	2.44		9,551,974	2.74
Deposits - interest bearing	$	24,282,906		$	18,942,082	

—

[1] Includes the effect of interest rate swaps in effective hedge relationships.

As of December 31, 2019 and 2018, there were $963 million and $523 million, respectively, of deposits exceeding FDIC insurance limits. Accrued interest on deposits was $68 million and $53 million at December 31, 2019 and 2018, 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 comprised 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 December 31, 2019, $9.4 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 95.0 percent and 5.0 percent, respectively, of our total notional derivative contracts of $9.9 billion at December 31, 2019.

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 December 31, 2019 was $(107) million and $8 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

December 31, 2019 and December 31, 2018, 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 $52 million and $27 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 December 31, 2019.

(Dollars in thousands)	SLM Corporation and Sallie Mae Bank Contracts
Total exposure, net of collateral	$ 52,115
Exposure to counterparties with credit ratings, net of collateral	$ 52,115
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 federal and state banking authorities. 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 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. 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[(1)(2)]	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio
As of December 31, 2019:				
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%	$ 1,282,642 ≥	4.0%
As of December 31, 2018:				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 2,896,091	12.1%	$ 1,528,209 ≥	6.375%
Tier 1 Capital (to Risk-Weighted Assets)	$ 2,896,091	12.1%	$ 1,887,787 ≥	7.875%
Total Capital (to Risk-Weighted Assets)	$ 3,196,279	13.3%	$ 2,367,226 ≥	9.875%
Tier 1 Capital (to Average Assets)	$ 2,896,091	11.1%	$ 1,039,226 ≥	4.0%

(1) Reflects the U.S. Basel III minimum required ratio plus the applicable capital conservation buffer.
(2) 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.

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 December 31, 2019, 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.

As of December 31, 2019, the Bank had a Common Equity Tier 1 risk-based capital ratio and a Tier 1 risk-based capital ratio of 12.2 percent, a Total risk-based capital ratio of 13.4 percent and a Tier 1 leverage ratio of 10.2 percent, which exceed the capital levels required under U.S. Basel III and the “well capitalized” standard.

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 $254 million in dividends for the year ended December 31, 2019, with the proceeds primarily used to fund the 2019 Share Repurchase Program and stock dividends. The Bank paid no dividends on its common stock for the years ended December 31, 2018 and 2017. See Part I, Item 1. “Business — Supervision and Regulation — Regulation of Sallie Mae Bank — Dividends,” regarding the expectation 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 the share repurchase programs. See also Part I, Item 1A. “Risk Factors — Risks Related to Our Securities” for possible limitations on the payments of our dividends.

Borrowings

Outstanding borrowings consist of unsecured debt and secured borrowings issued through our term ABS program and our Secured Borrowing Facility (which was previously called the asset-backed commercial paper facility or ABCP Facility). The issuing entities for those secured borrowings are variable interest entities and are consolidated for accounting purposes. The following table summarizes our secured borrowings at December 31, 2019 and 2018. For additional information, see Notes to Consolidated Financial Statements, Note 9, “Borrowings.”

	December 31, 2019			December 31, 2018		
(Dollars in thousands)	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt (fixed-rate)	$ —	$ 198,159	$ 198,159	$ —	$ 197,348	$ 197,348
Total unsecured borrowings	—	198,159	198,159	—	197,348	197,348
Secured borrowings:						
Private Education Loan term securitizations:						
Fixed-rate	—	2,629,902	2,629,902	—	2,284,347	2,284,347
Variable-rate	—	1,525,976	1,525,976	—	1,802,609	1,802,609
Total Private Education Loan term securitizations	—	4,155,878	4,155,878	—	4,086,956	4,086,956
Secured Borrowing Facility	289,230	—	289,230	—	—	—
Total secured borrowings	289,230	4,155,878	4,445,108	—	4,086,956	4,086,956
Total	$ 289,230	$ 4,354,037	$ 4,643,267	$ —	$ 4,284,304	$ 4,284,304

Short-term borrowings

On February 20, 2019, we amended and extended the maturity of our 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 December 31, 2019, $289 million secured borrowings were outstanding under the Secured Borrowing Facility and at December 31, 2018, there were no secured borrowings outstanding under the Secured Borrowing Facility. For additional information, see Notes to Consolidated Financial Statements, Note 9, “Borrowings” and Note 23, “Subsequent Events.”

Short-term borrowings have a remaining term to maturity of one year or less. The Secured Borrowing Facility’s contractual maturity is two years from the date of inception or renewal (one-year revolving period plus a one-year amortization period); however, we classify advances under our Secured Borrowing Facility as short-term borrowings because it is our intention to repay those advances within one year.

Long-term borrowings

Unsecured Debt

On April 5, 2017, we issued an unsecured debt offering of $200 million of 5.125 percent Senior Notes due April 5, 2022 at par. At December 31, 2019, the outstanding balance was $198 million.

Secured Financings

2019 Transactions

On March 13, 2019, we executed our $453 million SMB Private Education Loan Trust 2019-A term ABS transaction, which was accounted for as a secured financing. We sold $453 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $451 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.26 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 0.92 percent. At December 31, 2019, $445 million of our Private Education Loans, including $417 million of principal and $28 million in capitalized interest, were encumbered because of this transaction.

On June 12, 2019, we executed our $657 million SMB Private Education Loan Trust 2019-B term ABS transaction, which was accounted for as a secured financing. We sold $657 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $655 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.41 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 1.01 percent. At December 31, 2019, $666 million of our Private Education Loans, including $625 million of principal and $41 million in capitalized interest, were encumbered because of this transaction.

2018 Transactions

On March 21, 2018, we executed our $670 million SMB Private Education Loan Trust 2018-A term ABS transaction, which was accounted for as a secured financing. We sold $670 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $668 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.43 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 0.78 percent. At December 31, 2019, $588 million of our Private Education Loans, including $553 million of principal and $35 million in capitalized interest, were encumbered because of this transaction.

On June 20, 2018, we executed our $687 million SMB Private Education Loan Trust 2018-B term ABS transaction, which was accounted for as a secured financing. We sold $687 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $683 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.40 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 0.76 percent. At December 31, 2019, $623 million of our Private Education Loans, including $585 million of principal and $38 million in capitalized interest, were encumbered because of this transaction.

On September 19, 2018, we executed our $544 million SMB Private Education Loan Trust 2018-C term ABS transaction, which was accounted for as a secured financing. We sold $544 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $541 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.32 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 0.77 percent. At December 31, 2019, $502 million of our Private Education Loans, including $471 million of principal and $31 million in capitalized interest, were encumbered because of this transaction.

Pre-2018 Transactions

Prior to 2018, we executed a total of $3.9 billion in ABS transactions that were accounted for as secured financings. At December 31, 2019, $2.7 billion of our Private Education Loans, including $2.6 billion of principal and $115 million in capitalized interest, were encumbered as a result of these transactions.

Other Borrowing Sources

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled $125 million at December 31, 2019. 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 years ended December 31, 2019 and 2018.

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 December 31, 2019 and December 31, 2018, the value of our pledged collateral at the FRB was $3.2 billion and $3.1 billion, respectively. The interest rate charged to us is the discount rate set by the FRB. We did not utilize this facility in the years ended December 31, 2019 and 2018.

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). At December 31, 2019, we had $1.9 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2019/2020 academic year. At December 31, 2019, we had a $2 million reserve recorded in "Other Liabilities" to cover expected losses that may occur during the one-year loss emergence period on these unfunded commitments.

Contractual Cash Obligations

The following table provides a summary of our contractual principal obligations associated with long-term Bank deposits, secured borrowings, unsecured debt, loan commitments and lease obligations at December 31, 2019.

(Dollars in thousands)	1 Year or Less	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Long-term bank deposits[1][2]	$ 6,633,498	$ 9,597,070	$ 2,518,520	$ 99,128	$ 18,848,216
Secured borrowings[3]	501,001	1,533,987	1,440,170	700,044	4,175,202
Unsecured debt	—	200,000	—	—	200,000
Loan commitments[1]	1,910,590	13	—	—	1,910,603
Lease obligations	4,685	10,228	9,527	18,515	42,955
Total contractual cash obligations	$ 9,049,774	$ 11,341,298	$ 3,968,217	$ 817,687	$ 25,176,976

(1) Interest obligations are either variable or fixed in nature.
(2) Excludes derivative market value adjustments of $5 million.
(3) Amounts reflect the contractual requirements of the Private Education Loan term securitizations, based on the expected paydown of the underlying collateral.

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. Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies" includes a summary of the significant accounting policies and methods used in the preparation of our consolidated financial statements. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting periods. Actual results may differ from these estimates under varying assumptions or conditions. On a quarterly basis, management evaluates its estimates, particularly those that include the most difficult, subjective or complex judgments and are often about matters that are inherently uncertain. The most significant judgments, estimates and assumptions relate to the following critical accounting policies that are discussed in more detail below.

Allowance for Loan Losses

In determining the allowance for loan losses on our Private Education Loan non-TDR portfolio, we estimate the principal amount of loans that will default over the next year (one year being the expected "loss emergence period," which represents the expected period between the first occurrence of an event likely to cause a loss on a loan and the date the loan is expected to be charged off, taking into consideration account management practices that affect the timing of a loss, such as the usage of forbearance) and how much we expect to recover over the same one-year period related to the defaulted amount. The expected defaults less our expected recoveries adjusted for any qualitative factors (discussed below) equal the allowance related to this portfolio. Our historical experience indicates that, on average, the time between the date that a customer experiences a default causing event (i.e., the loss trigger event) and the date that we charge off the unrecoverable portion of that loan is one year.

In estimating both the non-TDR and TDR allowance amounts, we start with historical experience of customer delinquency and default behavior. We make judgments about which historical period to start with and then make further judgments about whether that historical experience is representative of future expectations and whether additional adjustments may be needed to those historical default rates. 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 the economic environment, 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 credit losses.

Our non-TDR allowance for loan losses is estimated using an analysis of delinquent and current accounts. Our model is used to estimate the likelihood that a loan receivable may progress through the various delinquency stages and ultimately charge off ("roll rate analysis"). Once a charge-off forecast is estimated, a recovery assumption is included.

Our default strategies are focused on loans that are 30 to 120 days delinquent.

The roll rate analysis model is based upon actual historical collection experience using the 120 day charge-off default aversion strategies. 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.

Separately, for our TDR portfolio, we estimate an allowance amount sufficient to cover life-of-loan expected losses through an impairment calculation based on the difference between the loan's basis and the present value of expected future cash flows (which would include life-of-loan default and recovery assumptions) discounted at the loan's original effective interest rate.

Our TDR portfolio is comprised mostly of loans with interest rate reductions and forbearance usage greater than three months during a 24-month period. All of our loans are collectively assessed for impairment, except for loans classified as TDRs (where we conduct individual assessments of impairment). We modify the terms of loans for certain borrowers when we believe such modifications may increase the ability and willingness of a borrower to make payments and thus increase the ultimate overall amount collected on a loan. These modifications generally take the form of a forbearance, a temporary interest rate reduction or an extended repayment plan. 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. Until the fourth quarter of 2017, we generally considered a loan that was in full principal and interest repayment status which had received more than three months of forbearance in a 24-month period to be a TDR; however, during the first nine months after a loan had entered full principal and interest repayment status, we did not count up to the first six months of forbearance received during that period against the three-month policy limit.

We now 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.

The separate allowance estimates for our TDR and non-TDR portfolios are combined into our total allowance for Private Education Loan losses. The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates and assumptions that may be susceptible to significant changes. If actual future performance in delinquency, charge-offs or recoveries is significantly different than estimated, this could materially affect our estimate of the allowance for loan losses and the related provision for credit losses on our income statement.

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

We consider a loan to be delinquent 31 days after the last payment was contractually due. We use a model to estimate the amount of uncollectible accrued interest on Private Education Loans and reserve for that amount against current period interest income.

We maintain an allowance for Personal Loan losses and Credit Card loan losses at amounts sufficient to absorb probable losses incurred in these portfolios at the reporting date based on a projection of estimated probable credit losses incurred in the portfolio. In determining the allowance for loan losses on our Personal Loan and Credit Card portfolios that are not TDRs, we estimate the principal amount of the loans that will default over the next twelve months (twelve months being the expected period between a loss event and default) and how much we expect to recover over the same twelve-month period related to the defaulted amounts. The expected defaults less our expected recoveries adjusted for any qualitative factors equal the allowance related to this portfolio. At both December 31, 2019 and 2018, there were no Personal Loans or Credit Cards classified as TDRs.

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. For loans disbursed prior to October 1, 1993, we receive 100 percent reimbursement.

The allowance for FFELP Loan losses uses historical experience of customer default, behavior and a two-year loss emergence period to estimate the credit losses incurred in the loan portfolio at the reporting date. We apply the default rate projections, net of applicable risk sharing, to each category 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.

Derivative Accounting

The most significant judgments related to derivative accounting are: (1) concluding the derivative is an effective hedge and qualifies for hedge accounting and (2) determining the fair value of certain derivatives and hedged items. To qualify for hedge accounting, a derivative must be a highly effective hedge upon designation and on an ongoing basis. There are no "bright line" tests on what is considered a highly effective hedge. We use a historical regression analysis to prove ongoing and prospective hedge effectiveness. See the Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies — Fair Value Measurement" for significant judgments related to the valuation of derivatives. Although some of our valuations are more judgmental than others, we compare the fair values of our derivatives that we calculate to those fair values provided by our counterparties on a monthly basis. We view this as a critical control which helps validate these judgments. Any significant differences with our counterparties are identified and resolved appropriately.

On July 1, 2018, we adopted FASB's ASU No. 2017-12, "Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities," which (a) improved the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and (b) made certain targeted improvements to simplify the application of the hedge accounting guidance. One of the key changes was that the standard eliminated the separate measurement and reporting of hedge ineffectiveness. In accordance with the standard, certain provisions were required to be applied on a modified retrospective basis, which requires a cumulative effect adjustment to accumulated other comprehensive income with a corresponding adjustment to retained earnings as of the beginning of the fiscal year of adoption, or January 1, 2018 in our case.

The accounting for derivative instruments requires that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded on the balance sheet as either an asset or liability measured at fair value. Our derivative instruments are classified and accounted for by us as fair value hedges, cash flow hedges, or trading hedges.

Fair Value Hedges

We generally use fair value hedges to offset the exposure to changes in fair value of a recognized fixed-rate liability. We enter into interest rate swaps to economically convert fixed-rate liabilities into variable-rate liabilities. For fair value hedges, we generally consider all components of the derivative's gain and/or loss when assessing hedge effectiveness and generally hedge changes in fair values due to interest rates. Under the new standard, for fair value hedges, the entire change in the fair value of the hedging instrument included in the assessment of hedge effectiveness is recorded in the same line item in the consolidated statements of income that is used to present the earnings effect of the hedged component of the hedged item. The timing of recognition of the change in fair value of a hedging instrument included in the assessment of hedge effectiveness is the same as prior to the adoption of ASU No. 2017-12.

Cash Flow Hedges

We use cash flow hedges to hedge the exposure to variability in cash flows of floating-rate liabilities. This strategy is used primarily to minimize the exposure to volatility in cash flows from future changes in interest rates. In assessing hedge effectiveness, generally all components of each derivative's gains or losses are included in the assessment. We hedge exposure to changes in cash flows due to changes in interest rates or total changes in cash flow. Under the new standard, for cash flow hedges, the entire change in the fair value of the hedging instrument included in the assessment of hedge effectiveness is recorded in other comprehensive income (loss). Those amounts are subsequently reclassified to earnings, in the same line item in the consolidated statements of income as impacted by the hedged item, when the hedged item affects earnings.

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 twelve months, we estimate that $5 million will be reclassified as an increase to interest expense.

Trading Activities

When derivative instruments do not qualify for hedge accounting treatment, they are accounted for at fair value with all changes in fair value recorded through earnings. All of our derivative instruments entered into with maturities of less than three years are economically hedging risk, but do not receive hedge accounting treatment. Trading derivatives also include any hedges that originally received hedge accounting treatment, but lost hedge accounting treatment due to failed effectiveness testing, as well as the activity of certain derivatives prior to those derivatives receiving hedge accounting treatment.

Cumulative effect of applying ASU No. 2017-12

As a result of the cumulative effect of applying the new hedging standard to our fair value hedges on July 1, 2018, we recorded a $2 million basis increase to our hedged deposit balances with a corresponding increase to retained earnings of approximately $0.8 million, net of taxes and a $3 million loss to "gains (losses) on derivatives and hedging activities, net" in our consolidated statements of income to adjust the life-to-date ineffectiveness. To reflect the adoption of the new hedging standard on our cash flow hedging relationships at July 1, 2018, we recorded a $0.2 million, net of taxes decrease to retained earnings and a corresponding $0.3 million increase to accumulated other comprehensive income.

Recently Issued but Not Yet 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, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," as amended by ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," which will become effective for us on January 1, 2020. This ASU eliminates the current accounting guidance for the recognition of credit impairment. Under the new guidance, for all loans carried at amortized cost, upon loan origination we will be 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. Upon adoption, a cumulative effect adjustment to retained earnings will be recorded as of the beginning of the first reporting period in which the guidance is effective in an amount necessary to adjust the allowance for credit losses to equal the current estimate of expected losses on financial assets held at that date.

We have evaluated the standard and completed our implementation efforts. We have identified the loss forecasting approach and have built the loss models for our Private Education Loans, Personal Loans acquired from third-parties and those originated organically, and for prepayments. For our Private Education Loan and Personal Loan portfolios, we will be using the discounted cash flow approach to calculate our current expected credit losses. We will estimate the CECL allowance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. We have determined that, for modeling current expected credit losses, we can reasonably estimate expected losses that incorporate the current and forecasted economic conditions over a two-year period, after which the model will immediately revert to our long-term historic loss rates. During the third and fourth quarters of 2019, we performed monthly dry runs of our CECL solution to test the end-to-end implementation of the new solution. The loss and other models that will be used in our CECL solution have been validated and approved to be used for the adoption of CECL. In the fourth quarter of 2019, we finalized and implemented the required governance and internal controls, completed our loss models for both Personal Loans we originated and Credit Card receivables, and completed the testing and validation for all the models to be used to implement CECL.

On January 1, 2020, we adopted CECL using the modified retrospective method and it will have a material impact on how we record and report our financial condition and results of operations and on regulatory capital. Our first quarter 2020 financial results will reflect a transition adjustment that we estimate will increase the allowance for loan losses by approximately $1.1 billion, increase the liability representing our off-balance sheet exposure for unfunded commitments by approximately $115 million and increase our deferred tax asset by approximately $300 million, resulting in a cumulative effect adjustment that reduces retained earnings by approximately $950 million. This transition adjustment is inclusive of qualitative adjustments incorporated into our CECL allowance as necessary, to address any limitations in the models used.

Banking regulators have provided an optional three-year phase-in for the initial impact of adopting the new standard for regulatory capital adequacy purposes. We have elected the three-year phase in option for the initial impact of adopting CECL and we expect to meet or exceed all applicable regulatory capital levels.

Risk Management

Our Approach

Risk is inherent in our business activities and the specialized lending industry we serve. The ability of management to anticipate, identify and remediate risk in a timely manner is critical to our continued success. Our enterprise risk management (“ERM”) framework is designed to identify, remediate, control and report these risks and escalate as appropriate to the Board of Directors or its designee.

Risk Oversight

Our Board of Directors oversees our overall strategic direction, including our risk management capability and effectiveness. The Board of Directors has oversight of key policies as well as the risk management framework developed and administered by the management team. We have a robust process to escalate to the Board meaningful departures from our risk appetite statements. The Board of Directors oversees the continued development of the ERM program.

The Governance Framework

Our overall objective is to ensure all significant risks inherent in our business can be identified, remediated where appropriate, controlled and reported. To this end, we have adopted the “three lines of defense” approach to governance. Specifically, the business units form the “first line of defense” and are the “owners” of risks inherent in their business activities. As the risk owner, the first line of defense is accountable for the day-to-day execution of risk and control policy and procedures (including activities performed by third-party contractors). Our ERM and Compliance functions constitute the “second line of defense” and provide oversight of the execution by the first line of defense. Rather than focusing on execution, the second line of defense is accountable for the related policy and standards executed upon by the first line of defense. Finally, the Internal Audit function comprises the “third line of defense.” The Internal Audit function provides opinions to the Board of Directors on the effectiveness of the first and second lines of defense, as reflected in audit reports. The lines of defense distinctions determine accountabilities; the ERM framework contains the processes and infrastructure necessary to deliver on those accountabilities.

Enterprise Risk Management Policy and Framework

The ERM policy and risk appetite framework are designed to establish a stable risk and control environment across the enterprise. The policy, which is approved by the Board of Directors, outlines the framework used to ensure that risk and control issues across the enterprise are identified, remediated, controlled and reported. The ERM policy, the risk appetite framework and the related policies and procedures constitute the core of the overall governance program. The framework is evolving to reflect the product diversification efforts being undertaken by the Bank.

The risk appetite statements are at the core of the overall framework. The risk appetite statements establish the level of risk we are willing to accept within each risk category, described below, in pursuit of our business objectives. Compliance with our risk appetite is monitored using a set of performance metrics, with thresholds and limits, for each risk type. The Enterprise Risk Committee (the “ERC”) provides oversight of the risk appetite framework with escalation to the Board of Directors, as appropriate. Our Board of Directors approves the risk appetite framework annually and requires that management provide ongoing updates on adherence to the framework.

Board of Directors Committee Structure

We have a robust Board of Directors committee structure that facilitates oversight, effective challenge and escalation of risk and control issues.

Risk Committee. The Risk Committee was established to assist the Board of Directors in fulfilling its risk management oversight responsibilities. Annually, the Risk Committee recommends the ERM policy and the risk appetite framework to the Board of Directors for approval. The Risk Committee receives periodic updates on compliance with the framework from the Chief Risk Officer (the “CRO”). The Risk Committee is the governing body for our diversification efforts.

Audit Committee. The Audit Committee is responsible for oversight of the Internal Audit function. Additionally, the Audit Committee oversees the quality and integrity of our financial reporting process and financial statements; the qualifications, hiring, performance and independence of our independent registered accounting firm; and our system of internal controls.

Nominations, Governance and Compensation Committee. The Nominations, Governance and Compensation Committee, among other things: (1) periodically reviews management’s succession planning; (2) confirms our compensation practices properly balance risk and reward and do not promote excessive risk-taking; (3) implements good governance policies for us and our Board of Directors; (4) approves all compensation and benefits for our Chief Executive Officer, Executive Vice Presidents, and independent members of our Board of Directors; (5) approves our equity-based compensation plans and management’s administration of employee benefit plans; (6) reviews related party transactions; (7) conducts assessments of the performance of our Board of Directors and its committees; and (8) recommends nominees for election to our Board of Directors.

Preferred Stock Committee. The Preferred Stock Committee monitors and evaluates proposed actions that may impact the rights of holders of our preferred stock.

Strategic Planning Committee. The purpose of the Strategic Planning Committee is to engage the Chief Executive Officer and senior management in the strategic planning process, to exchange information and ideas in order to develop proposals regarding our long-term strategic agenda initiatives, and to report on such proposals to our Board of Directors.

Compliance Committee. The purpose of the Compliance Committee of the Board of Directors of the Bank is to assist the Board of Directors in: (1) overseeing the continuing maintenance and enhancement of a strong and sustainable compliance culture; (2) providing oversight of the compliance management system; (3) approving sound policies and objectives and effectively supervising all compliance - related activities; (4) ensuring that the Bank has a qualified Chief Compliance Officer with sufficient authority, independence and resources to administer an effective compliance management system; (5) ensuring our compliance with the Code of Business Conduct; and (6) exercising and performing all other duties and responsibilities delegated to the Committee.

Management-Level Committee Structure

Enterprise Risk Committee. The ERC is authorized by the Risk Committee of the Board of Directors to provide management oversight of compliance with the risk appetite framework. The ERC is the conduit from management to the Risk Committee of the Board of Directors and provides for escalation in the instances of non-compliance with the framework. Additionally, the ERC is authorized to create sub-committees to assist in the fulfillment of its oversight activities. During 2019, we operated the following sub-committees:

Credit Committee. The Credit Committee is responsible for credit and counterparty risk, product pricing, and credit and collections operations.

Operational Risk Committee (“ORC”). The ORC is the oversight body for risk related to inadequate or failed internal processes, people and systems or from external events. It also reviews information technology risk, and regulatory and legal risks.

Asset and Liability Committee (“ALCO”). ALCO is responsible for the strategy, processes and authorities with which the Bank’s interest rate risk, liquidity and capital adequacy are managed.

Model Risk Management Committee (“MRMC”). The MRMC is responsible for the administration and execution of the model risk management program, including policies and procedures.

Each of these standing sub-committees is comprised of subject matter experts from the senior management team and is accountable to the ERC. Moreover, these sub-committees may be supported by steering or working groups, as appropriate.

Disclosure Committee. Our Disclosure Committee assists our Chief Executive Officer and Chief Financial Officer in their review of periodic SEC reporting documents, earnings releases, investor materials and related disclosure policies and procedures.

Compliance Committee. Our management-level Bank Compliance Committee is authorized by the Compliance Committee of the Board of Directors of the Bank to oversee regulatory compliance risk management activities for the Bank and its affiliates.

Internal Audit Risk Assessment

Internal Audit regularly monitors our various risk management and compliance efforts, identifies areas that may require increased focus and resources, and reports significant control issues and recommendations to executive management and the Audit Committee of the Board of Directors. Annually, Internal Audit performs an independent risk assessment to evaluate the risk of all significant components of the Company and uses the results to develop their annual Internal Audit plan. Additionally, Internal Audit performs selected reviews of both risk management and compliance functions, including key controls, processes and systems, to assess the effectiveness of the overall risk management framework.

Risk Categories

Our ERM framework is designed to address the following risk categories:

Credit Risk. Credit risk is the risk to earnings or capital resulting from an obligor's failure to meet the terms of any contract with us or other failure to perform as agreed. Credit risk is found in all activities where success depends on counterparty, issuer or borrower performance.

We have credit or counterparty risk exposure with borrowers and cosigners on loans we have made or purchased, the various counterparties with whom we have entered into derivative contracts, and the various issuers with whom we make investments. Credit and counterparty risks are overseen by the CRO, his staff and the Credit Committee. The CRO, as well as the Chief Credit Officer of the Bank, report regularly to the Board of Directors.

The credit risk related to Private Education Loans is managed within a credit risk infrastructure that includes: (i) a well-defined underwriting, asset quality and collection policy framework; (ii) an ongoing monitoring and review process of portfolio composition and trends; (iii) assignment and management of credit authorities and responsibilities; and (iv) establishment of an allowance for loan losses that covers estimated future losses based upon an analysis of portfolio metrics and economic factors.

Credit risk related to derivative contracts is managed by reviewing counterparties for credit strength on an ongoing basis and through our credit policies, which place limits on the amount of exposure we may take with any one counterparty and require collateral to secure the position. The credit and counterparty risk associated with derivatives is measured based on the replacement cost should the counterparty with contracts in a gain position to us fail to perform under the terms of the contract.

Operational Risk. Operational risk is the risk to earnings resulting from inadequate or failed internal processes, people and systems and third-party vendors, or from external events. Operational risk is pervasive in that it exists in all business lines, functional units, legal entities and geographic locations, and it includes information technology risk, physical security risk on tangible assets, as well as regulatory and legal risk.

Operational risk exposures are managed through a combination of first line of defense risk, and control activities and second line of defense oversight. The ORC is the management committee responsible for operational risk, and it supports the ERC in its oversight duties. The ORC is responsible for escalation to the ERC, as appropriate. Additionally, operational risk metrics, thresholds and limits are included in the periodic reporting to the Risk Committee of the Board of Directors.

Legal Risk. Legal risk is the risk to earnings, capital or reputation manifested by claims made through the legal system and may arise from a product, a transaction, a business relationship, property (real, personal or intellectual), conduct of an employee or a change in law or regulation.

Primary ownership and responsibility for legal risk is placed with the first lines of defense, working with their legal colleagues, to identify and manage their specific legal risks. Compliance supports these activities by providing extensive training, monitoring and testing of the processes, policies and procedures utilized by the first lines of defense, maintaining relevant legal and regulatory requirements, and working in close coordination with our Legal group. The ORC has oversight of the establishment of standards related to our monitoring and control of legal risks, and the General Counsel reports regularly to the Risk Committee of the Board of Directors.

Our Code of Business Conduct and the on-going training our employees receive in many compliance areas provide a framework for our employees to conduct themselves with the highest integrity. We instill a risk-conscious culture through communications, training, policies and procedures. We have strengthened the linkage between the management performance process and individual compensation to encourage employees to work toward corporate-wide compliance goals.

Market Risk. Market risk is the risk to earnings or capital resulting from changes in market conditions, such as interest rates, credit spreads or other volatilities. We are exposed to various types of market risk, in particular the risk of loss resulting from interest rate risk, basis risk and other risks that arise through the management of our investment, debt and loan portfolios. Market risk exposures are managed primarily through ALCO. These activities are closely tied to those related to the management of our funding and liquidity risks. The Risk Committee of our Board of Directors periodically reviews and approves the investment and asset and liability management policies and contingency funding plan developed and administered by ALCO. The Chief Financial Officer provides reports to the Risk Committee of the Board of Directors on market risk management.

Funding and Liquidity Risk. Funding and liquidity risk is the risk to earnings, capital or the conduct of our business arising from the inability to meet our obligations when they become due without incurring unacceptable losses, such as the inability to fund liability maturities and deposit withdrawals, or invest in future asset growth and business operations at reasonable market rates, as well as the inability to fund Private Education Loan and other loan originations. Our primary liquidity needs include our ongoing ability to: meet our funding needs through market cycles, including periods of financial stress; manage the relative maturities of assets and liabilities on our balance sheet; fund disbursements of Private Education Loans and other loans; and service our indebtedness and bank deposits. Ultimately, our funding and liquidity risk relates to our ability to access the capital markets at reasonable rates and to maintain retail deposits and other funding sources through the Bank, as well as our maintenance of a reserve of cash and unencumbered highly-liquid investment securities that may be readily converted to cash if needed.

Our funding and liquidity risk activities are centralized within our Corporate Finance department, which is responsible for developing and executing our funding strategy. We analyze and monitor our liquidity risk, maintain excess liquidity and access diverse funding sources depending on current market conditions. Funding and liquidity risks are overseen and recommendations approved primarily through ALCO. The Risk Committee of our Board of Directors is responsible for periodically reviewing the funding and liquidity positions and contingency funding plan developed and administered by ALCO.

Reputational Risk. Reputational risk is the risk to shareholder value and growth trajectory from a negative perception, whether true or not, of an organization by its key stakeholders, the changing expectations of its stakeholders and/or inadequate internal coordination of business decisions. This could expose us to litigation, financial loss or other damage to our business or brand.

Management proactively assesses and manages reputational risk. We have established our government relations function to manage our review of and response to all formal inquiries from members of Congress, state legislators, and their staff, as well as providing targeted messaging that reinforces our public policy goals. We review and consider reputational risk on matters as diverse as the launch of new products and services, our credit underwriting activities and how we fund operations. Our public relations, marketing and media teams continuously monitor print, electronic and social media to understand how we are perceived; proactively address customer complaints; and endeavor to enhance the value of our corporate brand. Metrics related to reputational risk are reported to and monitored by the ERC and the Risk Committee of the Board of Directors. Our Legal, Government Relations and Compliance groups regularly meet and collaborate with our Media and Investor Relations teams to provide more coordinated monitoring and management of our reputational risks.

Strategic Risk. Strategic risk is the risk to shareholder value and growth trajectory from adverse business decisions and/or improper implementation of business strategies. Management must be able to develop and implement business strategies that leverage the organization's core competencies and are appropriately structured, resourced and executed. Oversight for this strategic planning process is provided by the Strategic Planning Committee of the Board of Directors. Our performance, relative to our annual business plan and our longer term strategic plan, is reviewed by management and the Strategic Planning Committee of the Board of Directors.

Common Stock

Our shareholders have authorized the issuance of 1.125 billion shares of common stock (par value of $0.20). At December 31, 2019, 421 million shares were issued and outstanding and 37 million shares were unissued but encumbered for outstanding stock options, restricted stock, restricted stock units, performance stock units and dividend equivalent units for employee compensation and remaining authority for stock-based compensation plans. See Notes to Consolidated Financial Statements, Note 11, "Stockholders' Equity" for additional details.

Arrangements with Navient Corporation

In connection with the Spin-Off, we entered into a Separation and Distribution Agreement. We also entered into various other ancillary agreements with Navient to effect the Spin-Off and provide a framework for our relationship with Navient thereafter, such as a transition services agreement, a tax sharing agreement, an employee matters agreement, a loan servicing and administration agreement, a joint marketing agreement, a key services agreement, a data sharing agreement and a master sublease agreement. The majority of these agreements are transitional in nature with most having terms that have expired or will expire within the next one to two years.

We continue to have exposure to risks related to Navient's creditworthiness. If we are unable to obtain indemnification payments from Navient, our results of operations and financial condition could be materially and adversely affected.

Pursuant to the terms of the Spin-Off and applicable law, Navient is responsible for all liabilities (whether accrued, contingent or otherwise and whether known or unknown) arising out of or resulting from the conduct of pre-Spin-Off SLM and its subsidiaries' businesses prior to the Spin-Off, other than certain specifically identified liabilities relating to the conduct of our consumer banking business for which the Bank is responsible. Nonetheless, given the prior usage of the Sallie Mae and SLM names by entities now owned by Navient, we and our subsidiaries may from time to time be improperly named as defendants in legal proceedings where the allegations at issue are the legal responsibility of Navient. Most of these legal proceedings involve matters that arose in whole or in part in the ordinary course of business of pre-Spin-Off SLM. Likewise, as the period of time since the Spin-Off increases, so does the likelihood any allegations that may be made may be in part for our own actions in a post-Spin-Off time period and in part for Navient's conduct in a pre-Spin-Off time period. We will not be providing information on these proceedings unless there are material issues of fact or disagreement with Navient as to the bases of the proceedings or responsibility therefor that we believe could have a material, adverse impact on our business, assets, financial condition, liquidity or outlook if not resolved in our favor.

We briefly summarize below some of the most significant agreements and relationships we continue to have with Navient. For additional information regarding the Separation and Distribution Agreement and the other ancillary agreements, see our Current Report on Form 8-K filed on May 2, 2014.

Separation and Distribution Agreement

The Separation and Distribution Agreement addresses, among other things, the following activities:

- the obligation of each party to indemnify the other against liabilities retained or assumed by that party pursuant to the Separation and Distribution Agreement and in connection with claims of third-parties;

- the allocation among the parties of rights and obligations under insurance policies; and

- the creation of a governance structure, including a separation oversight committee of representatives from us and Navient, by which matters related to the separation and other transactions contemplated by the Separation and Distribution Agreement will be monitored and managed.

The Separation and Distribution Agreement provides specific processes and procedures pursuant to which we may submit claims for indemnification to Navient. If for any reason Navient is unable or unwilling to pay claims made against it, our costs, operating expenses, cash flows and financial condition could be materially and adversely affected over time.

Indemnification Obligations

Pursuant to the terms of the Separation and Distribution Agreement, and as contemplated by the structure of the Spin-Off, Navient is legally obligated to indemnify the Bank against all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM occurring prior to the Spin-Off, except for certain liabilities related to the conduct of the pre-Spin-Off consumer banking business that were specifically assumed by the Bank (and as to which the Bank is obligated to indemnify Navient). Some significant examples of the types of indemnification obligations Navient has under the Separation and Distribution Agreement and related ancillary agreements include:

- Navient is required to indemnify the Company and the Bank for any liabilities, costs or expenses they may incur arising from any action or threatened action related to the servicing, operations and collections activities of pre-Spin-Off SLM and its subsidiaries with respect to Private Education Loans and FFELP Loans that were assets of the Bank or Navient at the time of the Spin-Off; provided that written notice was provided to Navient on or prior to April 30, 2017, the third anniversary date of the Spin-Off. Navient is not required to indemnify for changes in law or changes in prior existing interpretations of law that occur on or after April 30, 2014.

- In connection with the Spin-Off, we recorded a liability related to uncertain tax positions of $27 million for which we are indemnified by Navient. As of December 31, 2019, the remaining balance of the indemnification receivable related to those uncertain tax positions was $15 million.

Long-Term Arrangements

The loan servicing and administration agreement governs the terms by which Navient provides servicing, administration and collection services for the Bank's portfolio of FFELP Loans, as well as servicing history information with respect to Private Education Loans previously serviced by Navient and access to certain promissory notes in Navient's possession. The term of the loan servicing and administration agreement has been extended to April 30, 2022.

The data sharing agreement provided us the right to obtain from Navient certain post-Spin-Off performance data relating to Private Education Loans owned or serviced by Navient to support and facilitate ongoing underwriting, originations, forecasting, performance and reserve analyses. The term of the data sharing agreement expired on April 29, 2019, however.

The tax sharing agreement governs the respective rights, responsibilities and obligations of us and Navient after the Spin-Off relating to taxes, including with respect to the payment of taxes, the preparation and filing of tax returns and the conduct of tax contests. Under this agreement, each party is generally liable for taxes attributable to its business. The agreement also addresses the allocation of tax liabilities that are incurred as a result of the Spin-Off and related transactions. Additionally, the agreement restricts the parties from taking certain actions that could prevent the Spin-Off from qualifying for the anticipated tax treatment.

Amended Loan Participation and Purchase Agreement

Prior to the Spin-Off, the Bank sold substantially all of its Private Education Loans to several former affiliates, now subsidiaries of Navient (collectively, the "Purchasers"), pursuant to an Amended Loan Participation and Purchase Agreement. The agreement predates the Spin-Off but was significantly amended and reduced in scope in connection with the Spin-Off. Post-Spin-Off, the Bank retained only the right to require the Purchasers to purchase loans whose borrowers had a lending relationship with both the Bank and Navient ("Split Loans") (such purchases to be made at fair value) when the Split Loans either (1) are more than 90 days past due; (2) have been restructured; (3) have been granted a hardship forbearance or more than six months of administrative forbearance; or (4) have a borrower or cosigner who has filed for bankruptcy. In the second quarter of 2018, we sold our remaining $43 million portfolio of Split Loans (both current and non-current loans) to Navient and recognized a net gain of $2 million.

During the year ended December 31, 2017, the Bank sold loans to the Purchasers in the amount of $12 million in principal and less than $1 million in accrued interest income. There was no gain or loss resulting from loans sold to the Purchasers in the year ended December 31, 2017. Total write-downs to fair value for loans sold to the Purchasers with a fair value lower than par totaled $5 million in the year ended December 31, 2017. Navient is the servicer for all of these loans.

Item 7A. 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 December 31, 2019 and 2018, 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 take into account 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. 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 has increased somewhat with the recent seasonal increase in fixed-rate loans, but continues to exhibit a relatively low level of interest rate sensitivity. It is important to note that the EVE measure is very sensitive to relatively low levels of interest rate sensitivity.

	December 31,					
	2019			2018		
	+300 Basis Points	+100 Basis Points	-100 Basis Points	+300 Basis Points	+100 Basis Points	-100 Basis Points
EAR - Shock	+4.4 %	+1.4 %	-1.4 %	+6.8 %	+2.2 %	-2.2 %
EAR - Ramp	+3.8 %	+1.1 %	-0.9 %	+7.1 %	+2.1 %	-2.1 %
EVE	-5.0 %	-1.9 %	+2.0 %	+1.6 %	+0.5 %	-0.4 %

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 December 31, 2019, 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.

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 December 31, 2019. 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.)

(Dollars in millions) Index	Frequency of Variable Resets	Assets	Funding[1]	Funding Gap
Fed Funds Effective Rate	daily/weekly/monthly	$ —	$ 415.2	$ (415.2)
3-month Treasury bill	weekly	114.0	—	114.0
Prime	monthly	5.5	—	5.5
3-month LIBOR	quarterly	—	400.0	(400.0)
1-month LIBOR	monthly	13,357.6	10,417.1	2,940.5
1-month LIBOR	daily	669.3	—	669.3
Non-Discrete reset[2]	daily/weekly	5,720.8	3,889.4	1,831.4
Fixed-Rate[3]		12,819.3	17,564.8	(4,745.5)
Total		$ 32,686.5	$ 32,686.5	$ —

(1) Funding (by index) includes all derivatives that qualify as effective hedges.
(2) 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.
(3) 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 (monthly), fixed-rate and Non-Discrete reset 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 effectively. The funding in the fixed-rate bucket includes $2.9 billion of equity and $0.5 billion of non-interest bearing liabilities. In addition, the fixed-rate funding category includes $1.3 billion in CDs that will mature within 3 months and will be available to reprice. We consider our overall risk to be low and our strategies are designed to maintain low levels of market 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 December 31, 2019.

(Averages in Years)	Weighted Average Life
Earning assets	
Education loans	5.36
Personal Loans	1.33
Cash and investments	0.25
Total earning assets	4.20
Deposits	
Short-term deposits	0.49
Long-term deposits	2.38
Total deposits	1.13
Borrowings	
Short-term borrowings[1]	0.93
Long-term borrowings	4.02
Total borrowings	3.83

[1] Weighted average life of short-term borrowings assumes full contractual term for repayment through February 19, 2021.

Item 8. Financial Statements and Supplementary Data

Reference is made to the financial statements listed under the heading “(a) 1.A. Financial Statements” of Item 15 hereof, which financial statements are incorporated by reference in response to this Item 8.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Nothing to report.

Item 9A. 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 December 31, 2019. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2019, 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.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, our management used the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment and those criteria, management concluded that, as of December 31, 2019, our internal control over financial reporting is effective.

KPMG LLP, an independent registered public accounting firm, audited the effectiveness of the Company’s internal control over financial reporting as of December 31, 2019, as stated in their report listed under the heading “(a) 1.A. Financial Statements” of Item 15 hereof.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

During the fourth quarter of 2019, we implemented new credit loss models in advance of the adoption of FASB’s ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” as amended by ASU No. 2019-04, “Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments,” which became effective for us on January 1, 2020. Changes were made to relevant business processes and the related control activities, including information systems, in order to monitor and maintain appropriate controls over financial reporting. See Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates — Recently Issued but Not Yet Adopted Accounting Pronouncements” for additional details regarding our adoption of this new standard.

There have been no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Nothing to report.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

The information contained in the 2020 Proxy Statement, including information appearing in the sections titled “Proposal 1 — Election of Directors,” “Executive Officers,” “Compensation Discussion and Analysis — Other Arrangements, Policies and Practices Related to Executive Compensation Programs — Section 16(a) Beneficial Ownership Reporting Compliance,” and “Corporate Governance” in the 2020 Proxy Statement, is incorporated herein by reference.

Item 11. Executive Compensation

The information contained in the 2020 Proxy Statement, including information appearing in the sections titled “Executive Compensation” and “Director Compensation” in the 2020 Proxy Statement, is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information contained in the 2020 Proxy Statement, including information appearing in the sections titled “Equity Compensation Plan Information,” “Ownership of Common Stock by 5 Percent or More Holders” and “Ownership of Common Stock by Directors and Executive Officers” in the 2020 Proxy Statement, is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information contained in the 2020 Proxy Statement, including information appearing under “Corporate Governance — Related Party Transactions” and “Corporate Governance — Director Independence” in the 2020 Proxy Statement, is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information contained in the 2020 Proxy Statement, including information appearing under “Independent Registered Public Accounting Firm” in the 2020 Proxy Statement, is incorporated herein by reference.

PART IV.

Item 15. Exhibits, Financial Statement Schedules

(a) 1. Financial Statements

A. The following consolidated financial statements of SLM Corporation and the Report of the Independent Registered Public Accounting Firm thereon are included in Item 8 above:

2. Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits

The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

We will furnish at cost a copy of any exhibit filed with or incorporated by reference into this Annual Report on Form 10-K. Oral or written requests for copies of any exhibits should be directed to the Corporate Secretary.

(b) Exhibits

2.2	Form of Separation and Distribution Agreement by and among SLM Corporation, New BLC Corporation and Navient Corporation, dated as of April 28, 2014 (incorporated by reference to Exhibit 2.2 of the Company's Current Report on Form 8-K filed on May 2, 2014).
3.1	Restated Certificate of Incorporation of the Company, dated February 25, 2015 (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed on February 26, 2015).
3.2	Amended and Restated By-Laws of the Company effective June 25, 2015 (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed on June 29, 2015).
4.1	Indenture, dated as of June 17, 2015, between SLM Corporation and Deutsche Bank National Trust Company, as Trustee (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-3 filed on June 17, 2015).
4.2	First Supplemental Indenture dated as of April 5, 2017 between SLM Corporation and Deutsche Bank National Trust Company, as Trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed on April 5, 2017).
4.3*	Description of SLM Corporation's Common Stock.
4.4*	Description of SLM Corporation's Floating-Rate Non-Cumulative Preferred Stock, Series B.
10.1†	Form of SLM Corporation Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet (one-year restriction), 2014 Management Incentive Plan Award (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on April 22, 2015).
10.2†	Form of SLM Corporation Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet (two-year restriction), 2014 Management Incentive Plan Award (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on April 22, 2015).
10.3†	Form of SLM Corporation Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet (three-year restriction), 2014 Management Incentive Plan Award (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed on April 22, 2015).
10.4†	Form of SLM Corporation Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet (one-year restriction), 2015 Management Incentive Plan Award (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on April 20, 2016).
10.5†	Form of SLM Corporation Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet (two-year restriction), 2015 Management Incentive Plan Award (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on April 20, 2016).
10.6†	Form of SLM Corporation Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet (three-year restriction), 2015 Management Incentive Plan Award (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed on April 20, 2016).
10.7†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Restricted Stock Unit Term Sheet - 2015 (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q filed on April 22, 2015).
10.8†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Restricted Stock Unit Term Sheet - 2016 (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q filed on April 20, 2016).
10.9†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Performance Stock Unit Term Sheet - 2016 (incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q filed on April 20, 2016).
10.10†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement 2015 (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on July 22, 2015).
10.11†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement - 2016 (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on July 20, 2016).
10.12†	SLM Corporation Executive Severance Plan for Senior Officers, including amendments as of June 25, 2015 (incorporated by reference to Exhibit 10.6 of the Company's Annual Report on Form 10-K filed on February 26, 2016).
10.13†	SLM Corporation Change in Control Severance Plan for Senior Officers, including amendments as of June 25, 2015 (incorporated by reference to Exhibit 10.7 of the Company's Annual Report on Form 10-K filed on February 26, 2016).
10.14†	Form of Director's Indemnification Agreement (incorporated by reference to Exhibit 10.24 of the Company's Annual Report on Form 10-K filed on February 27, 2012).

10.15†	Sallie Mae Supplemental 401(k) Savings Plan, as Amended and Restated as of June 25, 2015 (incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K filed on February 26, 2016).
10.16†	Amendment to Sallie Mae Supplemental 401(k) Savings Plan (Effective as of March 5, 2019) (incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q filed on April 17, 2019).
10.17†	SLM Deferred Compensation Plan for Key Employees, as Established Effective May 1, 2014 and Amended June 25, 2015 (incorporated by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K filed on February 26, 2016).
10.18†	Amendment to SLM Corporation Deferred Compensation Plan for Key Employees (Effective as of March 5, 2019) (incorporated by reference to Exhibit 10.6 of the Company's Quarterly Report on Form 10-Q filed on April 17, 2019).
10.19†	SLM Corporation Deferred Compensation Plan for Directors, as Established Effective May 1, 2014 and Amended June 25, 2015 (incorporated by reference to Exhibit 10.11 of the Company's Annual Report on Form 10-K filed on February 26, 2016).
10.20†	Amended and Restated SLM Corporation Incentive Plan (incorporated by reference to Exhibit 10.24 of the Company's Current Report on Form 8-K (file no. 001-13251) filed on May 25, 2005).
10.21†	Director's Stock Plan (incorporated by reference to Exhibit 10.25 of the Company's Current Report on Form 8-K (file no. 001-13251) filed on May 25, 2005).
10.22†	Form of SLM Corporation Incentive Stock Plan Stock Option Agreement, Net-Settled, Performance Vested Options, 2009 (incorporated by reference to Exhibit 10.32 of the Company's Annual Report on Form 10-K filed on March 2, 2009).
10.23†	SLM Corporation Directors Equity Plan (incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form S-8 (File No. 333-159447) filed on May 22, 2009).
10.24†	SLM Corporation 2009-2012 Incentive Plan (incorporated by reference to Exhibit 10.2 of the Company's Registration Statement on Form S-8 (File No. 333-159447) filed on May 22, 2009).
10.25†	Form of SLM Corporation Directors Equity Plan Non-Employee Director Stock Option Agreement - 2009 (incorporated by reference to Exhibit 10.6 of the Company's Quarterly Report on Form 10-Q filed on November 5, 2009).
10.26†	Form of SLM Corporation 2009-2012 Incentive Plan Stock Option Agreement, Net Settled, Time Vested Options - 2010 (incorporated by reference to Exhibit 10. 7 of the Company's Quarterly Report on Form 10-Q filed on May 6, 2010).
10.27†	Form of SLM Corporation 2009-2012 Incentive Plan Performance Stock Award Term Sheet, Time Vested - 2010 (incorporated by reference to Exhibit 10.8 of the Company's Quarterly Report on Form 10-Q filed on May 6, 2010).
10.28†	Amendment to Stock Option and Restricted/Performance Stock Terms (incorporated by reference to Exhibit 10.49 of the Company's Annual Report on Form 10-K filed on February 28, 2011).
10.29†	Form of SLM Corporation 2009-2012 Incentive Plan Stock Option Agreement, Net Settled, Time Vested Options - 2011 (incorporated by reference to Exhibit 10.50 of the Company's Annual Report on Form 10-K filed on February 28, 2011).
10.30†	Form of SLM Corporation 2009-2012 Incentive Plan Restricted Stock and Restricted Stock Unit Term Sheet, Time Vested - 2011 (incorporated by reference to Exhibit 10.51 of the Company's Annual Report on Form 10-K filed on February 28, 2011).
10.31†	Form of SLM Corporation 2009-2012 Incentive Plan, Performance Stock Unit Term Sheet - 2012 (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on May 4, 2012).
10.32†	Form of SLM Corporation 2009-2012 Incentive Plan, Bonus Restricted Stock Unit Term Sheet - 2012 (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on May 4, 2012).
10.33†	Form of SLM Corporation 2009-2012 Incentive Plan, Stock Option Agreement, Net Settled Options - 2012 (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed on May 4, 2012).
10.34†	SLM Corporation 2012 Omnibus Incentive Plan (incorporated by reference to Appendix A of the Company's Definitive Proxy Statement for the 2017 Annual Meeting of Shareholders filed on April 27, 2017).
10.35†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Performance Stock Unit Term Sheet - 2013 (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on May 3, 2013).
10.36†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet - 2013 (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on May 3, 2013).
10.37†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Stock Option Agreement, Net Settled Options-2013 (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed on May 3, 2013).

10.38†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement - 2013 (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q filed on May 3, 2013).
10.39†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Independent Director Stock Option Agreement - 2013 (incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q filed on May 3, 2013).
10.40†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Restricted Stock Unit Term Sheet - 2013 (incorporated by reference to Exhibit 10.36 of the Company's Annual Report on Form 10-K filed on February 19, 2014).
10.41†	Letter Agreement, dated January 15, 2014 with Raymond J. Quinlan (incorporated by reference to Exhibit 10.38 of the Company's Annual Report on Form 10-K filed on February 19, 2014).
10.42†	SLM Corporation 2012 Omnibus Incentive Plan, Restricted Stock Unit Term Sheet - Raymond J. Quinlan Signing Award (incorporated by reference to Exhibit 10.39 of the Company's Annual Report on Form 10-K filed on February 19, 2014).
10.43†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet - 2014 (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed on May 12, 2014).
10.44†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Restricted Stock Unit Term Sheet - 2014 (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q filed on May 12, 2014).
10.45†	Employment Agreement, dated April 21, 2014 between Laurent C. Lutz and the Company (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on July 24, 2014).
10.46†	Sallie Mae Employee Stock Purchase Plan, Amended and Restated as of June 24, 2014, Including Amendments as of June 25, 2015 (incorporated by reference to Exhibit 10.39 of the Company's Annual Report on Form 10-K filed on February 26, 2016).
10.47†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed on July 24, 2014).
10.48†	Letter Agreement, dated April 24, 2014, with Jeffrey Dale (incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K filed on February 26, 2015).
10.49†	Sallie Mae 401(k) Savings Plan (Effective as of April 30, 2014) (incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K filed on February 26, 2015).
10.50†*	Restatement of the Sallie Mae 401(k) Savings Plan (Effective as of January 1, 2018).
10.51†*	Amendment to Sallie Mae 401(k) Savings Plan (Effective as of January 1, 2019).
10.52†	Amendment to Sallie Mae 401(k) Savings Plan (Effective as of March 5, 2019) (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q filed on April 17, 2019).
10.53	Tax Sharing Agreement between Navient Corporation and New BLC Corporation, dated as of April 29, 2014 (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed on May 2, 2014).
10.54	Amended and Restated Loan Servicing and Administration Agreement between Sallie Mae Bank and Navient Solutions, Inc., dated as of April 30, 2014 (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed on May 2, 2014).
10.55†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet (Three-Year Restriction), 2016 Management Incentive Plan Award (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on April 19, 2017).
10.56†	Form of SLM Corporation 2012 Omnibus Incentive Plan, 2017 Restricted Stock Unit Term Sheet (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on April 19, 2017).
10.57†	Form of SLM Corporation 2012 Omnibus Incentive Plan, 2017 Performance Stock Unit Term Sheet (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed on April 19, 2017).
10.58†	Form of SLM Corporation 2012 Omnibus Incentive Plan, 2017 Independent Director Restricted Stock Agreement (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on July 19, 2017).
10.59†	Agreement and Release, dated as of March 20, 2018, between the Company and the Personal Representatives of the Estate of Charles P. Rocha (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on April 23, 2018).
10.60†	Form of SLM Corporation 2012 Omnibus Incentive Plan, 2018 Restricted Stock Unit Term Sheet (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on April 23, 2018).

10.61†	Form of SLM Corporation 2012 Omnibus Incentive Plan, 2018 Performance Stock Unit Term Sheet (incorporated by reference to Exhibit 10.3 of the Company’s Quarterly Report on Form 10-Q filed on April 23, 2018
10.62†	Form of SLM Corporation 2012 Omnibus Incentive Plan, 2018 Bonus Restricted Stock Unit Term Sheet (Three-Year Restriction), 2017 Management Incentive Plan Award (incorporated by reference to Exhibit 10.4 of the Company’s Quarterly Report on Form 10-Q filed on April 23, 2018).
10.63†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement - 2018 (incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10-Q filed on July 24, 2018).
10.64†	Form of SLM Corporation 2012 Omnibus Incentive Plan, 2019 Restricted Stock Unit Term Sheet (incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10-Q filed on April 17, 2019).
10.65†	Form of SLM Corporation 2012 Omnibus Incentive Plan, 2019 Performance Stock Unit Term Sheet (incorporated by reference to Exhibit 10.2 of the Company’s Quarterly Report on Form 10-Q filed on April 17, 2019).
10.66†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Bonus Restricted Stock Unit Term Sheet (Three-Year Restriction), 2018 Management Incentive Plan Award (incorporated by reference to Exhibit 10.3 of the Company’s Quarterly Report on Form 10-Q filed on April 17, 2019).
10.67†	Form of SLM Corporation 2012 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement - 2019 (incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10-Q filed on July 24, 2019).
21.1*	List of Subsidiaries.
23.1*	Consent of KPMG LLP.
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).

† Management Contract or Compensatory Plan or Arrangement

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: February 28, 2020

SLM CORPORATION

By: /s/ RAYMOND J. QUINLAN

Raymond J. Quinlan
Executive Chairman and Chief Executive Officer

Pursuant to the requirement of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/S/ RAYMOND J. QUINLAN Raymond J. Quinlan	Executive Chairman and Chief Executive Officer (Principal Executive Officer)	February 28, 2020
/S/ STEVEN J. MCGARRY Steven J. McGarry	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 28, 2020
/S/ JONATHAN R. BOYLES Jonathan R. Boyles	Senior Vice President and Controller (Principal Accounting Officer)	February 28, 2020
/S/ PAUL G. CHILD Paul G. Child	Director	February 28, 2020
/S/ MARY CARTER WARREN FRANKE Mary Carter Warren Franke	Director	February 28, 2020
/S/ EARL A. GOODE Earl A. Goode	Director	February 28, 2020
/S/ MARIANNE M. KELER Marianne M. Keler	Director	February 28, 2020
/S/ MARK L. LAVELLE Mark L. Lavelle	Director	February 28, 2020
/S/ JIM MATHESON Jim Matheson	Director	February 28, 2020

/S/ FRANK C. PULEO Frank C. Puleo	Director	February 28, 2020
/S/ VIVIAN C. SCHNECK-LAST Vivian C. Schneck-Last	Director	February 28, 2020
/S/ WILLIAM N. SHIEBLER William N. Shiebler	Director	February 28, 2020
/S/ ROBERT S. STRONG Robert S. Strong	Director	February 28, 2020
/S/ KIRSTEN O. WOLBERG Kirsten O. Wolberg	Director	February 28, 2020

CONSOLIDATED FINANCIAL STATEMENTS

INDEX

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
SLM Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of SLM Corporation and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Assessment of the allowance for loan losses related to private education loans

As discussed in Notes 2 and 6 to the consolidated financial statements, the Company's allowance for loan losses related to private education loans (ALL) was $374.3 million of a total allowance for loan losses of $441.9 million as of December 31, 2019. The Company estimated the ALL using a methodology for the non-Troubled Debt Restructuring (TDR) portfolio that projects expected defaults by using the likelihood a loan receivable may progress through delinquency stages and ultimately charge off over the loss emergence period. Once a charge-off forecast is estimated, a recovery assumption is included which estimates what the Company expects to receive from defaulted loan sales as well as historical borrower payment behavior. The resulting net charge-off forecast is further adjusted for certain qualitative factors. For loans identified as a TDR, the Company estimated an allowance through an impairment calculation based on the difference between the loan's basis and the present value of expected future cash flows, discounted at the loan's original effective interest rate.

We identified the assessment of the ALL as a critical audit matter because it involved significant measurement uncertainty requiring complex auditor judgment, and knowledge and experience in the industry. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained. The assessment of the ALL encompassed the evaluation of the methodology, including the methodologies used to estimate (1) the non-TDR portfolio's projected expected defaults, recovery rate assumption, loss emergence period, and period of historical loan performance data used (historical observation period), (2) the TDR portfolio's life-of-loan default assumption and recovery rate assumption, and (3) the qualitative factors.

The primary procedures we performed to address the critical audit matter included the following. We tested certain internal controls over the Company's ALL process, including controls related to the (1) development of the ALL methodology, (2) determination of the key factors and assumptions used to estimate the net charge-off forecast and TDR impairment, (3) development of the qualitative factors, (4) calculation of the ALL estimate, and (5) analysis of the ALL results, trends, and ratios. We evaluated the Company's process to develop the ALL estimate by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized industry knowledge and experience who assisted in:

- evaluating the Company's ALL methodology for compliance with U.S. generally accepted accounting principles,
- testing the historical observation period used in the methodologies to evaluate the length of the period,
- evaluating the methodology used to develop the resulting qualitative factors and the effect of those factors on the ALL compared with the relevant credit risk factors and consistency with credit trends,
- evaluating the methodology used to develop the loss emergence periods, and
- testing the mathematical accuracy of certain computations of the estimate.

We evaluated the collective results of the procedures performed to assess the sufficiency of the audit evidence obtained related to the Company's ALL.

Assessment of the disclosure of the expected transition effect from the adoption of ASC Topic 326 related to the allowance for credit losses

As discussed in Note 2 to the consolidated financial statements, the Company disclosed the expected transition effect of the adoption of ASU No. 2016-13, *Financial Instruments - Credit Losses (ASC Topic* 326), as amended by ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* (commonly known as CECL). ASC Topic 326 will be adopted by the Company on January 1, 2020 using the modified retrospective method. ASC Topic 326 eliminates the current accounting guidance for the recognition of credit impairment. For all loans carried at amortized cost, upon origination, an estimate of all current expected credit losses over the remaining expected life will be used to measure the allowance for credit losses. The Company's estimate of current expected credit losses will be determined using a discounted cash flow approach. Qualitative adjustments are incorporated as necessary to address any limitations in the model. Upon adoption, the Company expects the allowance for loan losses will increase $1.1 billion over the amount recorded as of December 31, 2019.

We identified the assessment of the disclosure of the Company's expected transition effect to the allowance for loan losses from the adoption of ASC Topic 326 (the CECL transition effect disclosure) as a critical audit matter. A high level of audit effort, including knowledge and experience in the industry, and subjective and complex auditor judgment was involved in the evaluation of the CECL transition effect disclosure. Specifically, the assessment included an evaluation of the development and mathematical accuracy of the discounted cash flow model and the model's key factors and assumptions, including: (1) forecasted economic conditions (2) the immediate reversion assumption after the reasonable and supportable forecast period, and (3) prepayment rates. The assessment also included an evaluation of qualitative adjustments. In addition, auditor judgment was required to evaluate the sufficiency of the audit evidence obtained related to the completeness and accuracy of the disclosure.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's CECL transition effect disclosure process, including controls related to the (1) development of the CECL methodology, (2) model development and validation, (3) determination of key factors and assumptions, and (4) model execution. We assessed the Company's key factors and assumptions regarding the expected effect of the adoption of ASC Topic 326 by testing certain sources of data, factors, and assumptions that the Company used, and considered their relevance and reliability. In addition, we involved credit risk professionals with specialized industry knowledge and experience who assisted in:

- evaluating the Company's measurement methodology for compliance with U.S. generally accepted accounting principles,
- evaluating the judgments made by the Company relative to the model development and validation, and the key factors and assumptions used by the Company, and
- testing the design and configuration of the models used in determining the CECL transition effect disclosure.

We also evaluated the collective results of the procedures performed to assess the sufficiency of the audit evidence obtained related to the CECL transition effect disclosure.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

McLean, Virginia
February 28, 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
SLM Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited SLM Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements), and our report dated February 28, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

McLean, Virginia
February 28, 2020

SLM CORPORATION

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	December 31,	
	2019	**2018**
Assets		
Cash and cash equivalents	$ 5,563,877	$ 2,559,106
Investments:		
Available-for-sale investments at fair value (cost of $485,756 and $182,325, respectively)	487,669	176,245
Other investments	84,420	55,554
Total investments	572,089	231,799
Loans held for investment (net of allowance for losses of $441,912 and $341,121, respectively)	24,667,792	22,270,919
Restricted cash	156,883	122,789
Other interest-earning assets	52,564	27,157
Accrued interest receivable	1,392,725	1,191,981
Premises and equipment, net	134,749	105,504
Income taxes receivable, net	88,844	41,570
Tax indemnification receivable	27,558	39,207
Other assets	29,398	48,141
Total assets	$ 32,686,479	$ 26,638,173
Liabilities		
Deposits	$ 24,283,983	$ 18,943,158
Short-term borrowings	289,230	—
Long-term borrowings	4,354,037	4,284,304
Income taxes payable, net	—	—
Upromise member accounts	192,662	213,104
Other liabilities	254,731	224,951
Total liabilities	29,374,643	23,665,517
Commitments and contingencies		
Equity		
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: 453.6 million and 449.9 million shares issued, respectively	90,720	89,972
Additional paid-in capital	1,307,630	1,274,635
Accumulated other comprehensive income (loss) (net of tax expense (benefit) of ($3,995) and $3,436, respectively)	(12,367)	10,623
Retained earnings	1,850,512	1,340,017
Total SLM Corporation stockholders’ equity before treasury stock	3,636,495	3,115,247
Less: Common stock held in treasury at cost: 32.5 million and 14.2 million shares, respectively	(324,659)	(142,591)
Total equity	3,311,836	2,972,656
Total liabilities and equity	$ 32,686,479	$ 26,638,173

See accompanying notes to consolidated financial statements.

SLM CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Years Ended December 31,		
	2019	2018	2017
Interest income:			
Loans	$ 2,249,169	$ 1,894,687	$ 1,413,505
Investments	7,607	6,162	8,288
Cash and cash equivalents	74,256	34,503	15,510
Total interest income	2,331,032	1,935,352	1,437,303
Interest expense:			
Deposits	547,746	389,349	223,691
Interest expense on short-term borrowings	6,193	5,833	6,341
Interest expense on long-term borrowings	153,778	127,106	78,050
Total interest expense	707,717	522,288	308,082
Net interest income	1,623,315	1,413,064	1,129,221
Less: provisions for credit losses	354,249	244,864	185,765
Net interest income after provisions for credit losses	1,269,066	1,168,200	943,456
Non-interest income (loss):			
Gains on sales of loans, net	—	2,060	—
Losses on sales of securities, net	—	(1,549)	—
Gains (losses) on derivatives and hedging activities, net	17,825	(87)	(8,266)
Other income (loss)	31,102	(52,319)	5,364
Total non-interest income (loss)	48,927	(51,895)	(2,902)
Non-interest expenses:			
Compensation and benefits	278,229	252,346	213,319
FDIC assessment fees	32,852	32,786	28,950
Other operating expenses	263,172	271,844	206,820
Total non-interest expenses	574,253	556,976	449,089
Income before income tax expense	743,740	559,329	491,465
Income tax expense	165,464	71,853	202,531
Net income	578,276	487,476	288,934
Preferred stock dividends	16,837	15,640	15,714
Net income attributable to SLM Corporation common stock	$ 561,439	$ 471,836	$ 273,220
Basic earnings per common share attributable to SLM Corporation	$ 1.31	$ 1.08	$ 0.63
Average common shares outstanding	427,292	435,054	431,216
Diluted earnings per common share attributable to SLM Corporation	$ 1.30	$ 1.07	$ 0.62
Average common and common equivalent shares outstanding	430,674	439,681	438,551
Declared dividends per common share attributable to SLM Corporation	$ 0.12	—	—

See accompanying notes to consolidated financial statements.

SLM CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Years Ended December 31,		
	2019	2018	2017
Net income	$ 578,276	$ 487,476	$ 288,934
Other comprehensive income (loss):			
Unrealized gains (losses) on investments	7,993	(2,561)	(716)
Unrealized gains (losses) on cash flow hedges	(38,414)	11,907	19,195
Total unrealized gains (losses)	(30,421)	9,346	18,479
Income tax (expense) benefit	7,431	(2,333)	(7,060)
Other comprehensive income (loss), net of tax (expense) benefit	(22,990)	7,013	11,419
Total comprehensive income	$ 555,286	$ 494,489	$ 300,353

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

		Common Stock Shares									
	Preferred Stock Shares	Issued	Treasury	Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total SLM Corporation Equity
Balance at December 31, 2016	7,300,000	436,632,479	(7,728,920)	428,903,559	$ 565,000	$ 87,327	$ 1,175,564	$ (8,671)	$ 595,322	$ (67,484)	$ 2,347,058
Net income	—	—	—	—	—	—	—	—	288,934	—	288,934
Other comprehensive income, net of tax	—	—	—	—	—	—	—	11,419	—	—	11,419
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	300,353
Cumulative effect of the new stock compensation standard	—	—	—	—	—	—	429	—	(264)	—	165
Cash dividends:	—	—	—	—	—	—	—	—	—	—	—
Preferred Stock, series A ($1.74 per share)	—	—	—	—	—	—	—	—	(3,961)	—	(3,961)
Preferred Stock, series B ($2.91 per share)	—	—	—	—	—	—	—	—	(11,753)	—	(11,753)
Redemption of Series A Preferred Stock	(3,300,000)	—	—	—	(165,000)	—	—	—	—	—	(165,000)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	96	—	(96)	—	—
Issuance of common shares	—	6,831,108		6,831,108	—	1,366	18,289	—	—	—	19,655
Stock-based compensation expense	—	—	—	—	—	—	27,899	—	—	—	27,899
Shares repurchased related to employee stock-based compensation plans	—	—	(3,358,417)	(3,358,417)	—	—	—	—	—	(40,160)	(40,160)
Balance at December 31, 2017	4,000,000	443,463,587	(11,087,337)	432,376,250	$ 400,000	$ 88,693	$ 1,222,277	$ 2,748	$ 868,182	$ (107,644)	$ 2,474,256

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

		Common Stock Shares									
	Preferred Stock Shares	Issued	Treasury	Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total SLM Corporation Equity
Balance at December 31, 2017	4,000,000	443,463,587	(11,087,337)	432,376,250	$ 400,000	$ 88,693	$ 1,222,277	$ 2,748	$ 868,182	$ (107,644)	$ 2,474,256
Net income	—	—	—	—	—	—	—	—	487,476	—	487,476
Other comprehensive income, net of tax	—	—	—	—	—	—	—	7,013	—	—	7,013
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	494,489
Reclassification resulting from the adoption of ASU No. 2018-02	—	—	—	—	—	—	—	592	(592)	—	—
Reclassification resulting from the adoption of ASU No. 2017-12	—	—	—	—	—	—	—	270	591	—	861
Cash dividends:											
Preferred Stock, series B ($3.91 per share)	—	—	—	—	—	—	—	—	(15,640)	—	(15,640)
Issuance of common shares	—	6,392,634		6,392,634	—	1,279	20,834	—	—	—	22,113
Stock-based compensation expense	—	—	—	—	—	—	31,524	—	—	—	31,524
Shares repurchased related to employee stock-based compensation plans	—	—	(3,087,396)	(3,087,396)	—	—	—	—	—	(34,947)	(34,947)
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

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

		Common Stock Shares									
	Preferred Stock Shares	Issued	Treasury	Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total SLM Corporation Equity
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	—	—	—	—	—	—	—	—	578,276	—	578,276
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(22,990)	—	—	(22,990)
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	555,286
Cash dividends:											
Common Stock ($0.12 per share)	—	—	—	—	—	—	—	—	(51,114)	—	(51,114)
Preferred Stock, series B ($4.21 per share)	—	—	—	—	—	—	—	—	(16,837)	—	(16,837)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	5	—	(5)	—	—
Issuance of common shares	—	3,743,705		3,743,705	—	748	2,627	—	—	—	3,375
Stock-based compensation expense	—	—	—	—	—	—	30,363	—	175	—	30,538
Common stock repurchased	—	—	(16,962,199)	(16,962,199)	—	—	—	—	—	(167,201)	(167,201)
Shares repurchased related to employee stock-based compensation plans	—	—	(1,369,630)	(1,369,630)	—	—	—	—	—	(14,867)	(14,867)
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

See accompanying notes to consolidated financial statements.

SLM CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,		
	2019	**2018**	**2017**
Operating activities			
Net income	$ 578,276	$ 487,476	$ 288,934
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Provisions for credit losses	354,249	244,864	185,765
Deferred tax benefit	(9,714)	(63,301)	(58,752)
Amortization of brokered deposit placement fee	17,788	13,055	9,372
Amortization of Secured Borrowing Facility upfront fee	1,117	1,128	1,316
Amortization of deferred loan origination costs and loan premium/(discounts), net	13,049	10,905	8,258
Net amortization of discount on investments	2,069	1,712	2,082
Reduction of tax indemnification receivable	11,649	92,815	31,888
Depreciation of premises and equipment	14,669	13,829	11,171
Stock-based compensation expense	30,600	31,524	27,899
Unrealized (gains) losses on derivative and hedging activities, net	(19,046)	(1,353)	7,248
Gains on sale of loans, net	—	(2,060)	—
Losses on sales of securities, net	—	1,549	—
Other adjustments to net income, net	3,724	7,446	6,305
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	(963,885)	(864,461)	(703,081)
Increase in non-marketable securities	(10,700)	(5,000)	—
(Increase) decrease in other interest-earning assets	(25,407)	(5,571)	27,528
Decrease in tax indemnification receivable	—	35,989	59,633
Increase in other assets	(3,091)	(64,777)	(72,646)
Decrease in income tax payable, net	(30,191)	(79,693)	(19,687)
Increase in accrued interest payable	13,817	25,979	14,304
Increase in other liabilities	5,386	15,204	1,304
Total adjustments	(593,917)	(590,217)	(460,093)
Total net cash used in operating activities	(15,641)	(102,741)	(171,159)
Investing activities			
Loans acquired and originated	(6,138,105)	(6,493,367)	(5,243,732)
Net proceeds from sales of loans held for investment	—	44,832	6,992
Proceeds from claim payments	42,869	54,659	49,146
Net decrease in loans held for investment	4,094,021	3,076,992	2,065,727
Purchases of available-for-sale securities	(356,414)	(15,876)	(78,327)
Proceeds from sales and maturities of available-for-sale securities	50,915	77,897	40,044
Total net cash used in investing activities	(2,306,714)	(3,254,863)	(3,160,150)
Financing activities			
Brokered deposit placement fee	(27,978)	(25,785)	(12,200)
Net increase in certificates of deposit	4,349,741	2,525,040	1,579,615
Net increase in other deposits	923,793	918,420	508,389
Borrowings collateralized by loans in securitization trusts - issued	1,105,594	1,891,027	1,440,127
Borrowings collateralized by loans in securitization trusts - repaid	(1,042,892)	(888,640)	(534,905)
Borrowings under Secured Borrowing Facility	297,800	300,000	300,000
Repayment of borrowings under Secured Borrowing Facility	(8,570)	(300,000)	(300,000)
Fees paid - Secured Borrowing Facility	(1,116)	(1,098)	(1,281)
Issuance costs for unsecured debt offering	—	—	(1,057)
Unsecured debt issued	—	—	197,000
Redemption of Series A Preferred Stock	—	—	(165,000)

Common stock dividends paid	(51,114)	—	—
Preferred stock dividends paid	(16,837)	(15,640)	(15,714)
Common stock repurchased	(167,201)	—	—
Net cash provided by financing activities	5,361,220	4,403,324	2,994,974
Net increase (decrease) in cash, cash equivalents and restricted cash	3,038,865	1,045,720	(336,335)
Cash, cash equivalents and restricted cash at beginning of year	2,681,895	1,636,175	1,972,510
Cash, cash equivalents and restricted cash at end of year	$ 5,720,760	$ 2,681,895	$ 1,636,175
Cash disbursements made for:			
Interest	$ 666,018	$ 472,459	$ 269,017
Income taxes paid	$ 201,792	$ 228,074	$ 282,278
Income taxes refunded	$ (853)	$ (13,449)	$ (1,401)
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets:			
Cash and cash equivalents	$ 5,563,877	$ 2,559,106	$ 1,534,339
Restricted cash	156,883	122,789	101,836
Total cash, cash equivalents and restricted cash	$ 5,720,760	$ 2,681,895	$ 1,636,175

See accompanying notes to consolidated financial statements.

1. Organization and Business

SLM Corporation (“Sallie Mae,” “SLM,” the “Company,” “we,” “our” or “us”) is a holding company that operates through a number of subsidiaries and is the premier brand for college and continuous education.

While the Sallie Mae name has existed for more than 40 years, the company that operates as Sallie Mae today, SLM Corporation, was formed in late 2013 and includes its wholly-owned subsidiary, Sallie Mae Bank, an industrial bank established in 2005 (the “Bank”). On April 30, 2014, we legally separated (the “Spin-Off”) from another public company that is now named Navient Corporation (“Navient”),which is in the education loan management, servicing, and asset recovery business. We are a consumer banking business and did not retain any assets or liabilities generated prior to the Spin-Off other than those explicitly retained by us. We sometimes refer to the company that existed prior to the Spin-Off as “pre-Spin-Off SLM.”

The Bank was formed in 2005 to fund and originate Private Education Loans (as hereinafter defined) on behalf of pre-Spin-Off SLM. While the Bank first originated Private Education Loans in February 2006, pre-Spin-Off SLM continued to purchase a portion of its Private Education Loans from third-party lending partners through mid-2009. With some minor exceptions, the Bank became the sole originator of Private Education Loans for pre-Spin-Off SLM beginning with the 2009-2010 academic year, the first academic year following the launch of the Bank’s Smart Option Student Loan program in mid-2009.

Our primary business is to originate and service loans we make to students and their families to finance the cost of their education. 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 Federal Family Education Loan Program (“FFELP Loans”). The core of our marketing strategy is to generate Private Education Loan originations by promoting our products on campuses through the financial aid offices as well as through online and direct marketing to students and their families. The Bank is regulated by the Utah Department of Financial Institutions (the “UDFI”), the Federal Deposit Insurance Corporation (the “FDIC”) and the Consumer Financial Protection Bureau (the “CFPB”). We also operate Upromise, Inc. (“Upromise”), a save-for-college rewards program helping Americans save for higher education.

2. Significant Accounting Policies

Use of Estimates and Assumptions

The financial reporting and accounting policies of SLM Corporation conform to generally accepted accounting principles in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Key accounting policies that include significant judgments and estimates include the valuation of allowance for loan losses and derivative accounting.

Consolidation

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.

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.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in the Federal Reserve Bank of San Francisco (the "FRB") and commercial bank accounts, and other short-term liquid instruments with original maturities of three months or less. Fees associated with investing cash and cash equivalents are amortized into interest income using the effective interest rate method.

Available-for-Sale Investments

Investments consisted of mortgage-backed securities, Utah Housing Corporation bonds and U.S. government-sponsored enterprises securities. We record our investment purchases and sales on a trade date basis. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts, which are amortized using the effective interest rate method.

Our investments are classified as available-for-sale and reported at fair value. Unrealized gains or losses on available-for-sale investments are recorded in equity and reported as a component of other comprehensive income (loss), net of applicable income taxes, unless a decline in the investment's value is considered to be other-than-temporary, in which case the loss is recorded directly to earnings.

Management reviews all investments at least quarterly to determine whether any impairment is other-than-temporary. Impairment is evaluated by considering several factors, including the length of time and extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability to retain the investment to allow for an anticipated recovery in fair value. If, based on the analysis, it is determined that the impairment is other-than-temporary, the investment is written down to fair value and a loss is recognized through earnings.

Other Investments

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.

2. Significant Accounting Policies (Continued)

We also 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.

Loans Held for Investment

Loans, consisting of Private Education Loans, FFELP Loans, unsecured personal loans used for non-educational purposes by borrowers ("Personal Loans"), and our suite of credit cards ("Credit Cards") that we have the ability and intent to hold for the foreseeable future, are classified as held for investment, and are carried at amortized cost. Amortized cost includes the unamortized premiums, discounts, and capitalized origination costs and fees, all of which are amortized to interest income as discussed under "Loan Interest Income." Loans which are held for investment are reported net of an allowance for loan losses.

Restricted Cash

Restricted cash primarily includes amounts held in student loan securitization trusts and other secured borrowings. This cash must be used to make payments related to trust obligations. Amounts on deposit in these accounts are primarily the result of timing differences between when principal and interest is collected on the trust assets and when principal and interest is paid on trust liabilities.

Allowance for Loan Losses

We maintain an allowance for loan losses at an amount sufficient to absorb probable losses incurred in our portfolios, as well as regarding future loan commitments, at the reporting date based on a projection of estimated probable credit losses incurred in the portfolio. We consider a loan to be impaired when, based on current information, a loss has been incurred and it is probable that we will not receive all contractual amounts due. When making our assessment as to whether a loan is impaired, we also take into account more than insignificant delays in payment. We generally evaluate impaired loans on an aggregate basis by grouping similar loans.

We analyze our portfolios to determine the effects that the various stages of delinquency and forbearance have on borrower default behavior and ultimate charge off. We estimate the allowance for loan losses for our loan portfolios using a roll rate analysis of delinquent and current accounts. A "roll rate analysis" is a technique used to estimate the likelihood that a loan receivable may progress through the various delinquency stages and ultimately charge off. We also take into account the current and future economic environment and certain other qualitative factors when calculating the allowance for loan losses.

The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. Our default estimates are based on a loss emergence period of one year for Private Education Loans, Personal Loans and Credit Cards and two years for FFELP Loans. A loss emergence period represents the expected period between the first occurrence of an event likely to cause a loss on a loan and the date the loan is expected to be charged off, taking into consideration account management practices that affect the timing of a loss, such as the usage of forbearance. The loss emergence period underlying the allowance for loan losses is subject to a number of assumptions. If actual future performance in delinquency, charge-offs and recoveries is significantly different than estimated, or account 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.

We utilize various models to determine an appropriate allowance for loan losses. Changes to model inputs are made as deemed necessary. These models are reviewed and validated periodically.

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, FFELP Loan portfolios and Credit Cards.

Allowance for Private Education Loan Losses

In determining the allowance for loan losses on our Private Education Loans that are not troubled debt restructurings ("TDRs"), we estimate the principal amount of loans that will default over the next year (one year being the expected period between a loss trigger event and default) using a roll rate model and how much we expect to recover over the same one-year period related to the defaulted amount. The expected defaults less our expected recoveries adjusted for any qualitative factors (discussed below) equal the allowance related to this portfolio. Our historical experience indicates that, on average, the time between the date that a customer experiences a default causing event (i.e., the loss trigger event) and the date that we charge off the unrecoverable portion of that loan is one year.

In estimating both the non-TDR and TDR allowance amounts, we start with historical experience of customer delinquency and default behavior. We make judgments about which historical period to start with and then make further judgments about whether that historical experience is representative of future expectations and whether additional adjustments may be needed to those historical default rates. 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 the economic environment, 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 credit losses.

Certain Private Education Loans do not require borrowers to begin repayment until at least six months after they have graduated or otherwise left school. Consequently, the loss estimates for these loans is generally low while the borrower is in school. At December 31, 2019 and 2018, 25 percent and 26 percent, respectively, of the principal balance in the Private Education Loan portfolio was related to borrowers who are in an in-school (fully deferred), grace, or deferment status and not required to make payments. As this population of borrowers leaves school, they will be required to begin payments on their loans, and the allowance for losses may change accordingly.

Similar to the rules governing FFELP payment requirements, our collection policies allow for periods of nonpayment for borrowers requesting additional payment grace periods upon leaving school or experiencing temporary difficulty meeting payment obligations. This is referred to as forbearance status and is considered separately in the allowance for loan losses. The loss emergence period is in alignment with the typical collection cycle and takes into account these periods of nonpayment.

As part of concluding on the adequacy of the allowance for loan losses, we review key allowance and loan metrics. The most relevant 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.

We consider a loan to be delinquent 31 days after the last payment was contractually due. We use a model to estimate the amount of uncollectible accrued interest on Private Education Loans and reserve for that amount against current period interest income.

Our non-TDR allowance for loan losses is estimated using an analysis of delinquent and current accounts. Our roll rate model is used to estimate the likelihood that a loan receivable may progress through the various delinquency stages and ultimately charge off. Once a charge-off forecast is estimated, a recovery assumption is layered on top. 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.

The roll rate analysis model is based upon actual experience using the 120 day charge-off default aversion strategies. 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.

2. Significant Accounting Policies (Continued)

We collect on defaulted loans through a mix of in-house, third-party collectors and sales to third-parties. For December 31, 2019, 2018 and 2017, 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 connection with the Spin-Off, we retained the right to require Navient to purchase certain delinquent loans (at fair value) when the borrower has a lending relationship with both us and Navient (“Split Loans”). In the second quarter of 2018, we sold our remaining $43 million portfolio of Split Loans (both current and non-current loans) to Navient and recognized a net gain of $2 million.

Allowance for Personal Loans

We maintain an allowance for Personal Loan losses at an amount sufficient to absorb losses estimated and viewed at the reporting date as probable credit losses to be incurred in the portfolio. In determining the allowance for loan losses on our Personal Loan portfolio that are not TDRs, we estimate the principal amount of the loans that will default over the next twelve months (twelve months being the expected period between a loss trigger event and default) and how much we expect to recover over the same twelve-month period related to the defaulted amounts. The expected defaults less our expected recoveries adjusted for any qualitative factors equal the allowance related to this portfolio. At December 31, 2019 and 2018, there were no Personal Loans classified as TDRs.

Troubled Debt Restructurings

Separately, for our TDR portfolio, we estimate an allowance amount sufficient to cover life-of-loan expected losses through an impairment calculation based on the difference between the loan’s basis and the present value of expected future cash flows (which would include life-of-loan default and recovery assumptions) discounted at the loan’s original effective interest rate. Our TDR portfolio is comprised mostly of loans with interest rate reductions and loans with forbearance usage greater than three months during a 24-month period, as further described below.

We modify the terms of loans for certain borrowers when we believe such modifications may increase the ability and willingness of a borrower to make payments and thus increase the ultimate overall amount collected on the loan. These modifications generally take the form of a forbearance, a temporary interest rate reduction or an extended repayment plan. 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.

Until the fourth quarter of 2017, we generally considered a loan that was in full principal and interest repayment status which had received more than three months of forbearance in a 24-month period to be a TDR; however, during the first nine months after a loan had entered full principal and interest repayment status, we did not count up to the first six months of forbearance received during that period against the three-month policy limit.

We now 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.

2. Significant Accounting Policies (Continued)

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. As of December 31, 2019 and 2018, approximately 50 percent and 57 percent, respectively, of TDRs were classified as such due to their forbearance status.

Key Credit Quality Indicators

We determine the collectability of our Private Education Loan portfolio by evaluating certain risk characteristics. We consider credit scores 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.

For Personal Loans, we consider FICO scores at original approval, seasoning and loan status to be our key credit quality indicators for the same reasons discussed above. For Credit Cards, we consider FICO scores at original approval to be our key credit quality indicator.

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. For loans disbursed prior to October 1, 1993, we receive 100 percent reimbursement.

The allowance for FFELP Loan losses uses historical experience of customer default behavior and a two-year loss emergence period to estimate the credit losses incurred in the loan portfolio at the reporting date. We apply the default rate projections, net of applicable risk sharing, to each category 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.

Allowance for Credit Cards

The allowance for Credit Card losses is management's estimate of credit losses inherent in the Credit Card portfolio at the balance sheet date. The allowance for Credit Card losses uses historical loss rates for accounts with similar characteristics (based on industry data) as a reasonable basis to estimate future losses. At December 31, 2019, there were no Credit Cards classified as TDRs.

Deposits

Our retail deposit accounts are principally certificates of deposit ("CDs"), money market deposit accounts ("MMDAs") and high-yield savings ("HYS") accounts. CDs are accounts that have a stipulated maturity and interest rate. Retail CDs may be withdrawn early, but a penalty is assessed. MMDA and HYS accounts are both interest and non-interest bearing accounts that have no maturity or expiration date. For retail MMDA and HYS accounts, the depositor may be required to give written notice of any intended withdrawal not less than seven days before the withdrawal is made.

2. Significant Accounting Policies (Continued)

The Bank also includes brokered CDs in its funding base. Early withdrawal of brokered CDs is prohibited (except in the case of death or legal incapacity). Other deposit accounts include large interest-bearing omnibus accounts deposited in the Bank by commercial entities having custodial responsibilities for many underlying accounts. These omnibus accounts may be structured with or without fixed maturities, and may have fixed or variable interest rates.

Upromise Member Accounts

Upromise member accounts represent amounts owed to Upromise rewards members for rebates they have earned from qualifying purchases from Upromise's participating merchants. These amounts are held in trust for the benefit of the members until distributed in accordance with the Upromise member's request and/or the terms of the Upromise service agreement. Upromise, which acts as the trustee for the trust, has deposited a majority of the cash with the Bank pursuant to a money market deposit account agreement between the Bank and Upromise as trustee of the trust.

Fair Value Measurement

We use estimates of fair value in applying various accounting standards for our financial statements. Fair value measurements are used in one of four ways:

- In the consolidated balance sheet with changes in fair value recorded in the consolidated statement of income;
- In the consolidated balance sheet with changes in fair value recorded in the accumulated other comprehensive income section of the consolidated statement of changes in equity;
- In the consolidated balance sheet for instruments carried at lower of cost or fair value with impairment charges recorded in the consolidated statement of income; and
- In the notes to the consolidated financial statements.

Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, our policy in estimating fair value is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates and credit spreads (including for our liabilities), relying first on observable data from active markets. Depending on current market conditions, additional adjustments to fair value may be based on factors such as liquidity, credit, and bid/offer spreads. Transaction costs are not included in the determination of fair value. When possible, we seek to validate the model's output to market transactions. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable.

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. Classification is based on the lowest level of input that is significant to the fair value of the instrument. The three levels are as follows:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date. The types of financial instruments included in level 1 are highly liquid instruments with quoted prices.
- Level 2 — Inputs from active markets, other than quoted prices for identical instruments, are used to determine fair value. Significant inputs are directly observable from active markets for substantially the full term of the asset or liability being valued.
- Level 3 — Pricing inputs significant to the valuation are unobservable. Inputs are developed based on the best information available. However, significant judgment is required by us in developing the inputs.

2. 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. This adjustment is recognized based upon the expected yield of the loan over its life after giving effect to prepayments and extensions. We consider our constant prepayment rate ("CPR") estimates a significant accounting assumption used to measure the expected prepayment activity in our education loan portfolio. The estimates are based on a number of factors such as historical prepayment rates for loans with similar loan characteristics, assumptions about portfolio composition and loan terms, and the prepayment curve's tendency to follow a ramp pattern (i.e., the prepayment rate typically increases during the in-school and early repayment periods, then stabilizes). The CPR measures the expected prepayment activity over the life of the loan and is applied as a flat-rate input assumption when used in forecasting. Additionally, interest earned on education loans reflects potential non-payment adjustments in accordance with our uncollectible interest recognition policy as discussed further in "Allowance for Loan Losses" of this Note 2. Because of this, we do not place loans in nonaccrual status prior to charge-off. We do not amortize any adjustments to the basis of education loans when they are classified as held-for-sale.

Our CPR 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. 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. In instances where there are changes to the assumptions, amortization of deferred direct origination and acquisition costs is adjusted on a cumulative basis to reflect the change since the origination or purchase of the loan. For the year ended December 31, 2019, our CPR for Private Education Loans was 6.92 percent, compared with a CPR of 6.83 percent for the year ended December 31, 2018.

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.

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.

Interest Expense

Interest expense is based upon contractual interest rates adjusted for the amortization of issuance costs. We incur interest expense on interest bearing deposits comprised of non-maturity savings deposits, brokered and retail CDs, and brokered and retail MMDAs, as well as on unsecured and secured financings. Interest expense is recognized when amounts are contractually due to deposit and debt holders and is adjusted for net payments/receipts related to interest rate swap agreements that qualify and are designated hedges of interest bearing liabilities. Interest expense also includes the amortization of deferred gains and losses on closed hedge transactions that qualified as hedges. Amortization of debt issuance costs, premiums, discounts and terminated hedge-basis adjustments are recognized using the effective interest rate method. We incur certain fees related to 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), including an unused Secured Borrowing Facility fee, and also incur fees related to our term asset-backed securities ("ABS"). These fees are included in interest expense. Refer to Note 8, "Deposits," and Note 9, "Borrowings" for further details of our interest bearing liabilities.

2. Significant Accounting Policies (Continued)

Gains on Sale of Loans, Net

We may participate and sell loans to third-parties and affiliates, including entities that were related parties prior to the Spin-Off. These sales may occur through whole loan sales or securitization transactions that qualify for sales treatment. If a transfer of loans qualifies as a sale, we derecognize the loan and recognize a gain or loss as the difference between the carry basis of the loan sold and liabilities retained and the compensation received. We recognize the results of a transfer of loans based upon the settlement date of the transaction. These loans were initially recorded as held for investment and were transferred to held-for-sale immediately prior to sale or securitization.

In the second quarter of 2018, we sold our remaining $43 million portfolio of Split Loans (both current and non-current loans) to Navient and recognized a net gain of $2 million. See Note 15, "Arrangements with Navient Corporation," for further discussion regarding loan purchase agreements. We did not sell loans in 2019 and 2017, other than Split Loans.

Other Income

Our Upromise subsidiary has a number of programs that encourage consumers to save for the cost of college education. We have established a consumer savings network, which is designed to promote college savings by consumers who are members of this program by encouraging them to purchase goods and services from the merchants that participate in the program. Participating merchants generally pay Upromise fees based on member purchase volume, either online or in stores, depending on the contractual arrangement with the merchant. We recognize revenue as marketing and administrative services are rendered, based upon contractually determined rates and member purchase volumes.

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." The guidance in this ASU supersedes existing revenue recognition requirements in Topic 605, Revenue Recognition, including an assortment of transaction-specific and industry-specific rules. We adopted the new revenue recognition model on January 1, 2018. This ASU establishes a principles-based model under which revenue from a contract is allocated to the distinct performance obligations within the contract and recognized in income as each performance obligation is satisfied. ASU Topic 606 does not apply to rights or obligations associated with financial instruments (for example, interest income from loans or investments, or interest expense on debt), and therefore our net interest income should not be affected.

Certain of our fee income related to our Upromise rewards business is within the scope of these rules. Management has concluded that timing and measurement of fee income related to our Upromise rewards business has remained substantially unchanged under the new standard. This conclusion covers the vast majority of our revenue that is within the scope of the standard. The adoption of this standard did not materially affect our consolidated financial statements in 2018.

In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)." The guidance in this ASU provides clarification on the principal versus agent concept in relation to revenue recognition guidance issued as part of ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." Topic 606 requires a company to determine whether it is a principal or an agent in a transaction in which another party is involved in providing goods or services to a customer by evaluating the nature of its promise to the customer. ASU No. 2016-08 provides clarification for identifying the good, service or right being transferred in a revenue transaction and identifies the principal as the party that controls the good, service or right prior to its transfer to the customer. The ASU provides further clarity on how to evaluate control in this context. We adopted the standard on January 1, 2018. The adoption did not result in different conclusions regarding our revenue arrangements that involve a principal-agent relationship.

Also included in other income are late fees on both Private Education Loans and FFELP Loans, which we recognize when the cash has been received, fees related to our credit card affinity program, income for servicing private student loans for third-parties and changes to our tax indemnification receivable from Navient.

2. Significant Accounting Policies (Continued)

Securitization Accounting

Our securitization transactions use a two-step structure with a special purpose entity VIE that legally isolates the transferred assets from us in the event of bankruptcy or receivership. Transactions receiving sale treatment are also structured to ensure that the holders of the beneficial interests issued are not constrained from pledging or exchanging their interests, and that we do not maintain effective control over the transferred assets. If these criteria are not met, then the transaction is accounted for as an on-balance sheet secured borrowing. If a securitization qualifies as a sale, we then assess whether we are the primary beneficiary of the securitization trust and are required to consolidate such trust. We are considered the primary beneficiary if we have 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. There can be considerable judgment as it relates to determining the primary beneficiary of the VIEs. There are no "bright line" tests. Rather, the assessment of who has the power to direct the activities of the VIE that most significantly affect the VIE's economic performance and who has the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE can be very qualitative and judgmental in nature. If we are the primary beneficiary, then no gain or loss is recognized.

We have determined that as the servicer of Sallie Mae securitization trusts, we meet the first primary beneficiary criterion because we have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance.

Irrespective of whether a securitization receives sale or on-balance sheet treatment, our continuing involvement with our securitization trusts is generally limited to:

- Owning the equity certificates of certain trusts;
- The servicing of the student loan assets within the securitization trusts, on both a pre- and post-default basis;
- Our acting as administrator for the securitization transactions we sponsored;
- Our responsibilities relative to representation and warranty violations; and
- The option to exercise the clean-up call and purchase the student loans from the trust when the pool balance is 10 percent or less of the original pool balance.

In 2019 and 2018, we executed several secured financing transactions. Based upon our relationships with these securitizations, we believe the consolidation assessment is straightforward. We consolidated our secured financing transactions because either we did not meet the accounting criterion for sales treatment or we determined we were the primary beneficiary of the VIE because we retained (a) the residual interest in the securitization and therefore had the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE, as well as (b) the power to direct the activities of the VIE in our role as servicer.

The investors in our securitization trusts have no recourse to our other assets should there be a failure of the trust to pay when due. Generally, the only recourse the securitization trusts have to us is in the event we breach a seller representation or warranty or our duties as master servicer and servicer, in which event we are obligated to repurchase the related loans from the trust.

Derivative Accounting

We account for our derivatives, consisting of interest rate swaps, at fair value on the consolidated balance sheets as either an asset or liability. Derivative positions are recorded as net positions by counterparty based on master netting arrangements (see Note 10, "Derivative Financial Instruments"), exclusive of accrued interest and cash collateral held or pledged. 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 (the "CME") and the London Clearing House (the "LCH"). All variation margin payments on derivatives cleared through the CME and LCH are accounted for as legal settlement. As of December 31, 2019, $9.4 billion notional of our derivative contracts were cleared on the CME and $0.5 billion were cleared on

2. Significant Accounting Policies (Continued)

the LCH. The derivative contracts cleared through the CME and LCH represent 95.0 percent and 5.0 percent, respectively, of our total notional derivative contracts of $9.9 billion at December 31, 2019.

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 December 31, 2019 was $(107) million and $8 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).

We determine the fair value for our derivative contracts primarily using pricing models that consider current market conditions and the contractual terms of the derivative contracts. These pricing models consider interest rates, time value, forward interest rate curves, and volatility factors. Inputs are generally from active financial markets.

The accounting for derivative instruments requires that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded on the balance sheet as either an asset or liability measured at fair value. Our derivative instruments are classified and accounted for by us as fair value hedges, cash flow hedges, and trading hedges.

On July 1, 2018, we adopted the FASB's ASU No. 2017-12, "Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities." Under the standard, we are no longer required to separately measure and report hedge ineffectiveness, which was previously recorded in "gains (losses) on derivatives and hedging activities, net" in our consolidated statements of income. In accordance with the standard, certain provisions were required to be applied on a modified retrospective basis, which requires a cumulative effect adjustment to accumulated other comprehensive income with a corresponding adjustment to retained earnings as of the beginning of the fiscal year of adoption, or January 1, 2018 in our case.

As a result of the cumulative effect of applying the new hedging standard to our fair value hedges on July 1, 2018, we recorded a $2 million basis increase to our hedged deposit balances with a corresponding increase to retained earnings of approximately $0.8 million, net of taxes and a $3 million loss to "gains (losses) on derivatives and hedging activities, net" in our consolidated statements of income to adjust the life-to-date ineffectiveness. To reflect the adoption of the new hedging standard on our cash flow hedging relationships at July 1, 2018, we recorded a $0.2 million, net of taxes decrease to retained earnings and a corresponding $0.3 million increase to accumulated other comprehensive income.

Each derivative is designated to a specific (or pool of) liability(ies) on the consolidated balance sheets, and is designated as either a "fair value" hedge or a "cash flow" hedge. Fair value hedges are designed to hedge our exposure to the changes in fair value of a fixed-rate liability. For effective fair value hedges, both the hedge and the hedged item (for the risk being hedged) are recorded at fair value with any difference reflecting ineffectiveness recorded immediately in the consolidated statements of income. Cash flow hedges are designed to hedge our exposure to variability in cash flows related to variable-rate deposits. The assessment of the hedge's effectiveness is performed at inception and on an ongoing basis, using regression testing. For hedges of a pool of liabilities, tests are performed to demonstrate the similarity of individual instruments of the pool. When it is determined that a derivative is not currently an effective hedge, ineffectiveness is recognized for the full change in fair value of the derivative with no offsetting amount from the hedged item since the last time it was effective. If it is also determined the hedge will not be effective in the future, we discontinue the hedge accounting prospectively and begin amortization of any basis adjustments that exist related to the hedged item.

Stock-Based Compensation

We recognize stock-based compensation cost in our consolidated statements of income using the fair value method. Under this method, we determine the fair value of the stock-based compensation at the time of the grant and recognize the resulting compensation expense over the vesting period of the stock-based grant. We do not apply a forfeiture rate to our stock-based compensation expense, but rather record forfeitures when they occur. We record all excess tax benefits/deficiencies related to the settlement of employee stock-based compensation to the income tax expense line item on our consolidated statements of income.

2. Significant Accounting Policies (Continued)

In March 2016, the FASB issued ASU No. 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting,” which amended the stock compensation guidance. The amendments simplified the accounting for the taxes related to stock-based compensation, including adjustments to how excess tax benefits and a company’s payments for tax withholdings should be classified. The standard became effective for fiscal periods beginning after December 15, 2016, with early adoption permitted. We adopted this standard effective January 1, 2017 and recorded an $8.5 million benefit in income tax expense in 2017 because of this standard. We previously recorded the excess tax benefits/deficiencies to the additional paid-in capital line item on our consolidated balance sheets. Under the guidance, we also elected the option to no longer apply a forfeiture rate to our stock-based compensation expense, but to record forfeitures when they occur, and, as a result, under a modified retrospective basis we recorded a cumulative effect of the new stock compensation standard in total equity of $0.2 million, net of tax, in the first quarter of 2017.

Income Taxes

We account for income taxes under the asset and liability approach, which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of our assets and liabilities. To the extent tax laws change, deferred tax assets and liabilities are adjusted in the period that the tax change is enacted.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (the “Tax Act”), which lowered federal corporate income tax rates from 35 percent to 21 percent, beginning January 1, 2018. Because the Tax Act was enacted during the fourth-quarter 2017, we were required to reflect the application of the lower tax rate in future years to our deferred assets, liabilities and indemnification receivables. We recognized additional discrete tax expense of $15 million for the year ended December 31, 2017, primarily due to the remeasurement of our deferred tax assets and liabilities following the enactment of the Tax Act. At December 31, 2019, our accounting for the Tax Act is complete under the SEC’s Staff Accounting Bulletin No. 118.

In February 2018, the FASB issued ASU No. 2018-02, “Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,” which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the tax law and tax rate changes under the Tax Act. Under the Tax Act, deferred taxes were adjusted to reflect the reduction of the historical corporate income tax rate to the newly enacted corporate income tax rate, which left the tax effects on items within accumulated other comprehensive income stranded at an inappropriate tax rate. This guidance was effective for fiscal years beginning after December 15, 2018, and for interim periods within those fiscal years, with early adoption permitted. We adopted this standard effective January 1, 2018 and recorded a $0.6 million reclass from accumulated other comprehensive income to retained earnings in the first quarter of 2018.

“Income tax expense (benefit)” includes (i) deferred tax expense (benefit), which represents the net change in the deferred tax asset or liability balance during the year when applicable, and (ii) current tax expense (benefit), which represents the amount of tax currently payable to or receivable from a tax authority plus amounts accrued for unrecognized tax benefits. Income tax expense (benefit) excludes the tax effects related to adjustments recorded in equity.

An uncertain tax position is recognized only if it is more likely than not to be sustained upon examination based on the technical merits of the position. The amount of tax benefit recognized in the consolidated financial statements is the largest amount of benefit that is more than fifty percent likely of being sustained upon ultimate settlement of the uncertain tax position. We recognize interest and penalties related to unrecognized tax benefits in income tax expense (benefit).

In connection with the Spin-Off, we recorded a liability related to uncertain tax positions of $27 million for which we are indemnified by Navient. If there is an adjustment to the indemnified uncertain tax liability, an offsetting adjustment to the indemnification receivable will be recorded as pre-tax adjustment to other income in the income statement.

2. Significant Accounting Policies (Continued)

As of the date of the Spin-Off on April 30, 2014, we recorded a liability of $310 million ($283 million related to deferred taxes and $27 million related to uncertain tax positions) and an indemnification receivable of $291 million ($310 million less the $19 million discount). As of December 31, 2019, with respect to those amounts recorded at the Spin-Off, the remaining liability balance is $15 million (related to uncertain tax positions) and the remaining indemnification receivable balance is $15 million (related to uncertain tax positions).

Reclassifications

Certain reclassifications have been made to the balances as of and for the years ended December 31, 2018 and 2017, to be consistent with classifications adopted for 2019, which had no effect on net income, total assets or total liabilities.

Recently Issued and Adopted Accounting Pronouncements

ASU No. 2016-02, "Leases"

In February 2016, the FASB issued ASU No. 2016-02, "Leases," a comprehensive new lease standard which superseded previous lease guidance. The standard requires a lessee to recognize in its balance sheet assets and liabilities related to long-term leases that were classified as operating leases under previous guidance. An asset will be recognized related to the right to use the underlying asset and a liability will be recognized related to the obligation to make lease payments over the term of the lease. The standard also requires expanded disclosures surrounding leases. The standard is effective for fiscal periods beginning after December 15, 2018, and requires modified retrospective adoption, with early adoption permitted. We adopted this guidance on January 1, 2019. In doing so, we identified and evaluated the related lease contracts and revised our controls and processes to address the lease standard. The adoption of this guidance resulted in the recognition of less than $34 million of right of use asset and lease liability, which did not have a material impact on our consolidated financial statements.

Recently Issued but Not Yet 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, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," as amended by ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," which will become effective for us on January 1, 2020 ("CECL"). This ASU eliminates the current accounting guidance for the recognition of credit impairment. Under the new guidance, for all loans carried at amortized cost, upon loan origination we will be 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. Upon adoption, a cumulative effect adjustment to retained earnings will be recorded as of the beginning of the first reporting period in which the guidance is effective in an amount necessary to adjust the allowance for credit losses to equal the current estimate of expected losses on financial assets held at that date.

We have evaluated the standard and completed our implementation efforts. We have identified the loss forecasting approach and have built the loss models for our Private Education Loans, Personal Loans acquired from third-parties and those originated organically, and for prepayments. For our Private Education Loan and Personal Loan portfolios, we will be using the discounted cash flow approach to calculate our current expected credit losses. We will estimate the CECL allowance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. We have determined that, for modeling current expected credit losses, we can reasonably estimate expected losses that incorporate the current and forecasted economic conditions over a two-year period, after which the model will immediately revert to our long-term historic loss rates. During the third and fourth quarters of 2019, we performed monthly

2. Significant Accounting Policies (Continued)

dry runs of our CECL solution to test the end-to-end implementation of the new solution. The loss and other models that will be used in our CECL solution have been validated and approved to be used for the adoption of CECL. In the fourth quarter of 2019, we finalized and implemented the required governance and internal controls, completed our loss models for both Personal Loans we originated and Credit Card receivables, and completed the testing and validation for all the models to be used to implement CECL.

On January 1, 2020, we adopted CECL using the modified retrospective method and it will have a material impact on how we record and report our financial condition and results of operations and on regulatory capital. Our first quarter 2020 financial results will reflect a transition adjustment that we estimate will increase the allowance for loan losses by approximately $1.1 billion, increase the liability representing our off-balance sheet exposure for unfunded commitments by approximately $115 million and increase our deferred tax asset by approximately $300 million, resulting in a cumulative effect adjustment that reduces retained earnings by approximately $950 million. This transition adjustment is inclusive of qualitative adjustments incorporated into our CECL allowance as necessary, to address any limitations in the models used.

(Dollars in thousands, unless otherwise noted)

3. Cash and Cash Equivalents

As of December 31, 2019, cash and cash equivalents include cash due from the FRB of $5.5 billion and cash due from depository institutions of $93 million. As of December 31, 2018, cash and cash equivalents include cash due from the FRB of $2.5 billion and cash due from depository institutions of $62 million. As of December 31, 2019 and 2018, we had no outstanding cash equivalents.

The FRB Term Deposit Facility program is used to facilitate the conduct of monetary policy by providing a tool that may be used to manage the aggregate quantity of reserve balances held by depository institutions. Under this program, the FRB accepts deposits for a stated maturity at a rate of interest determined via auction. The funds are removed from the accounts of participating institutions for the life of the term deposit. We participated in these auctions in 2019 and 2018, resulting in interest income of $0.3 million and $0.2 million, respectively. As of December 31, 2019 and 2018, no funds were on deposit with the FRB under this program.

4. Investments

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

	December 31, 2019			
	Amortized Cost	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	$ 485,756	$ 2,675	$ (762)	$ 487,669

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available for sale:				
Mortgage-backed securities	$ 159,937	$ 155	$ (5,517)	$ 154,575
Utah Housing Corporation bonds	22,388	23	(741)	21,670
Total	$ 182,325	$ 178	$ (6,258)	$ 176,245

(Dollars in thousands, unless otherwise noted)

4. 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 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	$ (239)	$ 40,601	$ (523)	$ 53,545	$ (762)	$ 94,146
As of December 31, 2018:						
Mortgage-backed securities	$ (228)	$ 16,948	$ (5,289)	$ 125,537	$ (5,517)	$ 142,485
Utah Housing Corporation bonds	—	—	(741)	16,647	(741)	16,647
Total	$ (228)	$ 16,948	$ (6,030)	$ 142,184	$ (6,258)	$ 159,132

Our investment portfolio is comprised primarily of mortgage-backed securities issued by Ginnie Mae, Fannie Mae and Freddie Mac, with amortized costs of $54 million, $106 million, and $56 million, respectively, at December 31, 2019. We own these securities to meet our requirements under the Community Reinvestment Act. In the second quarter of 2018, we elected to sell nine securities totaling $41 million to better align the portfolio with the Community Reinvestment Act requirements, and we recognized a $2 million loss upon the sale of those securities. 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 remaining securities in a net loss position carry a principal and interest guarantee by Fannie Mae or Freddie Mac, respectively. We have the intent and ability to hold these bonds 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, 2018, 74 of the 86 separate mortgage-backed securities in our investment portfolio had unrealized losses, and 34 of the 74 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.

We also invest in Utah Housing Corporation bonds for the purpose of complying with the Community Reinvestment Act. These bonds are Aa3 rated by Moody’s Investors Service. The amortized cost of the investment on the consolidated balance sheet at December 31, 2019 and December 31, 2018 was $19 million and $22 million, respectively. We have the intent and ability to hold these bonds for a period of time sufficient for the market price to recover to at least the adjusted amortized cost of the security.

Beginning in the second quarter of 2019, we began investing in U.S. government-sponsored enterprise securities issued by the Federal Home Loan Bank (“FHLB”), Freddie Mac and the Federal Farm Credit Bank (“FFCB”). These bonds are rated AA+ by Moody’s Investors Services. As of December 31, 2019, 1 of the 14 securities had unrealized losses.

(Dollars in thousands, unless otherwise noted)

4. Investments (Continued)

As of December 31, 2019, 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.

Year of Maturity	Amortized Cost	Estimated Fair Value
2020	$ 77,240	$ 77,385
2021	138,157	138,640
2022	34,997	34,983
2038	176	191
2039	2,597	2,778
2042	7,196	7,050
2043	11,661	11,813
2044	17,300	17,487
2045	18,280	18,332
2046	28,892	28,822
2047	45,411	45,353
2048	12,154	12,478
2049	91,695	92,357
Total	$ 485,756	$ 487,669

The mortgage-backed securities have been pledged to the FRB as collateral against any advances and accrued interest under the Primary Credit lending program sponsored by the FRB. We had $252 million and $147 million par value of securities pledged to this borrowing facility at December 31, 2019 and 2018, respectively, as discussed further in Note 9, “Borrowings.”

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, as part of a larger equity raise, 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. This gain was recorded in “other income” in the consolidated statements of income. As of December 31, 2019 and December 31, 2018, our total investment in the securities of this issuer was $26 million and $8 million, respectively.

Low Income Housing Tax Credit Investments

We invest in affordable housing projects that qualify for the LIHTC, which is designed to promote private development of low income housing. We recognized $6 million, $4 million and $1 million of tax credits and other tax benefits associated with investments in affordable housing projects within income tax expense for the years ended December 31, 2019, 2018 and 2017, respectively. The amount of amortization of such investments reported in income tax expense was $4 million, $4 million and $1 million for the years ended December 31, 2019, 2018 and 2017, respectively. Total carrying value of the LIHTC investments

4. Investments (Continued)

was $58 million at December 31, 2019 and $48 million at December 31, 2018. We are periodically required to provide additional financial support during the investment period. Our liability for these unfunded commitments was $29 million at December 31, 2019 and $37 million at December 31, 2018.

5. Loans Held for Investment

Loans Held for Investment consist of Private Education Loans, FFELP Loans, Personal Loans and Credit Cards.

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 December 31, 2019 and 2018, 58 percent and 67 percent, respectively, 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 loans in our portfolio are cosigned. We also encourage customers to make payments while in school.

In connection with the Spin-Off, we retained the right to require Navient to purchase delinquent loans (at fair value) when the borrower has a lending relationship with both us and Navient. In the second quarter of 2018, we sold our remaining $43 million portfolio of Split Loans (both current and non-current loans) to Navient and recognized a net gain of $2 million. See Note 15, "Arrangements with Navient Corporation," for further discussion regarding loan purchase agreements.

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 2016, we began to acquire Personal Loans from a marketplace lender, but discontinued those purchases in July 2018. In 2018, we began to originate and service Personal Loans. However, in the fourth quarter of 2019, we elected to discontinue new originations as part of our 2020 planning process.

In the second quarter of 2019, we launched our suite of cash-back Credit Cards with unique bonus rewards designed to help cardholders develop financially responsible habits.

(Dollars in thousands, unless otherwise noted)

5. Loans Held for Investment (Continued)

Loans held for investment are summarized as follows:

	December 31,	
	2019	2018
Private Education Loans:		
Fixed-rate	$ 9,830,301	$ 6,759,019
Variable-rate	13,359,290	13,745,446
Total Private Education Loans, gross	23,189,591	20,504,465
Deferred origination costs and unamortized premium/ (discount)	81,224	68,321
Allowance for loan losses	(374,300)	(277,943)
Total Private Education Loans, net	22,896,515	20,294,843
FFELP Loans	783,306	846,487
Deferred origination costs and unamortized premium/ (discount)	2,143	2,379
Allowance for loan losses	(1,633)	(977)
Total FFELP Loans, net	783,816	847,889
Personal Loans (fixed-rate)	1,049,007	1,190,091
Deferred origination costs and unamortized premium/ (discount)	513	297
Allowance for loan losses	(65,877)	(62,201)
Total Personal Loans, net	983,643	1,128,187
Credit Cards (fixed-rate)	3,884	—
Deferred origination costs and unamortized premium/ (discount)	36	—
Allowance for loan losses	(102)	—
Total Credit Cards, net	3,818	—
Loans held for investment, net	$ 24,667,792	$ 22,270,919

The estimated weighted average life of education loans in our portfolio was approximately 5.4 years at both December 31, 2019 and 2018, respectively.

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

(Dollars in thousands, unless otherwise noted)

5. Loans Held for Investment (Continued)

	Years Ended December 31,					
	2019		2018		2017	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	$ 22,225,473	9.32%	$ 19,282,500	9.10%	$ 16,176,351	8.43%
FFELP Loans	814,198	4.79	888,301	4.57	970,738	3.91
Personal Loans	1,141,503	12.09	900,152	11.08	112,644	9.90
Total portfolio	$ 24,181,174		$ 21,070,953		$ 17,259,733	

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 the Company 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

5. Loans Held for Investment (Continued)

encouraging resolution of delinquent loans. In all instances, we require one or more payments before granting forbearance to delinquent borrowers.

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 plan to implement certain changes to our credit administration practices.

Specifically, 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. Beginning in the second quarter of 2020, we plan to phase in a required six-month period between successive grants of forbearance and between forbearance grants and certain other repayment alternatives. 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 plan to 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.

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 December 31, 2019 and December 31, 2018, 7.2 percent and 6.4 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.

Prior to full implementation of the credit administration practice 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 will expand over subsequent quarters as the impacts are better understood. Management expects to have completed implementation of the new policies and practices by year-end 2020. 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.

While there are limitations to our estimate of the future impact of the credit administration practice 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 practice 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., Graduated Repayment Program 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.

As a result of the changes described above, we recorded a minimal increase in our current allowance for loan losses at December 31, 2019, as a result of higher expected losses on our TDR loans where we maintain a life of loan allowance. The full impact of these revisions may only be realized over the longer term, however. In particular, when calculated under CECL, which became effective on January 1, 2020, our loan loss reserves are expected to increase materially because we expect the

(Dollars in thousands, unless otherwise noted)

5. Loans Held for Investment (Continued)

life of loan defaults on our overall Private Education Loan portfolio to increase as a result of the planned changes to our credit administrative 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 period of delinquency for loans is based on the number of days scheduled payments are contractually past due. As of December 31, 2019 and 2018, we had $48 million and $43 million, respectively, of FFELP Loans and $63 million and $51 million, respectively, of Private Education Loans held for investment which were more than 90 days delinquent that continue to accrue interest. At December 31, 2019 and 2018, we had no loans in nonaccrual status.

Borrower-in-Custody Arrangements

We maintain Borrower-in-Custody arrangements with the FRB. Under these arrangements, we can pledge FFELP Loans or Private Education Loans to the FRB to secure any advances and accrued interest generated under the Primary Credit program at the FRB. As of December 31, 2019 and 2018, we had $3.4 billion and $3.4 billion, respectively, of Private Education Loans pledged to this borrowing facility, as discussed further in Note 9, "Borrowings." We did not have any FFELP consolidation loans pledged at December 31, 2019 or 2018.

Loans Held for Investment by Region

At December 31, 2019, 39.4 percent of total education loans were concentrated in the following states:

	2019
New York	10.1%
California	9.4
Pennsylvania	8.4
New Jersey	6.6
Texas	4.9
	39.4%

At December 31, 2018, 39.9 percent of total education loans were concentrated in the following states:

	2018
New York	10.3%
California	9.3
Pennsylvania	8.5
New Jersey	6.8
Illinois	5.0
	39.9%

No other state had a concentration of total education loans in excess of 5 percent of the aggregate outstanding education loans held for investment.

(Dollars in thousands, unless otherwise noted)

6. Allowance for Loan Losses

Our provision for credit losses represents the periodic expense of maintaining an allowance sufficient to absorb incurred probable 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 probable losses incurred in the loan portfolios. See Note 2, "Significant Accounting Policies — Allowance for Loan Losses — Allowance for Private Education Loan Losses, — Allowance for Personal Loans, — Allowance for FFELP Loan Losses, and — Allowance for Credit Cards" for a more detailed discussion.

Allowance for Loan Losses Metrics

	Allowance for Loan Losses				
	Year Ended December 31, 2019				
	FFELP Loans	Private Education Loans	Personal Loans	Credit Cards	Total
Allowance for Loan Losses					
Beginning balance	$ 977	$ 277,943	$ 62,201	$ —	$ 341,121
Total provision	1,478	279,570	72,783	103	353,934
Net charge-offs:					
Charge-offs	(822)	(208,978)	(74,313)	(1)	(284,114)
Recoveries	—	25,765	5,206	—	30,971
Net charge-offs	(822)	(183,213)	(69,107)	(1)	(253,143)
Ending Balance	$ 1,633	$ 374,300	$ 65,877	$ 102	$ 441,912
Allowance:					
Ending balance: individually evaluated for impairment	$ —	$ 186,697	$ —	$ —	$ 186,697
Ending balance: collectively evaluated for impairment	$ 1,633	$ 187,603	$ 65,877	$ 102	$ 255,215
Loans:					
Ending balance: individually evaluated for impairment	$ —	$ 1,581,966	$ —	$ —	$ 1,581,966
Ending balance: collectively evaluated for impairment	$ 783,306	$ 21,607,625	$ 1,049,007	$ 3,884	$ 23,443,822
Net charge-offs as a percentage of average loans in repayment[(1)]	0.13%	1.17%	6.07%	0.13%	
Allowance as a percentage of the ending total loan balance	0.21%	1.61%	6.28%	2.63%	
Allowance as a percentage of the ending loans in repayment[(1)]	0.26%	2.23%	6.28%	2.63%	
Allowance coverage of net charge-offs	1.99	2.04	0.95	102.00	
Ending total loans, gross	$ 783,306	$ 23,189,591	$ 1,049,007	$ 3,884	
Average loans in repayment[(1)]	$ 631,029	$ 15,605,927	$ 1,138,887	$ 786	
Ending loans in repayment[(1)]	$ 617,646	$ 16,787,670	$ 1,049,007	$ 3,884	

(1) 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.

(Dollars in thousands, unless otherwise noted)

6. Allowance for Loan Losses (Continued)

	Allowance for Loan Losses			
	Year Ended December 31, 2018			
	FFELP Loans	Private Education Loans	Personal Loans	Total
Allowance for Loan Losses				
Beginning balance	$ 1,132	$ 243,715	$ 6,628	$ 251,475
Total provision	980	169,287	74,317	244,584
Net charge-offs:				
Charge-offs	(1,135)	(154,701)	(19,690)	(175,526)
Recoveries	—	20,858	946	21,804
Net charge-offs	(1,135)	(133,843)	(18,744)	(153,722)
Loan sales[1]	—	(1,216)	—	(1,216)
Ending Balance	$ 977	$ 277,943	$ 62,201	$ 341,121
Allowance:				
Ending balance: individually evaluated for impairment	$ —	$ 120,110	$ —	$ 120,110
Ending balance: collectively evaluated for impairment	$ 977	$ 157,833	$ 62,201	$ 221,011
Loans:				
Ending balance: individually evaluated for impairment	$ —	$ 1,257,856	$ —	$ 1,257,856
Ending balance: collectively evaluated for impairment	$ 846,487	$ 19,246,609	$ 1,190,091	$ 21,283,187
Net charge-offs as a percentage of average loans in repayment[2]	0.16%	1.01%	2.11%	
Allowance as a percentage of the ending total loan balance	0.12%	1.36%	5.23%	
Allowance as a percentage of the ending loans in repayment[2]	0.15%	1.90%	5.23%	
Allowance coverage of net charge-offs	0.86	2.08	3.32	
Ending total loans, gross	$ 846,487	$ 20,504,465	$ 1,190,091	
Average loans in repayment[2]	$ 691,406	$ 13,303,801	$ 889,348	
Ending loans in repayment[2]	$ 665,807	$ 14,666,856	$ 1,190,091	

(1) Represents fair value adjustments on loans sold.

(2) 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.

(Dollars in thousands, unless otherwise noted)

6. Allowance for Loan Losses (Continued)

	Allowance for Loan Losses			
	Year Ended December 31, 2017			
	FFELP Loans	Private Education Loans	Personal Loans	Total
Allowance for Loan Losses				
Beginning balance	$ 2,171	$ 182,472	$ 58	$ 184,701
Total provision	(85)	178,542	7,138	185,595
Net charge-offs:				
Charge-offs	(954)	(130,063)	(579)	(131,596)
Recoveries	—	17,635	11	17,646
Net charge-offs	(954)	(112,428)	(568)	(113,950)
Loan sales[(1)]	—	(4,871)	—	(4,871)
Ending Balance	$ 1,132	$ 243,715	$ 6,628	$ 251,475
Allowance:				
Ending balance: individually evaluated for impairment	$ —	$ 94,682	$ —	$ 94,682
Ending balance: collectively evaluated for impairment	$ 1,132	$ 149,033	$ 6,628	$ 156,793
Loans:				
Ending balance: individually evaluated for impairment	$ —	$ 990,351	$ —	$ 990,351
Ending balance: collectively evaluated for impairment	$ 927,660	$ 16,441,816	$ 400,280	$ 17,769,756
Net charge-offs as a percentage of average loans in repayment[(2)]	0.13%	1.03%	0.47%	
Allowance as a percentage of the ending total loan balance	0.12%	1.40%	1.66%	
Allowance as a percentage of the ending loans in repayment[(2)]	0.15%	2.00%	1.66%	
Allowance coverage of net charge-offs	1.19	2.17	11.67	
Ending total loans, gross	$ 927,660	$ 17,432,167	$ 400,280	
Average loans in repayment[(2)]	$ 745,039	$ 10,881,058	$ 119,606	
Ending loans in repayment[(2)]	$ 746,456	$ 12,206,033	$ 400,280	

(1) Represents fair value adjustments on loans sold.

(2) 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.

(Dollars in thousands, unless otherwise noted)

6. Allowance for Loan Losses (Continued)

Troubled Debt Restructurings

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 December 31, 2019 and 2018, 7.2 percent and 6.4 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 December 31, 2019 and 2018, approximately 50 percent and 57 percent, respectively, of TDRs were classified as such due to their forbearance status. See Note 2, “Significant Accounting Policies — Allowance for Loan Losses” for a more detailed discussion.

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 standpoint 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 December 31, 2019 and 2018, 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.

	Recorded Investment	Unpaid Principal Balance	Allowance
December 31, 2019			
TDR Loans	$ 1,612,896	$ 1,581,966	$ 186,697
December 31, 2018			
TDR Loans	$ 1,280,713	$ 1,257,856	$ 120,110

(Dollars in thousands, unless otherwise noted)

6. Allowance for Loan Losses (Continued)

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

	Years Ended December 31,					
	2019		2018		2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
TDR Loans	$ 1,434,137	$ 95,507	$ 1,141,993	$ 77,670	$ 822,145	$ 61,119

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

	December 31, 2019		December 31, 2018	
	Balance	%	Balance	%
TDR loans in in-school/grace/deferment[(1)]	$ 87,749		$ 69,212	
TDR loans in forbearance[(2)]	99,054		69,796	
TDR loans in repayment[(3)] and percentage of each status:				
Loans current	1,230,954	88.2%	994,411	88.9%
Loans delinquent 31-60 days[(4)]	85,555	6.1	63,074	5.6
Loans delinquent 61-90 days[(4)]	49,626	3.6	36,804	3.3
Loans delinquent greater than 90 days[(4)]	29,028	2.1	24,559	2.2
Total TDR loans in repayment	1,395,163	100.0%	1,118,848	100.0%
Total TDR loans, gross	$ 1,581,966		$ 1,257,856	

(1) 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).

(2) 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.

(3) 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.

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

(Dollars in thousands, unless otherwise noted)

6. Allowance for Loan Losses (Continued)

The following table provides the amount of modified loans (which includes 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.

	Years Ended December 31,								
	2019			2018			2017		
	Modified Loans[(1)]	Charge-offs	Payment-Default	Modified Loans[(1)]	Charge-offs	Payment-Default	Modified Loans[(1)]	Charge-offs	Payment-Default
TDR Loans	$ 515,398	$ 74,137	$ 111,810	$ 394,639	$ 52,823	$ 90,231	$ 498,812	$ 48,469	$ 92,532

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

(Dollars in thousands, unless otherwise noted)

6. Allowance for Loan Losses (Continued)

Private Education Loan Key Credit Quality Indicators

FFELP Loans are at least 97 percent insured and 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 table highlights the gross principal balance of our Private Education Loan portfolio stratified by key credit quality indicators.

Credit Quality Indicators:	December 31, 2019 Balance(1)	December 31, 2019 % of Balance	December 31, 2018 Balance(1)	December 31, 2018 % of Balance
Cosigners:				
With cosigner	$ 20,709,636	89%	$ 18,378,398	90%
Without cosigner	2,479,955	11	2,126,067	10
Total	$ 23,189,591	100%	$ 20,504,465	100%
FICO at Original Approval[2]:				
Less than 670	$ 1,665,589	7%	$ 1,409,789	7%
670-699	3,570,025	16	3,106,983	15
700-749	7,670,748	33	6,759,721	33
Greater than or equal to 750	10,283,229	44	9,227,972	45
Total	$ 23,189,591	100%	$ 20,504,465	100%
FICO-Refreshed[2][3]:				
Less than 670	$ 2,979,437	13%	$ 2,416,979	12%
670-699	2,883,122	13	2,504,467	12
700-749	6,806,602	29	6,144,489	30
Greater than or equal to 750	10,520,430	45	9,438,530	46
Total	$ 23,189,591	100%	$ 20,504,465	100%
Seasoning[4]:				
1-12 payments	$ 5,351,702	23%	$ 4,969,334	24%
13-24 payments	4,004,151	17	3,481,235	17
25-36 payments	2,902,365	12	2,741,954	13
37-48 payments	2,213,944	10	1,990,049	10
More than 48 payments	3,030,024	13	2,061,448	10
Not yet in repayment	5,687,405	25	5,260,445	26
Total	$ 23,189,591	100%	$ 20,504,465	100%

(1) Balance represents gross Private Education Loans.

(2) Represents the higher credit score of the cosigner or the borrower.

(3) Represents the FICO score updated as of the fourth-quarter 2019.

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

(Dollars in thousands, unless otherwise noted)

6. 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 table highlights the gross principal balance of our Personal Loan portfolio stratified by key credit quality indicators.

	Personal Loans Credit Quality Indicators			
	December 31, 2019		December 31, 2018	
Credit Quality Indicators:	Balance(1)	% of Balance	Balance(1)	% of Balance
FICO at Original Approval:				
Less than 670	$ 47,367	4%	$ 77,702	7%
670-699	259,098	25	339,053	28
700-749	521,856	50	554,700	47
Greater than or equal to 750	220,686	21	218,636	18
Total	$ 1,049,007	100%	$ 1,190,091	100%
Seasoning[(2)]:				
0-12 payments	$ 469,940	45%	$ 1,008,758	85%
13-24 payments	505,318	48	181,333	15
25-36 payments	73,749	7	—	—
37-48 payments	—	—	—	—
More than 48 payments	—	—	—	—
Total	$ 1,049,007	100%	$ 1,190,091	100%

(1) Balance represents gross Personal Loans.

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

(Dollars in thousands, unless otherwise noted)

6. Allowance for Loan Losses (Continued)

Private Education Loan Delinquencies

The following table provides information regarding the loan status of our Private Education Loans. 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 Loans					
	December 31,					
	2019		2018		2017	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 5,687,405		$ 5,260,445		$ 4,757,732	
Loans in forbearance[2]	714,516		577,164		468,402	
Loans in repayment and percentage of each status:						
Loans current	16,315,651	97.2%	14,289,705	97.4%	11,911,128	97.6%
Loans delinquent 31-60 days[3]	288,051	1.7	231,216	1.6	179,002	1.5
Loans delinquent 61-90 days[3]	121,302	0.7	95,105	0.7	78,292	0.6
Loans delinquent greater than 90 days[3]	62,666	0.4	50,830	0.3	37,611	0.3
Total Private Education Loans in repayment	16,787,670	100.0%	14,666,856	100.0%	12,206,033	100.0%
Total Private Education Loans, gross	23,189,591		20,504,465		17,432,167	
Private Education Loans deferred origination costs and unamortized premium/(discount)	81,224		68,321		56,378	
Total Private Education Loans	23,270,815		20,572,786		17,488,545	
Private Education Loans allowance for losses	(374,300)		(277,943)		(243,715)	
Private Education Loans, net	$ 22,896,515		$ 20,294,843		$ 17,244,830	
Percentage of Private Education Loans in repayment		72.4%		71.5%		70.0%
Delinquencies as a percentage of Private Education Loans in repayment		2.8%		2.6%		2.4%
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance		4.1%		3.8%		3.7%

(1) 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).

(2) 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.

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

(Dollars in thousands, unless otherwise noted)

6. Allowance for Loan Losses (Continued)

Personal Loan Delinquencies

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

	Personal Loans			
	December 31,			
	2019		2018	
	Balance	%	Balance	%
Loans in repayment and percentage of each status:				
Loans current	$ 1,023,517	97.6%	$ 1,172,776	98.5%
Loans delinquent 31-60 days[1]	9,435	0.9	6,722	0.6
Loans delinquent 61-90 days[1]	7,172	0.7	5,416	0.5
Loans delinquent greater than 90 days[1]	8,883	0.8	5,177	0.4
Total Personal Loans in repayment	1,049,007	100.0%	1,190,091	100.0%
Total Personal Loans, gross	1,049,007		1,190,091	
Personal Loans deferred origination costs and unamortized premium/(discount)	513		297	
Total Personal Loans	1,049,520		1,190,388	
Personal Loans allowance for losses	(65,877)		(62,201)	
Personal Loans, net	$ 983,643		$ 1,128,187	
Delinquencies as a percentage of Personal Loans in repayment		2.4%		1.5%

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

(Dollars in thousands, unless otherwise noted)

6. Allowance for Loan Losses (Continued)

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. 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 upon separation from school. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due portfolio for all periods presented.

	Private Education Loans Accrued Interest Receivable		
	Total Interest Receivable	Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
December 31, 2019	$ 1,366,158	$ 2,390	$ 5,309
December 31, 2018	$ 1,168,823	$ 1,920	$ 6,322

(Dollars in thousands, unless otherwise noted)

7. Premises and Equipment, net

The following is a summary of our premises and equipment.

	December 31,	
	2019	2018
Land and land improvements	$ 12,356	$ 12,356
Buildings and leasehold improvements	105,986	71,919
Furniture, fixtures and equipment	25,694	20,794
Software	70,191	65,023
Premises and equipment, gross	214,227	170,092
Accumulated depreciation	(79,478)	(64,588)
Premises and equipment, net	$ 134,749	$ 105,504

Depreciation expense for premises and equipment was $15 million, $14 million and $11 million for the years ended December 31, 2019, 2018 and 2017, respectively.

8. Deposits

The following table summarizes total deposits at December 31, 2019 and 2018.

	December 31,	
	2019	2018
Deposits - interest bearing	$ 24,282,906	$ 18,942,082
Deposits - non-interest bearing	1,077	1,076
Total deposits	$ 24,283,983	$ 18,943,158

Our total deposits of $24.3 billion were comprised of $13.8 billion in brokered deposits and $10.5 billion in retail and other deposits at December 31, 2019, compared with total deposits of $18.9 billion, which were comprised of $10.3 billion in brokered deposits and $8.6 billion in retail and other deposits, at December 31, 2018.

Interest bearing deposits as of December 31, 2019 and 2018 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 add 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 December 31, 2019, compared with $5.9 billion at December 31, 2018.

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 $18 million, $13 million, and $9 million in the years ended December 31, 2019, 2018 and 2017, respectively. Fees paid to third-party brokers related to these CDs were $28 million, $26 million, and $12 million during the years ended December 31, 2019, 2018 and 2017, respectively.

(Dollars in thousands, unless otherwise noted)

8. Deposits (Continued)

Interest bearing deposits at December 31, 2019 and 2018 are summarized as follows:

	December 31, 2019		December 31, 2018	
	Amount	Year-End Weighted Average Stated Rate[1]	Amount	Year-End Weighted Average Stated Rate[1]
Money market	$ 9,616,547	2.04%	$ 8,687,766	2.46%
Savings	718,616	1.71	702,342	2.00
Certificates of deposit	13,947,743	2.44	9,551,974	2.74
Deposits - interest bearing	$ 24,282,906		$ 18,942,082	

[1] Includes the effect of interest rate swaps in effective hedge relationships.

Certificates of deposit remaining maturities are summarized as follows:

	December 31,	
	2019	2018
One year or less	$ 4,934,933	$ 4,098,520
After one year to two years	4,279,406	2,045,861
After two years to three years	2,807,297	1,479,292
After three years to four years	1,285,504	494,654
After four years to five years	548,492	1,274,198
After five years	92,111	159,449
Total	$ 13,947,743	$ 9,551,974

As of December 31, 2019 and 2018, there were $963 million and $523 million, respectively, of deposits exceeding FDIC insurance limits. Accrued interest on deposits was $68 million and $53 million at December 31, 2019 and 2018, respectively.

(Dollars in thousands, unless otherwise noted)

9. 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 secured borrowings at December 31, 2019 and 2018.

	December 31, 2019			December 31, 2018		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt (fixed-rate)	$ —	$ 198,159	$ 198,159	$ —	$ 197,348	$ 197,348
Total unsecured borrowings	—	198,159	198,159	—	197,348	197,348
Secured borrowings:						
Private Education Loan term securitizations:						
Fixed-rate	—	2,629,902	2,629,902	—	2,284,347	2,284,347
Variable-rate	—	1,525,976	1,525,976	—	1,802,609	1,802,609
Total Private Education Loan term securitizations	—	4,155,878	4,155,878	—	4,086,956	4,086,956
Secured Borrowing Facility	289,230	—	289,230	—	—	—
Total secured borrowings	289,230	4,155,878	4,445,108	—	4,086,956	4,086,956
Total	$ 289,230	$ 4,354,037	$ 4,643,267	$ —	$ 4,284,304	$ 4,284,304

Short-term Borrowings

Secured Borrowing Facility

On February 20, 2019, we amended and extended the maturity of our 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 December 31, 2019, $289 million secured borrowings were outstanding under the Secured Borrowing Facility, and at December 31, 2018, there were no secured borrowings outstanding under the Secured Borrowing Facility. For additional information, see Notes to Consolidated Financial Statements, Note 23, “Subsequent Events.”

Short-term borrowings have a remaining term to maturity of one year or less. The following table summarizes the outstanding short-term borrowings, the weighted average interest rates at the end of the period and the related average balance and weighted average interest rates during the period. The Secured Borrowing Facility’s contractual maturity is two years from the date of inception or renewal (one-year revolving period plus a one-year amortization period); however, we classify advances under our Secured Borrowing Facility as short-term borrowings because it is our intention to repay those advances within one year.

(Dollars in thousands, unless otherwise noted)

9. Borrowings (Continued)

	December 31, 2019		Year Ended December 31, 2019	
	Ending Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Short-term borrowings:				
Secured Borrowing Facility	$ 289,230	1.74%	$ 102,639	4.91%
Maximum outstanding at any month end	$ 297,800			

	December 31, 2018		Year Ended December 31, 2018	
	Ending Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Short-term borrowings:				
Secured Borrowing Facility	$ —	—%	$ 52,603	8.91%
Maximum outstanding at any month end	$ 300,000			

Long-term Borrowings

Unsecured Debt

On April 5, 2017, we issued an unsecured debt offering of $200 million of 5.125 percent Senior Notes due April 5, 2022 at par. At December 31, 2019, the outstanding balance was $198 million.

Secured Financings

2019 Transactions

On March 13, 2019, we executed our $453 million SMB Private Education Loan Trust 2019-A term ABS transaction, which was accounted for as a secured financing. We sold $453 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $451 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.26 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 0.92 percent. At December 31, 2019, $445 million of our Private Education Loans, including $417 million of principal and $28 million in capitalized interest, were encumbered because of this transaction.

On June 12, 2019, we executed our $657 million SMB Private Education Loan Trust 2019-B term ABS transaction, which was accounted for as a secured financing. We sold $657 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $655 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.41 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 1.01 percent. At December 31, 2019, $666 million of our Private Education Loans, including $625 million of principal and $41 million in capitalized interest, were encumbered because of this transaction.

2018 Transactions

On March 21, 2018, we executed our $670 million SMB Private Education Loan Trust 2018-A term ABS transaction, which was accounted for as a secured financing. We sold $670 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $668 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.43 years and priced at a weighted average LIBOR equivalent cost of 1-

(Dollars in thousands, unless otherwise noted)

month LIBOR plus 0.78 percent. At December 31, 2019, $588 million of our Private Education Loans, including $553 million of principal and $35 million in capitalized interest, were encumbered because of this transaction.

On June 20, 2018, we executed our $687 million SMB Private Education Loan Trust 2018-B term ABS transaction, which was accounted for as a secured financing. We sold $687 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $683 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.40 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 0.76 percent. At December 31, 2019, $623 million of our Private Education Loans, including $585 million of principal and $38 million in capitalized interest, were encumbered because of this transaction.

On September 19, 2018, we executed our $544 million SMB Private Education Loan Trust 2018-C term ABS transaction, which was accounted for as a secured financing. We sold $544 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $541 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.32 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 0.77 percent. At December 31, 2019, $502 million of our Private Education Loans, including $471 million of principal and $31 million in capitalized interest, were encumbered because of this transaction.

Pre-2018 Transactions

Prior to 2018, we executed a total of $3.9 billion in ABS transactions that were accounted for as secured financings. At December 31, 2019, $2.7 billion of our Private Education Loans, including $2.6 billion of principal and $115 million in capitalized interest, were encumbered as a result of these transactions.

The following table summarizes the outstanding long-term borrowings, the weighted average interest rates at the end of the period and the related average balance during the period. Rates reflect stated interest of borrowings and related discounts and premiums. The long-term borrowings amortize over time and mature serially from 2023 to 2040.

	December 31, 2019		Year Ended December 31, 2019	December 31, 2018		Year Ended December 31, 2018
	Ending Balance	Weighted Average Interest Rate	Average Balance	Ending Balance	Weighted Average Interest Rate	Average Balance
Floating-rate borrowings	$ 1,525,976	2.61%	$ 1,731,675	$ 1,802,609	3.26%	$ 1,720,540
Fixed-rate borrowings	2,828,061	3.31	2,752,183	2,481,695	3.28	2,172,993
Total long-term borrowings	$ 4,354,037	3.07%	$ 4,483,858	$ 4,284,304	3.27%	$ 3,893,533

(Dollars in thousands, unless otherwise noted)

9. Borrowings (Continued)

As of December 31, 2019, the stated maturity and maturity to call date of our brokered deposits and borrowings are summarized below.

	December 31, 2019							
	Stated Maturity[1]				Maturity to Call Date[2]			
	Brokered Deposits	Unsecured Debt	Secured Borrowings	Total	Brokered Deposits	Unsecured Debt	Secured Borrowings	Total
Year of Maturity								
2020	$ 2,650,654	$ —	$ 565,805	$ 3,216,459	$ 2,650,654	$ —	$ 565,805	$ 3,216,459
2021	3,691,692	—	507,319	4,199,011	3,691,692	—	507,319	4,199,011
2022	2,690,974	200,000	512,718	3,403,692	2,690,974	200,000	512,718	3,403,692
2023	1,270,385	—	534,692	1,805,077	1,270,385	—	534,692	1,805,077
2024	499,112	—	529,471	1,028,583	499,112	—	529,471	1,028,583
2025 and after	92,822	—	1,688,473	1,781,295	92,822	—	1,688,473	1,781,295
	10,895,639	200,000	4,338,478	15,434,117	10,895,639	200,000	4,338,478	15,434,117
Hedge accounting adjustments	45,887	—	—	45,887	45,887	—	—	45,887
Total	$ 10,941,526	$ 200,000	$ 4,338,478	$ 15,480,004	$ 10,941,526	$ 200,000	$ 4,338,478	$ 15,480,004

[1] We view our securitization trust debt as long-term based on the contractual maturity dates and projected principal paydowns based on our current estimates regarding loan prepayment speeds. The projected principal paydowns in year 2020 include $566 million related to the securitization trust debt.

[2] The aggregate principal amount of debt that matures in each period is $3.2 billion in 2020, $4.2 billion in 2021, $3.4 billion in 2022, $1.8 billion in 2023, $1.0 billion in 2024, and $1.8 billion in 2025 and after.

(Dollars in thousands, unless otherwise noted)

9. Borrowings (Continued)

Secured Financings

The following summarizes our secured financings issued in 2018 and 2019:

Issue	Date Issued	Total Issued	Weighted Average Cost of Funds[1]	Weighted Average Life (in years)
Private Education:				
2018-A	March 2018	$ 670,000	1-month LIBOR plus 0.78%	4.43
2018-B	June 2018	686,500	1-month LIBOR plus 0.76%	4.40
2018-C	September 2018	544,000	1-month LIBOR plus 0.77%	4.32
Total notes issued in 2018		$ 1,900,500		
Total loan and accrued interest amount securitized at inception in 2018		$ 2,101,644		
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		$ 1,110,000		
Total loan and accrued interest amount securitized at inception in 2019		$ 1,208,963		

[1] Represents LIBOR equivalent cost of funds for floating and fixed-rate bonds, excluding issuance costs.

(Dollars in thousands, unless otherwise noted)

9. Borrowings (Continued)

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.

	December 31, 2019						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short-Term	Long-Term	Total	Loans	Restricted Cash	Other Assets[1]	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	$ 289,230	$ 4,155,878	$ 4,445,108	$ 5,586,652	$ 154,563	$ 357,005	$ 6,098,220

	December 31, 2018						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short-Term	Long-Term	Total	Loans	Restricted Cash	Other Assets[1]	Total
Secured borrowings:							
Private Education Loan term securitizations	$ —	$ 4,086,956	$ 4,086,956	$ 5,030,837	$ 113,431	$ 326,570	$ 5,470,838
Secured Borrowing Facility	—	—	—	—	—	157	157
Total	$ —	$ 4,086,956	$ 4,086,956	$ 5,030,837	$ 113,431	$ 326,727	$ 5,470,995

(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 December 31, 2019. 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 years ended December 31, 2019 and 2018.

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 December 31, 2019 and December 31, 2018, the value of our pledged collateral at the FRB totaled $3.2 billion and $3.1 billion, respectively. The interest rate charged to us is the discount rate set by the FRB. We did not utilize this facility in the years ended December 31, 2019 and 2018.

10. 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.

Although we use derivatives to reduce the risk of interest rate changes, the use of derivatives does expose us to both market and credit risk. Market risk is the chance of financial loss resulting from changes in interest rates and market liquidity. Credit risk is the risk that a counterparty will not perform its obligations under a contract and it is limited to the loss of the fair value gain in a derivative that the counterparty owes us less collateral held and plus collateral posted. When the fair value of a derivative contract less collateral held and plus collateral posted is negative, we owe the counterparty and, therefore, we have no credit risk exposure to the counterparty; however, the counterparty has exposure to us. We minimize the credit risk in derivative instruments by entering into transactions with reputable counterparties that are reviewed regularly by our Credit Department. We also maintain a policy of requiring that all derivative contracts be governed by an International Swaps and Derivatives Association, Inc. Master Agreement. Depending on the nature of the derivative transaction, bilateral collateral arrangements are required as well. When we have more than one outstanding derivative transaction with the counterparty, and there exists legally enforceable netting provisions with the counterparty (i.e., a legal right to offset receivable and payable derivative contracts), the “net” mark-to-market exposure, less collateral held and plus collateral posted, represents exposure with the counterparty. We refer to this as the “net position.” When there is a net negative exposure, we consider our exposure to the counterparty and the net position to be zero.

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 December 31, 2019, $9.4 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 95.0 percent and 5.0 percent, respectively, of our total notional derivative contracts of $9.9 billion at December 31, 2019.

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 December 31, 2019 was $(107) million and $8 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 December 31, 2019 and 2018, 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 $52 million and $27 million, respectively.

Accounting for Derivative Instruments

The accounting for derivative instruments requires that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded on the balance sheet as either an asset or liability measured at fair value. Our derivative instruments are classified and accounted for by us as fair value hedges, cash flow hedges, and trading hedges.

10. Derivative Financial Instruments (Continued)

We elected to early adopt ASU No. 2017-12 effective July 1, 2018. Under the standard, we are no longer required to separately measure and report hedge ineffectiveness, which was previously recorded in “gains (losses) on derivatives and hedging activities, net” in our consolidated statements of income. In accordance with the standard, certain provisions were required to be applied on a modified retrospective basis, which requires a cumulative effect adjustment to accumulated other comprehensive income with a corresponding adjustment to retained earnings as of the beginning of the fiscal year of adoption, or January 1, 2018 in our case.

Fair Value Hedges

We generally use fair value hedges to offset the exposure to changes in fair value of a recognized fixed-rate liability. We enter into interest rate swaps to economically convert fixed-rate liabilities into variable-rate liabilities. For fair value hedges, we generally consider all components of the derivative’s gain and/or loss when assessing hedge effectiveness and generally hedge changes in fair values due to interest rates. Under the new standard, for fair value hedges, the entire change in the fair value of the hedging instrument included in the assessment of hedge effectiveness is recorded in the same line item in the consolidated statements of income that is used to present the earnings effect of the hedged component of the hedged item. The timing of recognition of the change in fair value of a hedging instrument included in the assessment of hedge effectiveness is the same as prior to the adoption of ASU No. 2017-12.

Cash Flow Hedges

We use cash flow hedges to hedge the exposure to variability in cash flows of floating-rate liabilities. This strategy is used primarily to minimize the exposure to volatility in cash flows from future changes in interest rates. In assessing hedge effectiveness, generally all components of each derivative’s gains or losses are included in the assessment. We hedge exposure to changes in cash flows due to changes in interest rates or total changes in cash flow. Under the new standard, for cash flow hedges, the entire change in the fair value of the hedging instrument included in the assessment of hedge effectiveness is recorded in other comprehensive income (loss). Those amounts are subsequently reclassified to earnings, in the same line item in the consolidated statements of income as impacted by the hedged item, when the hedged item affects earnings.

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 twelve months, we estimate that $5 million will be reclassified as an increase to interest expense.

Trading Activities

When derivative instruments do not qualify for hedge accounting treatment, they are accounted for at fair value with all changes in fair value recorded through earnings. All of our derivative instruments entered into with maturities of less than 3 years are economically hedging risk, but do not receive hedge accounting treatment. Trading derivatives also include any hedges that originally received hedge accounting treatment, but lost hedge accounting treatment due to failed effectiveness testing, as well as the activity of certain derivatives prior to those derivatives receiving hedge accounting treatment.

(Dollars in thousands, unless otherwise noted)

10. Derivative Financial Instruments (Continued)

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments at December 31, 2019 and 2018, and their impact on earnings and other comprehensive income for the years ended December 31, 2019, 2018 and 2017.

Impact of Derivatives on the Consolidated Balance Sheets

		Cash Flow Hedges		Fair Value Hedges		Trading		Total	
Fair Values[1]	Hedged Risk Exposure	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Derivative Assets:[2]									
Interest rate swaps	Interest rate	$ 715	$ —	$ —	$ 2,000	$ —	$ 90	$ 715	$ 2,090
Derivative Liabilities:[2]									
Interest rate swaps	Interest rate	—	(2,032)	(896)	—	(268)	—	(1,164)	(2,032)
Total net derivatives		$ 715	$ (2,032)	$ (896)	$ 2,000	$ (268)	$ 90	$ (449)	$ 58

(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	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Gross position[1]	$ 715	$ 2,090	$ (1,164)	$ (2,032)
Impact of master netting agreement	(519)	(1,389)	519	1,389
Derivative values with impact of master netting agreements (as carried on balance sheet)	196	701	(645)	(643)
Cash collateral pledged[2]	52,564	27,151	—	—
Net position	$ 52,760	$ 27,852	$ (645)	$ (643)

(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.

(Dollars in thousands, unless otherwise noted)

10. Derivative Financial Instruments (Continued)

	Cash Flow		Fair Value		Trading		Total	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Notional Values								
Interest rate swaps	$ 1,150,518	$ 1,280,367	$ 5,031,429	$ 3,137,965	$ 3,744,917	$ 1,577,978	$ 9,926,864	$ 5,996,310

As of December 31, 2019 and 2018, 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)	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Deposits	$ (5,085,426)	$ (3,114,304)	$ (63,148)	$ 14,202

(Dollars in thousands, unless otherwise noted)

10. Derivative Financial Instruments (Continued)

Impact of Derivatives on the Consolidated Statements of Income

	Years Ended December 31,		
	2019	2018	2017
Fair Value Hedges			
Interest rate swaps:			
Interest recognized on derivatives	$ (8,806)	$ (11,642)	$ 8,286
Hedged items recorded in interest expense	(77,350)	(7,966)	16,155
Derivatives recorded in interest expense	77,177	8,123	(20,115)
Total	$ (8,979)	$ (11,485)	$ 4,326
Cash Flow Hedges			
Interest rate swaps:			
Amount of gain (loss) reclassified from accumulated other comprehensive income into interest expense	$ 2,299	$ (1,455)	$ (11,187)
Total	$ 2,299	$ (1,455)	$ (11,187)
Trading			
Interest rate swaps:			
Change in fair value of future interest payments recorded in earnings	$ 19,469	$ (1,400)	$ (3,693)
Total	19,469	(1,400)	(3,693)
Total	$ 12,789	$ (14,340)	$ (10,554)

(Dollars in thousands, unless otherwise noted)

10. Derivative Financial Instruments (Continued)

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

	Years Ended December 31,		
	2019	2018	2017
Amount of gain (loss) recognized in other comprehensive income (loss)	$ (36,115)	$ 10,452	$ 8,008
Amount of gain (loss) reclassified in interest expense	2,299	(1,455)	(11,187)
Total change in other comprehensive income (loss) for unrealized gains (losses) on derivatives, before income tax (expense) benefit	$ (38,414)	$ 11,907	$ 19,195

Cash Collateral

As of December 31, 2019, 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 December 31, 2019 and 2018, respectively. Collateral held is recorded in "Other Liabilities" on the consolidated balance sheets. Cash collateral pledged related to derivative exposure between us and our derivatives counterparties was $53 million and $27 million at December 31, 2019 and 2018, respectively. Collateral pledged is recorded in "Other interest-earning assets" on the consolidated balance sheets.

11. Stockholders' Equity

Preferred Stock

On May 5, 2017, we redeemed, with the proceeds from our unsecured debt offering (see Note 9, "Borrowings"), the outstanding 3.3 million shares of our 6.97 percent Cumulative Redeemable Preferred Stock, Series A (the "Series A Preferred Stock"). The Series A Preferred Stock was redeemed at a price of $50 per share, plus accrued and unpaid dividends from May 1, 2017 to, but excluding, the May 5, 2017 redemption date.

At December 31, 2019, we had 4.0 million shares of Floating-Rate Non-Cumulative Preferred Stock, Series B (the "Series B Preferred Stock") outstanding. The Series B Preferred Stock does not have a maturity date, but can be redeemed at our option. Redemption would include any accrued and unpaid dividends for the then current quarterly dividend period, up to the redemption date. The shares have no preemptive or conversion rights and are not exchangeable for any of our other securities or property. Dividends are not mandatory and are paid quarterly, when, as, and if declared by the Board of Directors. Holders of Series B Preferred Stock are entitled to receive quarterly dividends based on 3-month LIBOR plus 170 basis points per annum in arrears. Upon liquidation or dissolution of the Company, holders of the Series B Preferred Stock are entitled to receive $100 per share, plus an amount equal to accrued and unpaid dividends for the then current quarterly dividend period, pro rata, and before any distribution of assets are made to holders of our common stock.

Common Stock

Our shareholders have authorized the issuance of 1.125 billion shares of common stock (par value of $0.20). At December 31, 2019, 421 million shares were issued and outstanding and 37 million shares were unissued but encumbered for outstanding stock options, restricted stock, restricted stock units, performance stock units and dividend equivalent units for employee compensation and remaining authority for stock-based compensation plans.

In the year ended December 31, 2019, we paid a total common stock dividend of $0.12 per common share. We did not pay common stock dividends for the years ended December 31, 2018 and 2017. Common stock dividend declarations are subject to determination by, and the discretion of, our Board of Directors. We may change our common stock dividend policy at any time.

We are dependent on funds obtained from the Bank to fund dividend payments. Regulatory and other legal restrictions may limit our ability to transfer funds freely, either to or from our subsidiaries. In particular, the Bank is subject to laws and regulations that authorize regulatory bodies to block or reduce the flow of funds to us, or that prohibit such transfers altogether in certain circumstances. These laws, regulations and rules may hinder our ability to access funds that we may need to make payments in respect of our stock or to satisfy our other responsibilities. The FDIC has the authority to prohibit or limit the payment of dividends by the Bank and SLM Corporation.

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 our 2019 Share Repurchase Program, we repurchased 17 million shares of common stock for $167 million in the year ended December 31, 2019.

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.

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.

(Dollars in thousands, unless otherwise noted)

11. Stockholders' Equity (Continued)

For the years ended December 31, 2018 and 2017, we only repurchased common stock acquired in connection with taxes withheld resulting from award exercises and vesting under our employee stock-based compensation plans. The following table summarizes our common share repurchases and issuances associated with these programs.

(Shares and per share amounts in actuals)	Years Ended December 31, 2019	2018	2017
Common stock repurchased under repurchase program[1]	16,962,199	—	—
Average purchase price per share[2]	$ 9.86	$ —	$ —
Shares repurchased related to employee stock-based compensation plans[3]	1,369,630	3,087,396	3,358,417
Average purchase price per share	$ 10.85	$ 11.32	$ 11.96
Common shares issued[4]	3,743,705	6,392,634	6,831,108

(1) Common shares purchased under our 2019 Share Repurchase Program. $33 million of capacity under the program remained available as of December 31, 2019.

(2) Average purchase price per share includes purchase commission costs.

(3) 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.

(4) Common shares issued under our various compensation and benefit plans.

The closing price of our common stock on December 31, 2019 was $8.91.

12. 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.

	Years Ended December 31,		
(In thousands, except per share data)	2019	2018	2017
Numerator:			
Net income	$ 578,276	$ 487,476	$ 288,934
Preferred stock dividends	16,837	15,640	15,714
Net income attributable to SLM Corporation common stock	$ 561,439	$ 471,836	$ 273,220
Denominator:			
Weighted average shares used to compute basic EPS	427,292	435,054	431,216
Effect of dilutive securities:			
Dilutive effect of stock options, restricted stock, restricted stock units, performance stock units and Employee Stock Purchase Plan (“ESPP”) [1][2]	3,382	4,627	7,335
Weighted average shares used to compute diluted EPS	430,674	439,681	438,551
Basic earnings per common share attributable to SLM Corporation	$ 1.31	$ 1.08	$ 0.63
Diluted earnings per common share attributable to SLM Corporation	$ 1.30	$ 1.07	$ 0.62

(1) 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.

(2) For the years ended December 31, 2019, 2018 and 2017, securities covering no shares, less than 1 million shares and no shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

13. Stock-Based Compensation Plans and Arrangements

Plan Summaries

As of December 31, 2019, we had one active stock-based compensation plan that provides for grants of equity awards to our employees and non-employee directors. We also maintained an Employee Stock Purchase Plan (the "ESPP"). Shares issued under these stock-based compensation plans may be either shares reacquired by us or shares that are authorized but unissued.

The SLM Corporation 2012 Omnibus Incentive Plan was approved by shareholders on May 24, 2012. An amendment to the plan was approved and other material terms of the plan were re-approved by shareholders on June 22, 2017. At December 31, 2019, 17 million shares, as adjusted to reflect the effects of the Spin-Off, were authorized to be issued from this plan.

An amendment to the ESPP was approved by shareholders on May 24, 2012 that authorized the issuance of 6 million shares under the plan and kept the terms of the plan substantially the same. The number of shares authorized under the plan was subsequently adjusted to 15 million shares on June 25, 2014, to reflect the effects of the Spin-Off.

Stock-Based Compensation

The total stock-based compensation cost recognized in the consolidated statements of income for the years ended December 31, 2019, 2018 and 2017 was $31 million, $32 million and $28 million, respectively. As of December 31, 2019, there was $13 million of total unrecognized compensation expense related to unvested stock awards, which is expected to be recognized over a weighted average period of 1.4 years. We amortize compensation expense on a straight-line basis over the related vesting periods of each tranche of each award.

Stock Options

Stock options granted prior to 2012 expire 10 years after the grant date, and those granted since 2012 expire in 5 years. The exercise price must be equal to or greater than the market price of our common stock on the grant date. We have granted time-vested, price-vested and performance-vested options to our employees and non-employee directors. Time-vested options granted to management and non-management employees generally vest over three years. Price-vested options granted to management employees vest upon our common stock reaching a targeted closing price for a set number of days. Performance-vested options granted to management employees vest one-third per year for three years based on corporate earnings-related performance targets. Options granted to non-employee directors vest upon the director's election to the Board of Directors.

There were no options granted in the years ended December 31, 2019, 2018 and 2017.

13. Stock-Based Compensation Plans and Arrangements (Continued)

The following table summarizes stock option activity for the year ended December 31, 2019.

(Dollars in thousands, except per share data)	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value(1)
Outstanding at December 31, 2018	1,391,819	$ 10.44		
Granted	—	—		
Exercised[2][3]	(593,806)	3.63		
Canceled	(8,167)	3.94		
Outstanding at December 31, 2019[4]	789,846	$ 4.75	0.7 years	$ 3,284
Exercisable at December 31, 2019	789,846	$ 4.75	0.7 years	$ 3,284

(1) The aggregate intrinsic value represents the total intrinsic value (the aggregate difference between our closing stock price on December 31, 2019 and the exercise price of in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on December 31, 2019.

(2) The total intrinsic value of options exercised was $4 million, $17 million, and $16 million for the years ended December 31, 2019, 2018 and 2017, respectively.

(3) No cash was received from option exercises for the year ended December 31, 2019. The actual tax benefit realized for the tax deductions from option exercises totaled $1 million for the year ended December 31, 2019.

(4) For net-settled options, gross number is reflected.

(Dollars in thousands, unless otherwise noted)

13. Stock-Based Compensation Plans and Arrangements (Continued)

Restricted Stock

Restricted stock awards generally vest over one year. Outstanding restricted stock is entitled to dividend equivalent units that vest subject to the same vesting requirements or lapse of transfer restrictions, as applicable, as the underlying restricted stock award. The fair value of restricted stock awards is based on our stock price at the grant date.

The following table summarizes restricted stock activity for the year ended December 31, 2019.

(Shares and per share amounts in actuals)	Number of Shares		Weighted Average Grant Date Fair Value
Non-vested at December 31, 2018	84,392	$	11.73
Granted	118,789		9.26
Vested[1]	(84,392)		11.73
Canceled	—		—
Non-vested at December 31, 2019[2]	118,789	$	9.26

[1] The total fair value of shares that vested during the years ended December 31, 2019, 2018 and 2017 was $1 million, $1 million and $1 million, respectively.

[2] As of December 31, 2019, there was $1 million of unrecognized compensation cost related to restricted stock, which is expected to be recognized over a weighted average period of 0.5 years.

(Dollars in thousands, unless otherwise noted)

13. Stock-Based Compensation Plans and Arrangements (Continued)

Restricted Stock Units and Performance Stock Units

Restricted stock units ("RSUs") and performance stock units ("PSUs") are equity awards granted to employees that entitle the holder to shares of our common stock when the award vests. RSUs may be time-vested over three years or vested at grant but subject to transfer restrictions, while PSUs vest based on corporate performance targets over a three-year period.

Outstanding RSUs and PSUs are entitled to dividend equivalent units that vest subject to the same vesting requirements or lapse of transfer restrictions, as applicable, as the underlying award. The fair value of RSUs is based on our stock price at the grant date.

The following table summarizes RSU and PSU activity for the year ended December 31, 2019.

(Shares and per share amounts in actuals)	Number of RSUs/ PSUs	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2018	5,338,034	$ 10.11
Granted	3,008,102	10.84
Vested and converted to common stock[1]	(3,030,536)	8.78
Canceled	(136,383)	11.09
Outstanding at December 31, 2019[2]	5,179,217	$ 11.28

(1) The total fair value of RSUs/PSUs that vested and converted to common stock during the years ended December 31, 2019, 2018 and 2017 was $27 million, $25 million and $29 million, respectively.

(2) As of December 31, 2019, there was $12 million of unrecognized compensation cost related to RSUs/PSUs, which is expected to be recognized over a weighted average period of 1.4 years.

Employee Stock Purchase Plan

Employees may purchase shares of our common stock at the end of a 12-month offering period at a price equal to the share price at the beginning of the 12-month period, less 15 percent, up to a maximum purchase price of $7,500 (whole dollars). The purchase price for each offering is determined at the beginning of the offering period on August 1.

The fair values of the stock purchase rights of the ESPP offerings were calculated using a Black-Scholes option pricing model with the following weighted average assumptions:

	Years Ended December 31,		
(Dollars per share)	2019	2018	2017
Risk-free interest rate	1.87%	2.44%	1.22%
Expected volatility	29%	27%	32%
Expected dividend rate	1.34%	—%	—%
Expected life of the option	1 year	1 year	1 year
Weighted average fair value of stock purchase rights	$ 1.77	$ 2.32	$ 2.36

The expected volatility is based on implied volatility from publicly-traded options on our stock at the grant date and historical volatility of our stock consistent with the expected life. The risk-free interest rate is based on the U.S. Treasury bill

13. Stock-Based Compensation Plans and Arrangements (Continued)

rate at the grant date consistent with the expected life. The dividend yield was zero for the years ended December 31, 2018 and 2017, respectively, as we did not pay dividends on our common stock in 2018 and 2017.

The fair values were amortized to compensation cost on a straight-line basis over a one-year vesting period. As of December 31, 2019, there was less than $1 million of unrecognized compensation cost related to the ESPP, which is expected to be recognized by July 2020.

No shares were purchased for the year ended December 31, 2019, as our stock price on July 31, 2019 was less than the offering price for the ESPP plan. During the years ended December 31, 2018 and 2017, plan participants purchased 233,232 shares and 283,952 shares, respectively, of our common stock.

(Dollars in thousands, unless otherwise noted)

14. Fair Value Measurements

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

We categorize our fair value estimates based on a hierarchal 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.”

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							
	December 31, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Available-for-sale investments	$ —	$ 487,669	$ —	$ 487,669	$ —	$ 176,245	$ —	$ 176,245
Derivative instruments	—	715	—	715	—	2,090	—	2,090
Total	$ —	$ 488,384	$ —	$ 488,384	$ —	$ 178,335	$ —	$ 178,335
Liabilities								
Derivative instruments	$ —	$ (1,164)	$ —	$ (1,164)	$ —	$ (2,032)	$ —	$ (2,032)
Total	$ —	$ (1,164)	$ —	$ (1,164)	$ —	$ (2,032)	$ —	$ (2,032)

(Dollars in thousands, unless otherwise noted)

14. Fair Value Measurements (Continued)

The following table summarizes the fair values of our financial assets and liabilities, including derivative financial instruments.

	December 31, 2019			December 31, 2018		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets:						
Loans held for investment, net:						
Private Education Loans	$ 24,988,941	$ 22,896,515	$ 2,092,426	$ 22,313,419	$ 20,294,843	$ 2,018,576
FFELP Loans	795,055	783,816	11,239	859,185	847,889	11,296
Personal Loans	1,047,119	983,643	63,476	1,156,531	1,128,187	28,344
Credit Cards	3,818	3,818	—	—	—	—
Cash and cash equivalents	5,563,877	5,563,877	—	2,559,106	2,559,106	—
Available-for-sale investments	487,669	487,669	—	176,245	176,245	—
Accrued interest receivable	1,491,471	1,392,725	98,746	1,285,842	1,191,981	93,861
Tax indemnification receivable	27,558	27,558	—	39,207	39,207	—
Derivative instruments	715	715	—	2,090	2,090	—
Total earning assets	$ 34,406,223	$ 32,140,336	$ 2,265,887	$ 28,391,625	$ 26,239,548	$ 2,152,077
Interest-bearing liabilities:						
Money-market and savings accounts	$ 10,363,691	$ 10,335,163	$ (28,528)	$ 9,370,957	$ 9,390,108	$ 19,151
Certificates of deposit	14,065,007	13,947,743	(117,264)	9,513,194	9,551,974	38,780
Short-term borrowings	289,230	289,230	—	—	—	—
Long-term borrowings	4,434,323	4,354,037	(80,286)	4,278,931	4,284,304	5,373
Accrued interest payable	75,158	75,158	—	61,341	61,341	—
Derivative instruments	1,164	1,164	—	2,032	2,032	—
Total interest-bearing liabilities	$ 29,228,573	$ 29,002,495	$ (226,078)	$ 23,226,455	$ 23,289,759	$ 63,304
Excess of net asset fair value over carrying value			$ 2,039,809			$ 2,215,381

The methods and assumptions used to estimate the fair value of each class of financial instruments are as follows:

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost. Carrying value approximated fair value for disclosure purposes. These are level 1 valuations.

Investments

Investments are classified as available-for-sale and are carried at fair value in the consolidated financial statements. Investments in mortgage-backed securities and Utah Housing Corporation bonds are valued using observable market prices of similar assets. As such, these are level 2 valuations.

14. Fair Value Measurements (Continued)

Loans Held For Investment and Accrued Interest Receivable

Private Education Loans

Our Private Education Loans are accounted for at cost or at the lower of cost or market if the loan is held-for-sale. For Private Education Loans, fair value was determined by using observable quoted prices for similar assets in our most recent market transactions. Adjustments were then made to account for the value of loans in our portfolio that have materially different characteristics than those included in the most recent market transaction. These are considered level 2 valuations. A portion of the fair value that has been modeled is attributable to accrued interest receivable that has not yet been capitalized, and has been allocated to the accrued interest receivable line item. The remaining accrued interest receivable that will not be capitalized into the principal balance of the loan is carried at cost.

FFELP Loans, Personal Loans, and Credit Cards

Our FFELP Loans, Personal Loans and Credit Cards are accounted for at cost or at the lower of cost or market if the loan is held-for-sale. For both Personal Loans and FFELP Loans, the fair value was determined by modeling expected loan level cash flows using stated terms of the assets and internally developed assumptions to determine aggregate portfolio yield, net present value and average life. The significant assumptions used to determine fair value are prepayment speeds, default rates, cost of funds and required return on equity. Significant inputs into the model are not observable. However, we do calibrate the model based on market transactions when appropriate. As such, these are level 3 valuations.

Tax Indemnification Receivable

Tax indemnification receivable is carried at cost. The carrying value approximates fair value. This is a level 2 valuation.

Money Market and Savings Accounts

Some of our MMDAs are fixed-rate deposits that are subject to minimum balances for a specified period of time. The fair values of these deposits are estimated using discounted cash flows based on rates currently offered for deposits of similar maturities. These are level 2 valuations. The fair values of our remaining money market and savings accounts equal the amounts payable on demand at the balance sheet date and are reported at their carrying value. These are level 1 valuations.

Certificates of Deposit

The fair values of CDs are estimated using discounted cash flows based on rates currently offered for deposits of similar remaining maturities. These are level 2 valuations.

Accrued Interest Payable

Accrued interest payable is carried at cost. The carrying value approximates fair value due to its short-term nature. This is a level 1 valuation.

Borrowings

Borrowings are accounted for at cost in the consolidated financial statements. The carrying value of short-term borrowings approximated fair value for disclosure purposes, due to the short-term nature of those borrowings. This is a level 1 valuation. The fair value of long-term borrowings is estimated using current market prices. This is a level 2 valuation.

14. Fair Value Measurements (Continued)

Derivatives

All derivatives are accounted for at fair value in the consolidated financial statements. The fair value of derivative financial instruments was determined by a standard derivative pricing and option model using the stated terms of the contracts and observable market inputs. It is our policy to compare the derivative fair values to those received from our counterparties in order to evaluate the model's outputs.

When determining the fair value of derivatives, we take into account counterparty credit risk for positions where we are exposed to the counterparty on a net basis by assessing exposure net of collateral held. When the counterparty has exposure to us under derivative contracts with the Company, we fully collateralize the exposure (subject to certain thresholds).

Interest rate swaps are valued using a standard derivative cash flow model with a LIBOR swap yield curve, which is an observable input from an active market. These derivatives are level 2 fair value estimates in the hierarchy.

The carrying value of borrowings designated as the hedged item in a fair value hedge is adjusted for changes in fair value due to changes in the benchmark interest rate (one-month LIBOR). These valuations are determined through standard pricing models using the stated terms of the borrowings and observable yield curves.

15. Arrangements with Navient Corporation

In connection with the Spin-Off, we entered into a Separation and Distribution Agreement with Navient (the "Separation and Distribution Agreement"). We also entered into various other ancillary agreements with Navient to effect the Spin-Off and provide a framework for our relationship with Navient thereafter, such as a transition services agreement, a tax sharing agreement, an employee matters agreement, a loan servicing and administration agreement, a joint marketing agreement, a key services agreement, a data sharing agreement and a master sublease agreement. The majority of these agreements are transitional in nature with most having terms that have expired or will expire within the next one to two years.

We continue to have exposure to risks related to Navient's creditworthiness. If we are unable to obtain indemnification payments from Navient, our results of operations and financial condition could be materially and adversely affected.

Pursuant to the terms of the Spin-Off and applicable law, Navient is responsible for all liabilities (whether accrued, contingent or otherwise and whether known or unknown) arising out of or resulting from the conduct of pre-Spin-Off SLM and its subsidiaries' businesses prior to the Spin-Off, other than certain specifically identified liabilities relating to the conduct of our consumer banking business for which the Bank is responsible. Nonetheless, given the prior usage of the Sallie Mae and SLM names by entities now owned by Navient, we and our subsidiaries may from time to time be improperly named as defendants in legal proceedings where the allegations at issue are the legal responsibility of Navient. Most of these legal proceedings involve matters that arose in whole or in part in the ordinary course of business of pre-Spin-Off SLM. Likewise, as the period of time since the Spin-Off increases, so does the likelihood any allegations that may be made may be in part for our own actions in a post-Spin-Off time period and in part for Navient's conduct in a pre-Spin-Off time period. We will not be providing information on these proceedings unless there are material issues of fact or disagreement with Navient as to the bases of the proceedings or responsibility therefor that we believe could have a material, adverse impact on our business, assets, financial condition, liquidity or outlook if not resolved in our favor.

We briefly summarize below some of the most significant agreements and relationships we continue to have with Navient. For additional information regarding the Separation and Distribution Agreement and the other ancillary agreements, see our Current Report on Form 8-K filed on May 2, 2014.

15. Arrangements with Navient Corporation (Continued)

Separation and Distribution Agreement

The Separation and Distribution Agreement addresses, among other things, the following activities:

- the obligation of each party to indemnify the other against liabilities retained or assumed by that party pursuant to the Separation and Distribution Agreement and in connection with claims of third-parties;
- the allocation among the parties of rights and obligations under insurance policies; and
- the creation of a governance structure, including a separation oversight committee of representatives from us and Navient, by which matters related to the separation and other transactions contemplated by the Separation and Distribution Agreement will be monitored and managed.

The Separation and Distribution Agreement provides specific processes and procedures pursuant to which we may submit claims for indemnification to Navient. If for any reason Navient is unable or unwilling to pay claims made against it, our costs, operating expenses, cash flows and financial condition could be materially and adversely affected over time.

Indemnification Obligations

Pursuant to the terms of the Separation and Distribution Agreement, and as contemplated by the structure of the Spin-Off, Navient is legally obligated to indemnify the Bank against all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM occurring prior to the Spin-Off, except for certain liabilities related to the conduct of the pre-Spin-Off consumer banking business that were specifically assumed by the Bank (and as to which the Bank is obligated to indemnify Navient). Some significant examples of the types of indemnification obligations Navient has under the Separation and Distribution Agreement and related ancillary agreements include:

- Navient is required to indemnify the Company and the Bank for any liabilities, costs or expenses they may incur arising from any action or threatened action related to the servicing, operations and collections activities of pre-Spin-Off SLM and its subsidiaries with respect to Private Education Loans and FFELP Loans that were assets of the Bank or Navient at the time of the Spin-Off; provided that written notice was provided to Navient on or prior to April 30, 2017, the third anniversary date of the Spin-Off. Navient is not required to indemnify for changes in law or changes in prior existing interpretations of law that occur on or after April 30, 2014.
- In connection with the Spin-Off, we recorded a liability related to uncertain tax positions of $27 million for which we are indemnified by Navient. As of December 31, 2019, the remaining balance of the indemnification receivable related to those uncertain tax positions was $15 million.

Long-Term Arrangements

The loan servicing and administration agreement governs the terms by which Navient provides servicing, administration and collection services for the Bank’s portfolio of FFELP Loans, as well as servicing history information with respect to Private Education Loans previously serviced by Navient and access to certain promissory notes in Navient’s possession. The term of the loan servicing and administration agreement has been extended to April 30, 2022.

The data sharing agreement provided us the right to obtain from Navient certain post-Spin-Off performance data relating to Private Education Loans owned or serviced by Navient to support and facilitate ongoing underwriting, originations, forecasting, performance and reserve analyses. The term of the data sharing agreement expired on April 29, 2019, however.

15. Arrangements with Navient Corporation (Continued)

The tax sharing agreement governs the respective rights, responsibilities and obligations of us and Navient after the Spin-Off relating to taxes, including with respect to the payment of taxes, the preparation and filing of tax returns and the conduct of tax contests. Under this agreement, each party is generally liable for taxes attributable to its business. The agreement also addresses the allocation of tax liabilities that are incurred as a result of the Spin-Off and related transactions. Additionally, the agreement restricts the parties from taking certain actions that could prevent the Spin-Off from qualifying for the anticipated tax treatment.

Amended Loan Participation and Purchase Agreement

Prior to the Spin-Off, the Bank sold substantially all of its Private Education Loans to several former affiliates, now subsidiaries of Navient (collectively, the "Purchasers"), pursuant to this agreement. This agreement predates the Spin-Off, but was significantly amended and reduced in scope in connection with the Spin-Off. Post-Spin-Off, the Bank retained only the right to require the Purchasers to purchase Split Loans (at fair value) when the Split Loans either (1) were more than 90 days past due; (2) had been restructured; (3) had been granted a hardship forbearance or more than six months of administrative forbearance; or (4) had a borrower or cosigner who had filed for bankruptcy. In the second quarter of 2018, we sold our remaining $43 million portfolio of Split Loans (both current and non-current loans) to Navient and recognized a net gain of $2 million.

During the year ended December 31, 2017, the Bank sold loans to the Purchasers in the amount of $12 million in principal and less than $1 million in accrued interest income. There was no gain or loss resulting from loans sold to the Purchasers in the year ended December 31, 2017. Total write-downs to fair value for loans sold to the Purchasers with a fair value lower than par totaled $5 million in the year ended December 31, 2017. Navient is the servicer for all of these loans.

16. Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by the FDIC and 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 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.

(Dollars in thousands, unless otherwise noted)

16. 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(1)(2)	
	Amount	Ratio	Amount	Ratio
As of December 31, 2019:				
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%	$ 1,282,642 ≥	4.0%
As of December 31, 2018:				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 2,896,091	12.1%	$ 1,528,209 ≥	6.375%
Tier 1 Capital (to Risk-Weighted Assets)	$ 2,896,091	12.1%	$ 1,887,787 ≥	7.875%
Total Capital (to Risk-Weighted Assets)	$ 3,196,279	13.3%	$ 2,367,226 ≥	9.875%
Tier 1 Capital (to Average Assets)	$ 2,896,091	11.1%	$ 1,039,226 ≥	4.0%

(1) Reflects the U.S. Basel III minimum required ratio plus the applicable capital conservation buffer.
(2) 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 $254 million in dividends to the Company for the year ended December 31, 2019, with the proceeds primarily used to fund the 2019 Share Repurchase Program and stock dividends. The Bank paid no dividends on its common stock for the years ended December 31, 2018 and 2017, respectively. In the future, we expect that the Bank will pay dividends to the Company as may be necessary 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 repurchase programs.

17. Defined Contribution Plans

We participate in a defined contribution plan which is intended to qualify under section 401(k) of the Internal Revenue Code. The Sallie Mae 401(k) Savings Plan covers substantially all employees. After six months of service, we match 100 percent of the first five percent of contributions for eligible employees. For the years ended December 31, 2019, 2018 and 2017, we contributed $7 million, $5 million and $5 million, respectively, to this plan.

18. 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). At December 31, 2019, we had $1.9 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2019/2020 academic year. At December 31, 2019, we had a $2 million reserve recorded in “Other Liabilities” to cover expected losses that may occur during the one-year loss emergence period on these unfunded commitments.

Regulatory Matters

In May 2014, the Bank received a Civil Investigative Demand (“CID”) from the CFPB as part of the CFPB’s separate investigation relating to customer complaints, fees and charges assessed in connection with the servicing of student loans and related collection practices of pre-Spin-Off SLM by entities now subsidiaries of Navient during a time period prior to the Spin-Off (the “CFPB Investigation”). Two state attorneys general also provided the Bank identical CIDs and other state attorneys general have become involved in the inquiry over time (collectively, the “Multi-State Investigation”). To the extent requested, the Bank has been cooperating fully with the CFPB and the attorneys general conducting the Multi-State Investigation. Given the timeframe covered by the CIDs, the CFPB Investigation and the Multi-State Investigation, and the focus on practices and procedures previously conducted by Navient and its servicing subsidiaries prior to the Spin-Off, Navient is leading the response to these investigations. Consequently, we have no basis from which to estimate either the duration or ultimate outcome of these investigations.

With regard to the CFPB Investigation, we note that on January 18, 2017, the CFPB filed a complaint in federal court in Pennsylvania against Navient, along with its subsidiaries, Navient Solutions, Inc. and Pioneer Credit Recovery, Inc. The complaint alleges these Navient entities, among other things, engaged in deceptive practices with respect to their historic servicing and debt collection practices. Neither SLM, the Bank, nor any of their current subsidiaries are named in, or otherwise a party to, the lawsuit and are not alleged to have engaged in any wrongdoing. The CFPB’s complaint asserts Navient’s assumption of these liabilities pursuant to the Separation and Distribution Agreement.

On January 18, 2017, the Illinois Attorney General filed a lawsuit in Illinois state court against Navient - its subsidiaries Navient Solutions, Inc., Pioneer Credit Recovery, Inc., and General Revenue Corporation - and the Bank arising out of the Multi-State Investigation. On March 20, 2017, the Bank moved to dismiss the Illinois Attorney General action as to the Bank, arguing, among other things, 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 July 10, 2018, the Court granted the Bank’s motion to dismiss without prejudice. On August 7, 2018, the Illinois Attorney General filed a First Amended Complaint and, on October 9, 2018, the Bank again moved to dismiss the action based on grounds similar to those raised in its March 20, 2017 motion. The Illinois Attorney General filed its response on November 21, 2018, and the Bank filed its reply on December 10, 2018. Oral argument on the motion took place on January 9, 2019. The Court took the motion under advisement.

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

18. Commitments, Contingencies and Guarantees (Continued)

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.

To date, three other state attorneys general (California, Washington and Pennsylvania) have filed suits against Navient and one or more of its current subsidiaries related to matters arising from the Multi-State Investigation. Neither SLM, the Bank, nor any of their current subsidiaries are named in, or otherwise a party to, the California, Washington or Pennsylvania lawsuits, and no claims are asserted against them. Each complaint asserts in its own fashion that Navient assumed responsibility under the Separation and Distribution Agreement for the alleged conduct in the complaints prior to the Spin-Off. On September 24, 2018, the Washington Attorney General served a third-party subpoena on the Bank calling for the production of certain records. The Bank has responded to the subpoena.

Additional lawsuits may arise from the Multi-State Investigation which may or may not name the Company, the Bank or any of their current subsidiaries as parties to these suits. Pursuant to the terms of the Separation and Distribution Agreement, and as contemplated by the structure of the Spin-Off, Navient is legally obligated to indemnify the Bank against all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM occurring prior to the Spin-Off, except for certain liabilities related to the conduct of the pre-Spin-Off consumer banking business that were specifically assumed by the Bank (and as to which the Bank is obligated to indemnify Navient). Navient has acknowledged its indemnification obligations under the Separation and Distribution Agreement, in connection with the Multi-State Investigation and the related lawsuits in which the Bank has been named as a party. Navient has informed the Bank, however, that it believes that the Bank may be responsible to indemnify Navient against certain potential liabilities arising from the above-described lawsuits under the Separation and Distribution Agreement and/or a separate loan servicing agreement between the parties, and has suggested that the parties defer further discussion regarding indemnification obligations, and reimbursement of ongoing legal costs, in connection with the lawsuits until the lawsuits are resolved. The Bank disagrees with Navient's position and the Bank has reiterated to Navient that Navient is responsible for promptly indemnifying the Bank against all liabilities arising out of the conduct of pre-Spin-Off SLM that are at issue in the Multi-State Investigation and in the above-described lawsuits.

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 damage 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.

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.

(Dollars in thousands, unless otherwise noted)

19. Income Taxes

Reconciliations of the statutory U.S. federal income tax rates to our effective tax rate for continuing operations follow:

	Years Ended December 31,		
	2019	2018	2017
Statutory rate	21.0 %	21.0 %	35.0 %
Tax reform	—	(0.3)	3.1
State tax, net of federal benefit	3.9	3.8	2.6
Business tax credits	(3.5)	(0.5)	(0.1)
Reverse federal impact of indemnification adjustments	0.3	3.5	2.5
Unrecognized tax benefits, U.S. federal and state, net of federal benefit	(0.1)	(15.9)	(2.0)
Excess tax benefits/deficiencies for employee stock-based compensation, federal and state, net of federal benefit	(0.3)	(0.6)	(1.7)
Impact of state rate change on net deferred tax liabilities, net of federal benefit	—	(0.4)	0.6
State, valuation allowance adjustments on net operating losses	0.1	0.4	0.2
Other, net	0.9	1.9	1.0
Effective tax rate	22.3 %	12.9 %	41.2 %

The effective tax rate varies from the statutory U.S. federal rate of 21 percent primarily due to business tax credits and the impact of state taxes, net of federal benefit, for the year ended December 31, 2019; the reduction in uncertain tax positions related to statute of limitation expirations and the impact of state taxes, net of federal benefit, for the year ended December 31, 2018; and the impact of tax reform and state taxes, net of federal benefit, for the year ended December 31, 2017.

Income tax expense consists of:

	December 31,		
	2019	2018	2017
Current provision:			
Federal	$ 150,800	$ 102,516	$ 248,191
State	24,378	32,638	13,092
Total current provision	175,178	135,154	261,283
Deferred benefit:			
Federal	(8,240)	(57,076)	(58,124)
State	(1,474)	(6,225)	(628)
Total deferred benefit	(9,714)	(63,301)	(58,752)
Provision for income tax expense	$ 165,464	$ 71,853	$ 202,531

(Dollars in thousands, unless otherwise noted)

19. Income Taxes (Continued)

The tax effect of temporary differences that give rise to deferred tax assets and liabilities is summarized below.

	December 31, 2019	December 31, 2018
Deferred tax assets:		
Loan reserves	$ 109,369	$ 85,100
Stock-based compensation plans	10,022	9,312
Deferred revenue	1,017	1,081
Operating loss carryovers	—	—
Accrued expenses not currently deductible	12,599	12,896
Net unrealized losses	2,124	—
Unrecorded tax benefits	6,049	5,106
Market value adjustments on student loans, investments and derivatives	—	1,460
Other	874	953
Total deferred tax assets	142,054	115,908
Deferred tax liabilities:		
Fixed assets	10,475	7,150
Acquired intangible assets	5,453	5,179
Market value adjustments on student loans, investments and derivatives	3,175	—
Net unrealized gains	—	3,436
Federal deferred for state receivable	5,368	2,083
Student loan premiums and discounts, net	3,398	1,971
Other	285	285
Total deferred tax liabilities	28,154	20,104
Net deferred tax assets	$ 113,900	$ 95,804

Included in operating loss carryovers are state net operating losses of $6 million and $19 million as of December 31, 2019 and 2018, respectively. The Company has recorded a full valuation allowance against these net operating losses. The valuation allowance is primarily attributable to deferred tax assets for state net operating losses that management believes is more likely than not to expire prior to being realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income of the appropriate character (i.e., capital or ordinary) during the period in which the temporary differences become deductible. Management considers, among other things, the scheduled reversals of deferred tax liabilities and the history of positive taxable income in evaluating the realizability of the deferred tax assets. Management believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize our deferred tax assets (other than state net operating loss carryovers as outlined above).

As of December 31, 2019, the state net operating loss carryforwards will begin to expire in 2029.

(Dollars in thousands, unless otherwise noted)

19. Income Taxes (Continued)

Accounting for Uncertainty in Income Taxes

The following table summarizes changes in unrecognized tax benefits:

	December 31,		
	2019	2018	2017
Unrecognized tax benefits at beginning of year	$ 52,159	$ 131,608	$ 152,581
Increases resulting from tax positions taken during a prior period	12,333	4,121	7,482
Decreases resulting from tax positions taken during a prior period	(851)	—	(7,025)
Increases resulting from tax positions taken during the current period	4,572	3,169	1,656
Decreases related to settlements with taxing authorities	(8,670)	(601)	(3,594)
Reductions related to the lapse of statute of limitations	(6,034)	(86,138)	(19,492)
Unrecognized tax benefits at end of year	$ 53,509	$ 52,159	$ 131,608

As of December 31, 2019, the gross unrecognized tax benefits are $54 million. Included in the $54 million are $48 million of unrecognized tax benefits that, if recognized, would favorably impact the effective tax rate. As a part of the Spin-Off, the Company recorded a liability related to uncertain tax positions for which it is indemnified by Navient. See Note 2, “Significant Accounting Policies — Income Taxes,” for additional details.

Tax related interest and penalty expense is reported as a component of income tax expense. As of December 31, 2019, 2018 and 2017, the total amount of income tax-related accrued interest and penalties, net of related benefit, recognized in the consolidated balance sheets was $12 million, $14 million and $21 million, respectively.

For the years ended December 31, 2019, 2018 and 2017, the total amount of income tax-related accrued interest, net of related tax benefit, recognized in the consolidated statements of income was $(1) million, $(7) million and $3 million, respectively.

The Company or one of its subsidiaries files income tax returns at the U.S. federal level and in most U.S. states. U.S. federal income tax returns filed for years 2014 and prior are no longer subject to examination. Various combinations of subsidiaries, tax years, and jurisdictions remain open for review, subject to statute of limitations periods (typically 3 to 4 prior years). We do not expect the resolution of open audits to have a material impact on our unrecognized tax benefits.

It is reasonably possible that the uncertain tax position reserve may decrease by as much as $10 million during the next 12 months due to the expiration of statutes of limitations primarily related to indemnified tax liabilities. The reduction in the uncertain tax position reserve would be reflected as a tax benefit. We recorded a tax indemnification receivable from Navient for the indemnified tax liabilities which are included in the uncertain tax position reserve. A portion of the tax benefit will be offset by an expense related to the write-down of the indemnification receivable.

20. Concentrations of Risk

Our business is primarily focused on helping students and their families save, plan and pay for college. We primarily originate, service and/or collect loans made to students and their families to finance the cost of their education. We provide funding, delivery and servicing support for education loans in the United States through our Private Education Loan program. Because of this concentration in one industry, we are exposed to credit, legislative, operational, regulatory, and liquidity risks associated with the student loan industry.

Concentration Risk in the Revenues Associated with Private Education Loans

We compete in the Private Education Loan market with banks and other consumer lending institutions, some with strong consumer brand name recognition and greater financial resources. We compete based on our products, origination capability and customer service. To the extent our competitors compete aggressively or more effectively, we could lose market share to them or subject our existing loans to refinancing risk. Our product offerings may not prove to be profitable and may result in higher than expected losses.

We are a leading provider of saving- and paying-for-college products and programs. This concentration gives us a competitive advantage in the marketplace. This concentration also creates risks in our business, particularly in light of our concentration as a Private Education Loan lender. If population demographics result in a decrease in college-age individuals, if demand for higher education decreases, if the cost of attendance of higher education decreases, if public resistance to higher education costs strengthens, or if the demand for higher education loans decreases, our consumer lending business could be negatively affected. In addition, the federal government, through the Federal Direct Student Loan Program (the “DSLP”), poses significant competition to our private credit loan products. If loan limits under the DSLP increase, DSLP loans could be more widely available to students and their families and DSLP loans could increase, resulting in further decreases in the size of the Private Education Loan market and demand for our Private Education Loan products.

(Dollars in thousands, unless otherwise noted)

21. Parent Only Statements

The following parent company-only financial information should be read in conjunction with the other notes to the consolidated financial statements. The accounting policies for the parent company-only financial statements are the same as those used in the presentation of the consolidated financial statements, except that the parent company-only financial statements account for the parent company's investments in its subsidiaries under the equity method.

Parent Only Condensed Balance Sheets

	December 31,	
	2019	2018
Assets		
Cash and cash equivalents	$ 153,508	$ 191,776
Total investments in subsidiaries (primarily Sallie Mae Bank)	3,326,578	2,963,949
Tax indemnification receivable	27,558	39,207
Due from subsidiaries, net	42,544	48,798
Other assets	2,579	2,246
Total assets	$ 3,552,767	$ 3,245,976
Liabilities and Equity		
Liabilities		
Long-term borrowings	$ 198,159	$ 197,348
Income taxes payable, net	11,457	37,271
Payable due to Navient	9,064	9,480
Other liabilities	22,251	29,221
Total liabilities	240,931	273,320
Equity		
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: 453.6 million and 449.9 million shares issued, respectively	90,720	89,972
Additional paid-in capital	1,307,630	1,274,635
Accumulated other comprehensive income (loss) (net of tax expense (benefit) of ($3,995) and $3,436, respectively)	(12,367)	10,623
Retained earnings	1,850,512	1,340,017
Total SLM Corporation stockholders' equity before treasury stock	3,636,495	3,115,247
Less: Common stock held in treasury at cost: 32.5 million and 14.2 million shares, respectively	(324,659)	(142,591)
Total equity	3,311,836	2,972,656
Total liabilities and equity	$ 3,552,767	$ 3,245,976

(Dollars in thousands, unless otherwise noted)

21. Parent Only Statements (Continued)

Parent Only Condensed Statements of Income

	Years Ended December 31,		
	2019	2018	2017
Interest income	$ 2,663	$ 4,693	$ 5,497
Interest expense	11,060	11,059	8,170
Net interest loss	(8,397)	(6,366)	(2,673)
Non-interest loss	(10,856)	(93,176)	(33,956)
Non-interest expenses	39,423	41,893	35,810
Loss before income tax benefit and equity in net income from subsidiaries	(58,676)	(141,435)	(72,439)
Income tax benefit	(25,260)	(96,170)	(40,598)
Equity in net income from subsidiaries (primarily Sallie Mae Bank)	611,692	532,741	320,775
Net income	578,276	487,476	288,934
Preferred stock dividends	16,837	15,640	15,714
Net income attributable to SLM Corporation common stock	$ 561,439	$ 471,836	$ 273,220

(Dollars in thousands, unless otherwise noted)

21. Parent Only Statements (Continued)

Parent Only Condensed Statements of Cash Flows

	Years Ended December 31,		
	2019	2018	2017
Cash flows from operating activities:			
Net income	$ 578,276	$ 487,476	$ 288,934
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Undistributed earnings of subsidiaries	(611,692)	(532,741)	(320,775)
Dividends received from Sallie Mae Bank	254,000	—	—
Reduction of tax indemnification receivable	11,649	92,815	31,888
Amortization of unsecured debt upfront fees	811	809	596
Decrease in investment in subsidiaries, net	2,611	9,495	1,158
Decrease in tax indemnification receivable	—	35,989	59,633
Decrease (increase) in due from subsidiaries, net	6,254	(11,277)	(5,687)
Increase in other assets	(12,999)	(18,040)	(24,627)
Decrease in income taxes payable, net	(25,814)	(123,083)	(87,983)
Decrease in payable due to entity that is a subsidiary of Navient	(416)	(1,089)	(593)
(Decrease) increase in other liabilities	(5,796)	6,807	10,205
Total adjustments	(381,392)	(540,315)	(336,185)
Net cash used in operating activities	196,884	(52,839)	(47,251)
Cash flows from investing activities:			
Net cash provided by investing activities	—	—	—
Cash flows from financing activities:			
Unsecured debt issued	—	—	197,000
Issuance costs for unsecured debt offering	—	—	(1,057)
Redemption of Series A Preferred Stock	—	—	(165,000)
Common stock dividends paid	(51,114)	—	—
Preferred stock dividends paid	(16,837)	(15,640)	(15,714)
Common stock repurchased	(167,201)	—	—
Net cash used in financing activities	(235,152)	(15,640)	15,229
Net decrease in cash and cash equivalents	(38,268)	(68,479)	(32,022)
Cash and cash equivalents at beginning of year	191,776	260,255	292,277
Cash and cash equivalents at end of year	$ 153,508	$ 191,776	$ 260,255

22. Selected Quarterly Financial Information (unaudited)

	2019			
(Dollars in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net interest income	$ 402,281	$ 396,868	$ 405,065	$ 419,101
Less: provisions for credit losses	63,790	93,375	99,526	97,558
Net interest income after provisions for credit losses	338,491	303,493	305,539	321,543
Gains (losses) on derivative and hedging activities, net	2,763	16,736	1,961	(3,635)
Other income (loss)	13,378	2,655	15,280	(211)
Total non-interest expenses	140,147	138,806	153,621	141,679
Income tax expense	56,296	33,801	40,701	34,666
Net income	158,189	150,277	128,458	141,352
Preferred stock dividends	4,468	4,331	4,153	3,885
Net income attributable to SLM Corporation common stock	$ 153,721	$ 145,946	$ 124,305	$ 137,467
Basic earnings per common share attributable to SLM Corporation(1)	$ 0.35	$ 0.34	$ 0.29	$ 0.33
Diluted earnings per common share attributable to SLM Corporation(1)	$ 0.35	$ 0.34	$ 0.29	$ 0.32
Declared dividends per common share attributable to SLM Corporation	$ 0.03	$ 0.06	$ —	$ 0.03

(1) Basic and diluted earnings per common share attributable to SLM Corporation are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted earnings per common share information may not equal annual basic and diluted earnings per common share.

22. Selected Quarterly Financial Information (unaudited) (Continued)

	2018			
(Dollars in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net interest income	$ 332,614	$ 340,950	$ 356,633	$ 382,867
Less: provisions for credit losses	53,931	63,267	70,047	57,619
Net interest income after provisions for credit losses	278,683	277,683	286,586	325,248
Gains on sales of loans, net	—	2,060	—	—
Losses on sales of securities, net	—	(1,549)	—	—
Gains (losses) on derivative and hedging activities, net	3,892	(5,268)	(4,949)	6,238
Other income (loss)	9,642	12,295	(80,702)	6,446
Total non-interest expenses	124,966	135,315	150,724	145,971
Income tax expense (benefit)	40,997	40,074	(53,667)	44,449
Net income	126,254	109,832	103,878	147,512
Preferred stock dividends	3,397	3,920	4,124	4,199
Net income attributable to SLM Corporation common stock	$ 122,857	$ 105,912	$ 99,754	$ 143,313
Basic earnings per common share attributable to SLM Corporation[1]	$ 0.28	$ 0.24	$ 0.23	$ 0.33
Diluted earnings per common share attributable to SLM Corporation[1]	$ 0.28	$ 0.24	$ 0.23	$ 0.33

[1] Basic and diluted earnings per common share attributable to SLM Corporation are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted earnings per common share information may not equal annual basic and diluted earnings per common share.

23. Subsequent Events

2020-A Securitization

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-month LIBOR plus 0.88 percent.

Amended and Increased Secured Borrowing Facility

On February 19, 2020, we amended and extended the maturity of the Secured Borrowing Facility, discussed in Note 9, “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 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).

2020 Loan Sales

On February 20, 2020, we sold $954 million in principal and $68 million in accrued interest of Private Education Loans to an unaffiliated third party. The transaction qualified for sale treatment and removed the balance of the loans from our balance sheet on the settlement date. We will continue to service these loans.

EXHIBIT 4.3

DESCRIPTION OF SLM CORPORATION'S COMMON STOCK

The following summary of terms of our common stock, par value $.20 per share (the "common stock") is based upon our amended and restated certificate of incorporation (the "Certificate of Incorporation") and amended and restated bylaws (the "Bylaws") currently in effect under Delaware law. This summary is not complete and is subject to, and qualified in its entirety by reference to, the Certificate of Incorporation and the Bylaws. For a complete description of the terms and provisions of the common stock, refer to the Certificate of Incorporation, Bylaws, and form of common stock certificate, which are filed as exhibits to this Annual Report on Form 10-K. Throughout this exhibit, references to the "Company," "we," "our," and "us" refer to SLM Corporation. We encourage you to read these documents and the applicable portion of the Delaware General Corporation Law, as amended, carefully.

General

The total number of shares of common stock which the Company shall have authority to issue is 1,125,000,000 shares of common stock, par value $.20 per share. As of January 31, 2020, 422,615,193 shares of our common stock, were outstanding.

Voting rights. Except as otherwise expressly required by law or provided in the Certificate of Incorporation, and subject to any voting rights provided to holders of preferred stock at any time outstanding, at each annual or special meeting of stockholders, each holder of record of shares of common stock on the relevant record date are to cast one vote in person or by proxy for each share of the common stock standing in such holder's name on the stock transfer records of the Company.

Proxy access. Our Bylaws contain "proxy access" provisions which give an eligible shareholder (or a group of up to 20 shareholders aggregating their shares) that has owned 3% or more of the outstanding common stock continuously for at least three years the right to nominate 25% of the number of directors to be elected at the applicable annual general meeting, and to have those nominees included in our proxy materials, subject to the other terms and conditions of our Bylaws.

Dividend rights. Subject to the rights of the holders of preferred stock, and subject to any other provisions of the Certificate of Incorporation, as it may be amended from time to time, holders of shares of common stock are entitled to receive such dividends and other distributions in cash, stock or property of the Company when, as and if declared thereon by the board of directors from time to time out of assets or funds of the Company legally available therefor.

Rights upon liquidation, dissolution, etc. In the event of any liquidation, dissolution or winding up (either voluntary or involuntary) of the Company, the holders of shares of common stock are entitled to receive the assets and funds of the Company available for distribution after payments to creditors and to the holders of any preferred stock of the Company that may at the time be outstanding, in proportion to the number of shares held by them.

Other rights. No holder of shares of common stock is entitled to preemptive or subscription rights.

Election and Removal of Directors

Our Certificate of Incorporation provides that the number of directors of the Company shall be not less than eleven (11) and no more than sixteen (16). Subject to the provisions of the Certificate of Incorporation, the number of directors of the Company shall be fixed from time to time by a majority vote of the directors then in office. The board of directors shall consist of a majority of independent directors, as determined under the Company's corporate governance guidelines or any applicable exchange listing rules.

Directors may be removed with or without cause by a vote of the holders of shares entitled to vote at an election of directors at a duly called meeting of such holders; *provided* that no director shall be removed for cause except by the affirmative vote of not less than a majority of the voting power of the shares then entitled to vote at an election of directors; and *provided*, *further*, that if less than the entire board of directors is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire board of directors. The foregoing is subject to the rights of the holders of any series of preferred stock.

Any vacancy on the board of directors may be filled by the affirmative vote of a majority of directors then in office, but any vacancy filled in such manner shall be filled only until the next annual meeting of stockholders.

Written Consents

Our Certificate of Incorporation provides that any action required to be, or which may be, taken at any annual or special meeting of stockholders, may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed and delivered by holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

Stockholder Meetings

Our Certificate of Incorporation and our Bylaws provide that special stockholder meetings may be called at the request in writing of the holders of at least one-third of our capital stock issued and outstanding and entitled to vote at an election of directors.

Amendment of Certificate of Incorporation

Our Certificate of Incorporation provides that any action by the board of directors to amend our Certificate of Incorporation shall be approved by the affirmative vote of not less than a majority of the voting power of the shares of capital stock of the Company then entitled to vote at an election of directors. The Company reserves the right to amend, alter, change or repeal any provision contained in the Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders in the Certificate of Incorporation are granted subject to this reservation.

Amendment of Bylaws

Our Bylaws may generally be amended by the stockholders or the board of directors, *provided*, *however*, that notice of such amendment is provided before the date on which the meeting of stockholders at which such amendment shall become effective or be voted on. All such amendments must be approved by either the holders of a majority of our outstanding capital stock entitled to vote thereon or a majority of the entire board of directors.

Other Limitations on Stockholder Actions

Our Bylaws also impose some procedural requirements on stockholders who wish to:

- make nominations in the election of directors;
- propose any repeal or change in our Bylaws; or
- propose any other business to be brought before an annual or special meeting of stockholders.

Under the procedural requirements of our Bylaws, to be properly brought before an annual meeting, director nominations and other business must be:

- specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors (or any duly authorized committee thereof);
- properly brought before the annual meeting by or at the direction of the board of directors (or any duly authorized committee thereof); or
- brought before the annual meeting by any stockholder who is a stockholder of record on the date of the giving of the notice provided for in the Bylaws and on the record date for the determination of stockholders entitled to vote at such annual meeting and who complies with the procedures set forth in the Bylaws.

To be properly brought before an annual meeting, any such other business also must be a proper subject for action by stockholders; *provided* that the law of Delaware shall govern whether such business is a proper subject for action by stockholders.

To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices not earlier than the close of business on the one hundred twentieth (120th) day nor later than the close of business on the ninetieth (90th) day prior to the anniversary date of the immediately preceding annual meeting; *provided*, *however*, that in the event the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received no earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and no later than the close of business on the later of (i) the ninetieth (90th) day prior to such special meeting or (ii) the tenth (10th) day following the day on which the date of such annual meeting was publicly announced. Shareholders utilizing "proxy access" must meet the same deadlines.

Limitation of Liability of Directors and Officers

Our Certificate of Incorporation provides that no director will be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for the following:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or which involved intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; and
- any transaction from which the director derived an improper personal benefit.

Any repeal or modification of the indemnification provision by our stockholders shall not adversely affect any right or protection of a director of the Company existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

As a result, neither we nor our stockholders have the right, through stockholders' derivative suits on our behalf, to recover monetary damages against a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior, except in the situations described above.

We will indemnify any officer or director of the Company, subject to the applicable provisions of our Certificate of Incorporation and Bylaws, against all damages, claims and liabilities arising out of the fact that the person is or was our director or officer, or served any other enterprise at our request as a director, officer, employee, agent or fiduciary. We will reimburse the expenses, including attorneys' fees, incurred by a person indemnified as described in this provision when we receive an undertaking to repay such amounts if it is ultimately determined that the person is not entitled to be indemnified by us. Amending the indemnification provision will not reduce our indemnification obligations relating to actions taken before an amendment.

Forum Selection

Our Bylaws provide that unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be a state or federal court located within the state of Delaware, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants.

Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Company shall be deemed to have notice of and consented to the applicable provisions of the Bylaws.

Delaware Business Combination Statute

We have opted out of Section 203 of the Delaware General Corporation Law.

Listing

Our common stock is listed on the Nasdaq Global Select Market.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is Computershare Trust Company, N.A.

EXHIBIT 4.4

DESCRIPTION OF SLM CORPORATION’S FLOATING-RATE NON-CUMULATIVE PREFERRED STOCK, SERIES B

The following summary of terms of our Floating-Rate Non-Cumulative Preferred Stock, Series B, par value $0.20 per share (the “Series B Preferred Stock”) is based upon the certificate of designation, powers, preferences, rights, privileges, qualifications, limitations, restrictions terms and conditions relating to the Series B Preferred Stock (the “Certificate of Designations”) filed with the SEC on June 9, 2005 and attached as Exhibit B to our amended and restated certificate of incorporation (the “Certificate of Incorporation”) as well as our amended and restated bylaws (the “Bylaws”) currently in effect under Delaware law. This summary is not complete and is subject to, and qualified in its entirety by reference to, the Certificate of Designations, the Certificate of Incorporation and the Bylaws. For a complete description of the terms and provisions of the common stock, refer to the Certificate of Designations, Certificate of Incorporation and Bylaws which are filed as exhibits to this Annual Report on Form 10-K. Throughout this exhibit, references to the “Company,” “we,” “our,” and “us” refer to SLM Corporation. We encourage you to read these documents and the applicable portion of the Delaware General Corporation Law, as amended, carefully.

General

The total number of shares of stock which the Company shall have authority to issue is 20,000,000 shares of preferred stock, par value $.20 per share. As of January 31, 2020, 4,000,000 shares of our Series B Preferred Stock were outstanding.

The Series B Preferred Stock:

- is a single series of floating rate, non-cumulative preferred stock consisting of 4,000,000 shares,
- ranks, both as to payment of dividends when due and upon liquidation, dissolution or winding up, junior to all our senior and subordinated indebtedness, and senior to our common stock (and any other stock junior to the Series B Preferred Stock),
- is not convertible into shares of our common stock or any other securities,
- is fully paid and non-assessable,
- is be non-voting (other than the limited voting rights set forth below under “-Preferred Stock Board Committee; Limited Rights to Vote and Elect Board Observers”),
- confers no preemptive rights on its holders,
- is redeemable on any Dividend Payment Date (as defined below) on or after June 15, 2010,
- has no stated maturity, and
- is not be subject to any sinking fund or mandatory redemption provision.

Computershare Trust Company, N.A. is the transfer agent, dividend disbursing agent and registrar for the Series B Preferred Stock.

Dividends

Dividends on shares of the Series B Preferred Stock are not mandatory. Holders of Series B Preferred Stock are entitled to receive, ratably, when, as and if declared by the board of directors out of funds legally available for dividend payments, non-cumulative, quarterly cash dividends from, but not including, the original issue date in the case of an initial declared dividend or the preceding Dividend Payment Date, as applicable. Dividends are payable on March 15, June 15, September 15 and December 15 of each year unless such day is not a Business Day, in which case, the related dividend will be paid on the next succeeding Business Day (each, a "Dividend Payment Date"), commencing September 15, 2005, at a rate equal to a floating rate of three-month LIBOR plus 1.70% per annum.

Dividends payable on the Series B Preferred Stock, including dividends payable for partial dividend periods, are computed on the basis of the actual number of days for which dividends are payable in the relevant Dividend Period (as defined below), divided by 360. For these purposes, "Business Day" means a day other than:

- a Saturday or a Sunday,

- a day on which New York City banks are closed, or
  - a day on which our offices are closed.

Dividends are paid to holders of record of the Series B Preferred Stock on the record date fixed by the board of directors. The record date will not be earlier than 45 days or later than 10 days before the applicable Dividend Payment Date. The initial dividend, which was the period from but not including June 8, 2005 through and including September 15, 2005, was paid on September 15, 2005. Thereafter, each Dividend Period relating to a Dividend Payment Date will be the period from, but not including, the preceding Dividend Payment Date through and including the related Dividend Payment Date (each a "Dividend Period").

For any Dividend Period, LIBOR shall be determined by the calculation agent on the second London and New York business day immediately preceding the first day of such Dividend Period in the following manner:

- LIBOR will be the offered rate per annum for three-month deposits in U.S. dollars, beginning on the first day of such period, as that rate appears on Moneyline Telerate Page 3750 as of 11:00 A.M., London time, on the second London and New York business day immediately preceding the first day of such Dividend Period.

- If the rate described above does not appear on Moneyline Telerate Page 3750, LIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the second London and New York business day immediately preceding the first day of such Dividend Period, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the calculation agent: three-month deposits in U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount. The calculation agent will request the principal London office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, LIBOR for the second London and New York business day immediately preceding the first day of such Dividend Period will be the arithmetic mean of the quotations.

- If fewer than two quotations are provided as described above, LIBOR for the second London and New York business day immediately preceding the first day of such Dividend Period will be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M., New York City time, on the second London and New York business day immediately preceding the first day of such Dividend Period, by three major banks in New York City selected by the calculation agent: three-month loans of U.S. dollars, beginning on the first day of such Dividend Period, and in a Representative Amount.

- If fewer than three banks selected by the calculation agent are quoting as described above, LIBOR for the new Dividend Period will be LIBOR in effect for the prior Dividend Period.
- The calculation agent's determination of any dividend rate, and its calculation of the amount of dividends for any Dividend Period, will be on file at our principal offices, will be made available to any stockholder upon request and will be final and binding in the absence of manifest error.

In this subsection, we use several terms that have special meanings relevant to calculating LIBOR. We define these terms as follows:

The term “Representative Amount” means an amount that, in the calculation agent’s judgment, is representative of a single transaction in the relevant market at the relevant time.

The term “Moneyline Telerate Page” means the display on Moneyline Telerate, Inc., or any successor service.

The term “London and New York business day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in U.S. dollars are transacted in the London interbank market and on which banking institutions in New York City generally are not authorized or obligated by law or executive order to close.

Dividends on shares of Series B Preferred Stock are not cumulative. Accordingly, if our board of directors, or a duly authorized committee of the board of directors, does not declare a dividend on the Series B Preferred Stock payable in respect of any Dividend Period before the related Dividend Payment Date, such dividend will not accrue and we will have no obligation to pay a dividend for that Dividend Period on the Dividend Payment Date or at any future time, whether or not dividends on the Series B Preferred Stock are declared for any future Dividend Period.

The Series B Preferred Stock ranks prior to our common stock, par value $0.20 per share, or any other stock junior to the Series B Preferred Stock, with respect to the payment of dividends when due and the distribution of assets upon liquidation, to the extent provided in the Series B Certificate of Designation.

No dividends shall be declared or paid or set apart for payment on our common stock or any other class or series of stock ranking junior to or on a parity with the Series B Preferred Stock with respect to the payment of dividends when due unless all accrued and unpaid dividends have been declared and paid or set apart for payment on the outstanding Series B Preferred Stock in respect of the then-current Dividend Period. In the event that we declare but do not pay any one or more dividends or any part thereof on the Series B Preferred Stock, the holders of that Series B Preferred Stock shall not have any cause of action against us in respect of such non-payment so long as no dividend is paid on any junior or parity stock in violation of the preceding sentence.

No common stock or any other stock ranking junior to or on a parity with the Series B Preferred Stock as to the payment of dividends when due may be redeemed, purchased or otherwise acquired for any consideration (or any payment be made to or available for a sinking fund for the redemption of any shares of that stock) unless all accrued and unpaid dividends have been declared and paid or set apart for payment on the outstanding Series B Preferred Stock in respect of the then-current Dividend Period; provided, however, that any moneys previously deposited in any sinking fund with respect to any junior or parity stock or common stock in compliance with the provision of the sinking fund may thereafter be applied to the purchase or redemption of the stock in accordance with the terms of the sinking fund, regardless of whether at the time of the application full dividends upon the Series B Preferred Stock accrued and unpaid to the most recent Dividend Payment Date have been declared and paid or set apart for payment; provided that, if and when authorized by the board of directors, any such junior or parity stock or common stock may be converted into or exchanged for stock ranking junior to the Series B Preferred Stock as to payment of dividends when due.

The board of directors, in its discretion, may choose to pay dividends on the Series B Preferred Stock without paying any dividends on our common stock.

We will not declare or pay or set apart for payment any dividends on any shares of the Series B Preferred Stock unless we declare or pay or set apart for payment dividends on any outstanding class or series of stock ranking prior to or *pari passu* with the Series B Preferred Stock with respect to the payment of dividends when due.

Holders of shares of the Series B Preferred Stock are not entitled to any dividends, whether payable in cash or property, other than as described above and are not entitled to interest, or any sum in lieu of interest, relating to any dividend payment.

Optional Redemption

On any Dividend Payment Date and subject to the terms of any other class or series of stock ranking on a parity with the Series B Preferred Stock and any further limitations that may be imposed by law, we may redeem the Series B Preferred Stock:

- in whole or in part,
- out of funds legally available therefor,
- at the redemption price of $100.00 per share plus accrued and unpaid dividends for the then-current quarterly Dividend Period, if any.

If we choose to redeem fewer than all of the outstanding shares of the Series B Preferred Stock, we will select shares to be redeemed from the outstanding shares not previously called for redemption by lot or pro rata (as nearly as possible) or by any other method that we in our sole discretion deem equitable.

We will give notice of any redemption by mail to holders of the Series B Preferred Stock not less than 30 days and not more than 60 days prior to the date we fix for that redemption. Each notice will state:

- the number of shares of Series B Preferred Stock being redeemed,
- the redemption price,
- the redemption date, and
- the place at which a holder's certificate(s) representing shares of the Series B Preferred Stock must be presented upon such redemption.

Any notice that is so mailed shall be conclusively presumed to have been duly given, whether or not the stockholder received such notice. Our failure duly to give notice or any defect in any notice or in the mailing of any notice shall not affect the validity of the proceedings for the redemption of any other shares of Series B Preferred Stock that are to be redeemed.

If any redemption date is not a Business Day, then payment of the redemption price may be made on the next Business Day with the same force and effect as if made on the redemption date, and no interest, additional dividends or other sums will accrue on the amount payable from the redemption date to the next Business Day.

From and after the redemption date, the shares of Series B Preferred Stock called for redemption will no longer be deemed outstanding, and all rights of the stockholders as holders of the Series B Preferred Stock will cease.

No Preemptive Rights and No Conversion

No holder of the Series B Preferred Stock has any preemptive right to purchase or subscribe for any of our other shares, rights, options or other securities of any class that at any time we may sell or offer for sale. The holders of shares of Series B Preferred Stock have no right to convert their shares into or exchange their shares for any other class or series of our stock, obligations or property.

Preferred Stock Board Committee; Limited Rights to Vote and Elect Board Observers

The board of directors maintains a committee whose purpose is to monitor and evaluate our proposed actions that may impact the rights of holders of our outstanding preferred stock, including the payment of dividends on the Series B Preferred Stock, and to report to the board of directors thereon. The board of directors must designate from among its independent directors (as defined by our bylaws or by the rules of the Nasdaq) at least three directors to serve on that committee. The committee must meet at least once a year.

Except as described below and under "- Amendments", the holders of the Series B Preferred Stock are not be entitled to vote. Whenever dividends on any shares of Series B Preferred Stock have not been declared by the board of directors or paid for an aggregate of four or more Dividend Periods, whether or not consecutive (a "Non-Payment Period"), the holders of the Series B Preferred Stock, voting together as a single class with all other classes or series of our capital stock with like voting rights which are exercisable and which are entitled to vote as a class with the Series B Preferred Stock, will be entitled to vote for the election of two observers to the board of directors ("Appointed Observers"). Such Appointed Observers shall be elected at a special meeting called by one of our officers at the request of the holders of record of at least 10% of (i) the outstanding Series B Preferred Stock or (ii) any such other class or series of our capital stock entitled to vote for such committee, and reelected at each subsequent annual meeting of our stockholders.

These voting rights will continue until we have fully paid all declared and unpaid dividends and resumed the payment of dividends in full on the Series B Preferred Stock for four consecutive Dividend Periods (a "Payment Cure"). The Appointed Observers will have no voting rights, but they will receive notice of all meetings of our board of directors and of the committee of the board of directors described above, they may attend and speak at those meetings on all matters and they shall have the right to include statements in the minutes of such meetings. Following a Payment Cure, the right of holders of Series B Preferred Stock to elect the two Appointed Observers will cease and, unless there are other classes and series of our capital stock with like voting rights which are exercisable, the rights of each of the two Appointed Observers so elected will immediately and automatically terminate.

If one of our officers does not call a special meeting for the election of the Appointed Observers within 30 days after request by the holders of record of at least 10% of the outstanding shares of Series B Preferred Stock, the requesting holders may designate a holder of Series B Preferred Stock to call a meeting at our expense. We will pay all costs and expenses of calling and holding any meeting and of electing Appointed Observers as described above.

The voting rights described above will not apply if we redeem or call for redemption (and deposit sufficient funds in trust to effect such redemption) all outstanding shares of Series B Preferred Stock at or before the time when the action that would otherwise require such a vote occurs or is taken.

In any matter in which the holders of Series B Preferred Stock are entitled to vote, including any action by written consent, each share of Series B Preferred Stock shall be entitled to one vote, except that when shares of any other class or series of our capital stock have the right to vote with the Series B Preferred Stock as a single class on any matter, the Series B Preferred Stock and the shares of each such other class or series will have one vote for each $50.00 of liquidation preference (excluding accrued dividends, if any).

Liquidation Rights

Upon our voluntary or involuntary dissolution, liquidation or winding up, after payment or provision for our liabilities and the expenses of that dissolution, liquidation or winding up, the holders of the outstanding shares of the Series B Preferred Stock will be entitled to receive out of our assets available for distribution to stockholders *pari passu* with any class or series of stock ranking on a parity as to liquidation with the Series B Preferred Stock and before any payment or distribution is made on our common stock (or any other stock junior to the Series B Preferred Stock), the amount of $100.00 per share plus accrued and unpaid dividends for the then-current Dividend Period, if any. If we lack sufficient assets available for distribution to pay in full the aggregate amount payable to holders of the Series B Preferred Stock and any other class or series of stock ranking *pari passu* upon liquidation with the Series B Preferred Stock, the assets will be distributed to the holders of Series B Preferred Stock and such parity stock *pro rata*, based on the amounts to which they are entitled.

Our consolidation, merger or combination with or into any other corporation or entity, or the sale of all or substantially all of our property or business is not a liquidation, dissolution or winding up for purposes of these provisions on liquidation rights.

Additional Classes or Series of Stock

We have the right to authorize, create and issue additional classes or series of stock ranking *pari passu* with or junior to the Series B Preferred Stock, as to the payment of dividends when due, liquidation or otherwise, without the consent of holders of the Series B Preferred Stock. We may not, however, create and issue additional classes or series of stock ranking prior to the Series B Preferred Stock as to dividends, liquidation or otherwise.

Amendments

Without the consent of the holders of the Series B Preferred Stock, we have the right to amend, alter, supplement or repeal any terms of the Series B Preferred Stock:

- to cure any ambiguity;
- to correct or supplement any term that may be defective or inconsistent with any other terms; or
- to make any other provisions so long as our action does not materially and adversely affect the rights, preferences, privileges or voting power of the holders of the Series B Preferred Stock.

Otherwise, the terms of the Series B Preferred Stock may be amended, altered, supplemented or repealed only with the consent of the holders of at least two-thirds of the outstanding shares of Series B Preferred Stock. On matters requiring their consent, holders of the Series B Preferred Stock are entitled to one vote per share.

Forum Selection

Our Bylaws provide that unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company’s stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be a state or federal court located within the state of Delaware, in all cases subject to the court’s having personal jurisdiction over the indispensable parties named as defendants.

Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Company shall be deemed to have notice of and consented to the applicable provisions of the Bylaws.

Listing

The Series B Preferred Stock is listed on the Nasdaq Global Select Market.

Exhibit 10.50

RESTATEMENT
OF THE
SALLIE MAE 401(k) SAVINGS PLAN

-- Plan Document --

Effective January 1, 2018

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ARTICLE 1
NAME AND EFFECTIVE DATE

1.01 Name of Plan. Effective November 1, 1997, this Plan shall be known as the Sallie Mae 401(k) Savings Plan. Prior to November 1, 1997, the Plan was known as the Student Loan Marketing Association Employees' Thrift and Savings Plan.

This Plan is a profit-sharing plan. This Plan is intended to qualify as a participant-directed account plan under section 404(c) of ERISA.

1.02 Effective Date. The Effective Date of the Plan is April 1, 1974. The Plan was amended and restated to reflect statutory changes that are generally effective January 1, 1997, (except to the extent an amendment required by a statutory enactment is effective on a later date, as stated herein), and to reflect administrative changes to the Plan. The Plan was restated as of February 28, 1999, to reflect amendments made to the Plan after January 1, 1997 and effective on February 28, 1999 unless otherwise stated herein. The Plan was further restated as of December 31, 1999 to reflect amendments through December 31, 1999, and the Plan was further restated as of December 31, 2001 to reflect amendments through December 31, 2001. The Plan was further amended by the First Amendment to the Sallie Mae 401(k) Savings Plan to comply with the Economic Growth and Tax Relief Reconciliation Act of 2001, and to incorporate certain other plan design changes. The Plan was further amended by the Second Amendment to the Sallie Mae 401(k) Savings Plan, effective as of January 1, 2003 or as otherwise provided, to incorporate certain plan design changes. The Plan was thereafter amended as of January 1, 2006 to incorporate changes to the optional forms of benefit and for purposes of further defining eligibility and vesting service for new participants added to the plan as a result of acquisition. In addition, the Plan was amended by the First Amendment to the Sallie Mae 401(k) Savings Plan (as most recently restated as of January 1, 2010), effective January 1, 2007 (or such later effective date provided therein), to incorporate certain changes required by the Heroes Earnings Assistance and Relief Tax Act of 2008.

The Plan was further restated as of September 1, 2006, to reflect amendments through January 1, 2006. The Plan (as most recently restated as of September 1, 2006, to reflect amendments through January 1, 2006) was then amended as follows: (1) by the First Amendment, effective as of January 1, 2006, or as otherwise provided, to incorporate certain changes required by the final regulations issued under section 401(k) of the Code; (2) by the Second Amendment, effective as of August 1, 2007, to incorporate changes related to a freeze in eligibility and participation under the Plan; (3) by the Third Amendment, effective as of October 1, 2008, to make changes to the definition of Compensation and the amount of Employer Core Contributions and Employer Matching Contributions; (4) by the Fourth and Fifth Amendments, effective as of January 1, 2008, to clarify the administrative provisions of the Plan and to comply with the final regulations issued under section 415 of the Code; (5) by the Sixth Amendment, effective as of September 1, 2009, to reflect a special employer discretionary contribution (a "Service Contract Act Contribution") exclusively for employees designated by the Corporation as government contract employees; (6) by the Seventh Amendment, effective January 1, 2007 and

January 1, 2008, to incorporate certain changes required by the Pension Protection Act of 2006; (7) by the Eighth Amendment, effective for distributions on and after January 1, 2003, to comply with the final regulations issued under section 401(a)(9) of the Code; and (8) by the Ninth Amendment, effective January 1, 2009, to clarify how the Plan has been administered. The Plan was further amended and restated, effective as of January 1, 2010, to reflect the merger of the Sallie Mae 401(k) Retirement Savings Plan into the Plan, to restore the eligibility and participation provisions, and to reflect amendments through January 1, 2010.

The Plan was further amended and restated, effective at 4:00pm EDT on April 30, 2014, for the spinoff of Navient from the Corporation. In connection with and pursuant to the spin-off of Navient from the Corporation, the following portions of Employee Accounts shall be spun-off from the Plan and transferred to, and received by, the Navient Plan:

(a) Participants employed by an Employer at 4:00pm EDT on April 30, 2014 shall have the Navient Plan receive all Navient Common Stock distributed on April 30, 2014 with respect to SLM Common Stock held in the SLM Stock Fund on April 30, 2014; and

(b) individuals employed by Navient or an affiliated employer of Navient at 4:00pm EDT on April 30, 2014 shall have (i) the Navient Plan receive all Navient Common Stock distributed on April 30, 2014 with respect to SLM Common Stock held in the SLM Stock Fund on April 30, 2014 and (ii) all accounts under the Plan (other than the portion of any accounts invested in the SLM Stock Fund on April 30, 2014) transferred to the Navient Plan as soon as practicable after April 30, 2014; and

(c) individuals who, as of 4:00pm EDT on April 30, 2014, were treated as terminated vested Participants under the Plan shall have (i) the Navient Plan receive all Navient Common Stock distributed on April 30, 2014 with respect to SLM Common Stock held in the SLM Stock Fund on April 30, 2014 and (ii) all accounts under the Plan (other than the portion of any accounts invested in the SLM Stock Fund on the April 30, 2014) transferred to the Navient Plan as soon as practicable after April 30, 2014.

The Plan was amended and restated effective as of January 1, 2015 for the IRS Cycle D determination letter filing submitted on February 2, 2015 and the IRS determination letter dated February 10, 2017.

This restatement of the Plan is effective January 1, 2018 and includes amendments, effective January 1, 2018, to add Roth Contributions and After-Tax Contributions, change the Employer Matching Contribution formula to one hundred percent (100%) of the Participant's Employee Contributions that do not exceed five percent (5%) of Compensation, eliminate Employer Core Contributions, and provide for automatic enrollment of newly hired or rehired Employees who do not make a salary deferral authorization within thirty (30) days of becoming eligible to participate.

Except as may otherwise be provided by ERISA or other law or the terms of this Plan, the benefit of a former Participant who terminated his employment with an Employer before the effective date of an amendment shall be governed by the provisions of the Plan as in effect on the date of such termination.

ARTICLE 2
DEFINITIONS

The following words and phrases shall have the following meanings unless a different meaning is plainly required by the context:

2.01 **Affiliated Employer**. "Affiliated Employer" means:

(a) any corporation which is in the same "controlled group of corporations", as defined in section 414(b) of the Code, as an Employer, but which is not an Employer;

(b) any trade or business which is under common control, as defined in section 414(c) of the Code, with an Employer, but which is not an Employer;

(c) any employer that is a member of an affiliated service group, as defined in section 414(m) of the Code, that includes an Employer, but which is not an Employer; or

(d) any other entity that is required to be aggregated with an Employer pursuant to regulations under section 414(o) of the Code, but which is not an Employer.

A corporation, a trade or business, an employer or an entity is an Affiliated Employer for all purposes under the Plan only during the period or periods when the corporation is a member of the same controlled group of corporations as an Employer, when the trade or business is under common control with an Employer, when the employer is a member of an affiliated service group that includes an Employer, or when the entity is required to be aggregated with an Employer. For purposes of Section 4.07, the definitions prescribed by sections 414(b) and 414(c) of the Code shall be modified as provided by section 415(h) of the Code.

2.02 **After-Tax Contribution** means a contribution made to the Plan by an Employer pursuant to an Employee's salary reduction authorization and is included in the Participant's gross income in the year in which the contribution is made.

2.03 **Aggregation Group**. "Aggregation Group" means either a Required Aggregation Group or a Permissive Aggregation Group.

2.04 **Authorized Leave of Absence**. "Authorized Leave of Absence" means:

(a) a leave of absence of an employee approved by an Employer or Affiliated Employer in accordance with rules that apply on a uniform basis to all similarly situated employees; or

(b) a leave of absence of an employee as required by the Veteran Re-employment Rights Act or other applicable law.

2.05 Beneficiary. "Beneficiary" means the person, persons or entity, including one or more trusts, last designated, on a form supplied by the Committee, by a Participant as a beneficiary, co-beneficiary or contingent beneficiary to receive benefits payable under the Plan in the event of the death of the Participant; provided, however, that in the case of a married Participant, the Beneficiary shall be the Participant's surviving Spouse, unless the surviving Spouse consents, on a form supplied by the Committee, to the designation of another Beneficiary or Beneficiaries. The Spouse's consent must acknowledge the effect of such designation, must be witnessed by a Plan representative or a notary public, and, unless the Spouse executes a general consent, must acknowledge the specific non-Spouse Beneficiary, if any, including any class of Beneficiaries or any contingent Beneficiaries. A general consent to permit the Participant to change his Beneficiary without any requirement of further consent by his Spouse is valid only if the Spouse acknowledges that the Spouse has a right to limit consent to a specific Beneficiary and the Spouse voluntarily relinquishes that right. Notwithstanding the above, if it is established to the satisfaction of a Plan representative that such consent may not be obtained because there is no Spouse or because the Spouse cannot be located, no consent will be required. Spousal consent is also not required if the Participant is legally separated or the Participant has been abandoned, within the meaning of local law, and the Participant has a court order to such effect. If the Spouse is legally incompetent to give consent, the Spouse's legal guardian, even if the guardian is the Participant, may give consent.

If no designation of a Beneficiary is in effect at the time of death of the Participant, or if no person, persons or entity so designated shall survive the Participant, the Beneficiary shall be the Participant's surviving Spouse, if any, or if there shall be no such surviving Spouse, the Beneficiary shall be the estate of the Participant.

2.06 Board of Directors. "Board of Directors" or "Board" means the Board of Directors of the Corporation.

2.07 Code. "Code" means the Internal Revenue Code of 1986, as amended.

2.08 Committee. "Committee" means the committee appointed to administer the Plan as provided in Article 9.

2.09 Compensation. "Compensation" means, for the portion of a Plan Year during which an Employee is a Participant, the gross amount of base salary, overtime, shift differential, bonus and commissions paid by the Employer to an Employee for services rendered as an Employee to or on behalf of the Employer, including payments for sick leave, vacation, holidays, jury duty, bereavement and other paid leaves of absence, recruiting/job referral bonuses, plus any amount that is deferred or reduced pursuant to a salary reduction agreement in respect of which the Employer makes contributions to this Plan or to a cafeteria plan within the meaning of section 125 of the Code, except that Compensation shall not include severance, hiring bonuses, short-term and long-term disability payments, any amount deferred or paid under a nonqualified deferred compensation plan maintained by the Employer; amounts paid on account of the Corporation's Vacation Sell Program; or amounts paid on account of the exercise of stock options or on account of the award or vesting of restricted stock or other stock-based compensation. The annual Compensation of each Participant taken into account under the Plan shall not exceed $275,000 (for 2018), adjusted as of January 1 of each calendar year pursuant to sections 401(a)(17) and 415(d) of the Code.

2.10 Corporation. "Corporation" means SLM Corporation or any other person, firm or corporation which may succeed to the business of SLM Corporation by merger, consolidation or otherwise and which, by appropriate action, shall adopt the Plan, except that prior to May 17, 2002, "Corporation" means USA Education, Inc., prior to July 31, 2000, "Corporation" means SLM Holding Corporation, and prior to August 7, 1997, "Corporation" means Student Loan Marketing Association.

2.11 Determination Date. "Determination Date" means, with respect to any Plan Year, (a) the last day of the immediately preceding Plan Year, or (b) in the case of the first Plan Year of the Plan, the last day of such Plan Year.

2.12 Direct Rollover. "Direct Rollover" means a payment by the Plan of an Eligible Rollover Distribution to the Eligible Retirement Plan specified by the Participant or a Qualified Beneficiary.

2.13 Disability. "Disability" means a mental or physical condition for which an individual receives disability benefits for total and permanent disability under either (a) the Federal Social Security Act or (b) any welfare plan maintained by the Employer that provides long-term disability benefits.

2.14 Effective Date. "Effective Date" means April 1, 1974, the date when this Plan first became effective.

2.15 Eligible Retirement Plan. "Eligible Retirement Plan" means an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, a qualified trust described in section 401(a) of the Code, an eligible deferred compensation plan described in section 457(b) of the Code that is maintained by an eligible employer described in section 457(e)(1)(A) of the Code and that agrees to separately account for amounts rolled into such plan from this Plan, an annuity contract described in section 403(b) of the Code, or a Roth IRA if the rollover requirements of sections 402(c) and 408A of the Code (as applicable) are met, that accepts the Participant's or Qualified Beneficiary's Eligible Rollover Distribution. If any portion of an Eligible Rollover Distribution is attributable to payments or distributions from the Roth Contribution portion of an Employee Contribution sub-account, an Eligible Retirement Plan with respect to such portion will include only another designated Roth account of the individual from whose account the payments or distributions were made, or a Roth IRA of such individual. However, in the case of an Eligible Rollover Distribution to a surviving Spouse who is not an alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, an Eligible Retirement Plan is an individual retirement account described in section 408(a) of the Code or an individual retirement annuity described in section 408(b) of the Code.

In the case of an Eligible Rollover Distribution to a Qualified Beneficiary who is the Participant's or former Participant's surviving Spouse, or Spouse or former Spouse who is an alternate payee under a qualified domestic relations order (as defined in section 414(p) of the Code), an Eligible Retirement Plan shall be defined in the same manner as if such Qualified Beneficiary were the Employee. However, in the case of an Eligible Rollover Distribution to any other Qualified Beneficiary, an "Eligible Retirement Plan" shall include only an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, or a Roth IRA, if the rollover requirements of sections 402(c) and 408A of the Code (as applicable) are met.

2.16 Eligible Rollover Distribution. "Eligible Rollover Distribution" means any distribution of all or any portion of a Participant's Vested Benefit, except that an Eligible Rollover Distribution does not include: any distribution that is one of a series of substantially equal periodic payments, made not less frequently than annually, for the life, or life expectancy, of the Participant or the Participant's designated beneficiary or the joint lives (or joint life expectancies) of the Participant and the Participant's designated beneficiary, or for a specified period of ten years or more; any distribution, to the extent such distribution is required under section 401(a)(9) of the Code; the portion of any distribution that is not includible in gross income, determined without regard to the exclusion for net unrealized appreciation with respect to employer stock; and any amount distributed on account of hardship.

Notwithstanding any provision of the Plan to the contrary, a portion of a distribution shall not fail to be an Eligible Rollover Distribution merely because the portion consists of voluntary employee contributions that are not includible in gross income; provided, however, such portion may be transferred only to an individual retirement account or annuity described in sections 408(a) or (b) of the Code, a qualified retirement plan (either a defined contribution plan or a defined benefit plan) described in section 401(a) or 403(a) of the Code, or an annuity contract described in section 403(b) of the Code that agrees to separately account for amounts so transferred and earnings thereon, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

2.17 Employee. "Employee" means any person who is employed by an Employer. Notwithstanding the prior provision, the following classifications of employees are excluded:

(a) any such person who is a member of a unit of employees covered by a collective bargaining agreement where retirement benefits have been the subject of good faith collective bargaining between the collective bargaining agent and an Employer, unless such collective bargaining agreement expressly provides for the inclusion of such persons as Participants in the Plan;

(b) any such person who is a Leased Employee;

(c) any such person who is treated by an Employer as a Leased Employee, independent contractor, or employee of a third party other than the Employer or Affiliated Employer, even if such person is later determined to have been a common law employee of the Employer;

(d) any Employee who is hired in order to participate in a training program established for the purpose of training and recruiting future full-time Employees, such as intern, co-op, mentor or any other similar program that may be implemented by the Employer; and

(e) any Employee employed on a temporary or periodic basis, by the Corporation or by any Affiliated Employer, where such Employee from time to time accepts, at his or her discretion, job assignments having a fixed and limited duration, such as (but not limited to) special project(s) to cover illness, vacation or other temporary vacancies or unusual or cyclical employment needs, at potentially varying rates of compensation commensurate with each job assignment and who is classified in the Employer's records as a "temporary employee."

When used in the Plan without an initial capital letter, the term "employee" means any person who is employed by an Employer or Affiliated Employer under the common-law standard.

2.18 Employee Account. "Employee Account" means a separate account maintained for each Participant which is composed of the following sub-accounts (to the extent amounts are credited to any such sub-account):

(a) an Employee Contribution sub-account, which consists of the Employee Contributions contributed to the Plan pursuant to Section 4.01(a) (including separately accounted for Roth Contributions) and separately accounted for Rollover Contributions of Roth amounts contributed to the Plan pursuant to Section 4.02;

(b) an After-Tax Contribution sub-account, which consists of the After-Tax Contributions contributed to the Plan pursuant to Section 4.01(a) and separately accounted for Rollover Contributions of after-tax amounts contributed to the Plan pursuant to Section 4.02;

(c) an Employer Matching Contribution sub-account, which consists of the Employer Matching Contributions contributed to the Plan pursuant to Section 4.01(b);

(d) an Employer Discretionary Profit-Sharing Contribution sub-account, which consists of the Employer Discretionary Profit-Sharing Contributions contributed to the Plan pursuant to Section 4.01(c);

(e) an Employer Core Contribution sub-account, which consists of the Employer Core Contributions contributed to the Plan for Plan Years ending on or before December 31, 2017;

(f) a Rollover Contribution sub-account, which consists of a Participant's Rollover Contributions contributed to the Plan pursuant to Section 4.02;

(g) a participant contribution sub-account, which consists of the participant contributions contributed to the Plan prior to January 1, 1982;

(h) a voluntary contribution sub-account, which consists of the voluntary contributions contributed to the Plan prior to January 1, 1987;

(i) a Qualified Non-Elective Contribution sub-account, which consists of any Qualified Non-Elective Contributions that were previously contributed to the Plan as necessary to pass the nondiscrimination tests described in section 401(k)(3), 401(k)(12), 401(m)(2), or 401(m)(11) of the Code; and

(j) a Service Contract Act Contribution sub-account, which consists of the Service Contract Act Contributions contributed to the Plan pursuant to Section 4.01(f).

Each sub-account shall be adjusted as of each Valuation Date to reflect investment earnings or losses thereon and any other applicable adjustments thereto, including such allocations described in Section 5.04.

From time to time, additional sub-accounts may be established and maintained for recordkeeping purposes to protect optional forms of benefits, rights and features as may be required upon plan asset transfers arising from mergers and acquisitions.

2.19 Employee Contribution. "Employee Contribution" means a contribution made to the Plan by an Employer pursuant to an Employee's pre-tax salary deferral election. Notwithstanding the foregoing, unless specifically stated otherwise herein or otherwise required by law, Roth Contributions will be treated as Employee Contributions for all purposes under the Plan.

2.20 Employer. "Employer" means the Corporation or any wholly- or majority-owned subsidiary of the Corporation or any organization affiliated with or associated with the Corporation which adopts the Plan and becomes a party to it with the written approval of the Committee or otherwise becomes a party to it as of 4:00pm EDT on April 30, 2014. A list of the Employers as of the date of this restatement is attached hereto as Appendix A.

2.21 Employer Core Contribution. "Employer Core Contribution" means a contribution to the Plan by the Employer in Plan Years ending on or before December 31, 2017.

2.22 Employer Discretionary Profit-Sharing Contribution. "Employer Discretionary Profit-Sharing Contribution" means a contribution to the Plan by the Employer in accordance with Section 4.01(c).

2.23 **Employer Matching Contribution**. "Employer Matching Contribution" means a contribution to the Plan by the Employer in accordance with Section 4.01(b), which matches in whole or in part an Employee Contribution made to the Plan on behalf of an Employee.

2.24 **Employment Commencement Date**. "Employment Commencement Date" means the date an employee first performs an Hour of Service for an Employer or Affiliated Employer.

2.25 **ERISA**. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.26 **Five Percent Owner**. "Five Percent Owner" means any person who owns (or is considered as owning within the meaning of section 318 of the Code, as modified by substituting "5 percent" for "50 percent" in section 318(a)(2)(C) of the Code) more than five percent (5%) of the outstanding stock of an Employer or any Affiliated Employer or stock possessing more than five percent (5%) of the total combined voting power of all stock of an Employer or any Affiliated Employer, or any person who owns more than five percent (5%) of the capital or profits interest in any Affiliated Employer that is not a corporation.

2.27 **Fund**. "Fund" means the trust fund established under the Trust Agreement and funded by Employer and Employee contributions and from which benefits are to be paid.

2.28 **Highly Compensated Employee**. "Highly Compensated Employee" means an employee who is a highly compensated active employee or highly compensated former employee, within the meaning of section 414(q) of the Code and the regulations thereunder. A Highly Compensated Employee includes any active employee who:

(a) was a Five Percent Owner at any time during the current Plan Year or the preceding Plan Year, or

(b) for the preceding Plan Year, received Non-deferred Compensation from the Employer in excess of $120,000 (for 2018), as adjusted pursuant to sections 414(q) and 415(d) of the Code, and was in the top-paid group of employees for such preceding Plan Year.

The top-paid group of employees is the group consisting of the top twenty percent (20%) of employees when ranked on the basis of Non-deferred Compensation paid during such preceding Plan Year, excluding the following employees:

(i) employees who have not completed six (6) months of service;

(ii) employees who normally work less than seventeen and one-half (17½) hours per week;

(iii) employees who normally work during not more than six (6) months during any Plan Year;

(iv) employees who have not attained age 21; and

(v) except to the extent provided in regulations, employees who are included in a unit of employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and the Employer.

A former employee shall be a Highly Compensated Employee if (A) such employee was a Highly Compensated Employee when such employee separated from service, or (B) such employee was a Highly Compensated Employee at any time after attaining age fifty-five (55). Whether or not a former employee is a Highly Compensated Employee shall be determined in accordance with applicable regulations as in effect for that determination year.

2.29 Hour of Service. "Hour of Service" means:

(a) Each hour for which an employee is directly or indirectly paid, or entitled to payment, by an Employer or Affiliated Employer for the performance of duties;

(b) Each hour for which no duties were performed but for which back pay, irrespective of mitigation of damages, has either been awarded or agreed to by an Employer or Affiliated Employer, which hours shall be credited for the Plan Year to which the award or agreement pertains; and

(c) Each hour for which an employee is directly or indirectly paid, or entitled to payment, by an Employer or Affiliated Employer for a period during which no duties are performed, irrespective of whether the employment relationship has terminated, due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence, which hours shall be credited for the Plan Year in which payment is made or due. An hour for which an employee is directly or indirectly paid, or entitled to payment, on account of a period during which no duties are performed shall not be credited to the employee if such payment is made or due under a plan maintained solely for the purpose of complying with applicable workers' compensation, unemployment compensation, or disability insurance laws; and Hours of Service shall not be credited for a payment which solely reimburses an employee for medical or medically related expenses incurred by the employee.

The same Hours of Service shall not be credited under (a) or (c) above, as the case may be, and under (b) above. Nothing herein shall be construed as denying an employee credit for an Hour of Service if credit is required by ERISA or other Federal law.

Notwithstanding anything in this Section 2.28 to the contrary, Hours of Service shall be calculated and credited pursuant to section 2530.200b-2 of the Department of Labor regulations which are incorporated herein by reference.

2.30 Key Employee. "Key Employee" means, for any Plan Year, any employee or former employee of an Employer or an Affiliated Employer or beneficiary of such employee who, at any time during such Plan Year is:

(a) an officer of an Employer or an Affiliated Employer having annual Non-deferred Compensation greater than $175,000 (for 2018), as adjusted annually by the Commissioner of Internal Revenue; provided that no more than fifty (50) employees shall be treated as officers for such purpose;

(b) a Five Percent Owner within the meaning of sections 416(i)(1)(A)(ii) and (B)(i) of the Code and the regulations thereunder; or

(c) a One Percent Owner having aggregate annual Non-deferred Compensation of more than $150,000, within the meaning of sections 416(i)(1)(A)(iii) and (B)(ii) of the Code and the regulations thereunder.

2.31 Leased Employee. "Leased Employee" means any person, other than an employee of an Employer or Affiliated Employer, who pursuant to an agreement between an Employer or Affiliated Employer and any other person ("leasing organization") has performed services for an Employer or Affiliated Employer on a substantially full-time basis for a period of at least one year and such services are performed under the primary direction or control of the Employer or Affiliated Employer. A Leased Employee shall be considered an employee of an Employer or an Affiliated Employer to the extent required by ERISA and/or the Code.

2.32 Named Fiduciary. "Named Fiduciary" means the Committee and the Trustee, but only with respect to the specific responsibilities of each for the administration of the Plan and Fund. The fiduciary responsibility of the Committee shall be as set forth in Articles 9 and 10. The fiduciary responsibility of the Trustee shall be as set forth in the Trust Agreement.

2.33 Navient. "Navient" means Navient Corporation.

2.34 Navient Common Stock. "Navient Common Stock" means common stock of Navient.

2.35 Navient Stock Fund. "Navient Stock Fund" means the portion of the Navient Plan fund invested in Navient Common Stock.

2.36 Navient Plan. "Navient Plan" means the Navient 401(k) Savings Plan as in effect on April 30, 2014.

2.37 Non-deferred Compensation. "Non-deferred Compensation" includes all of the following:

(a) The employee's wages, salaries, fees for professional services, and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Employer to the extent that the amounts are includible in gross income (including, but not limited to, commissions paid to salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, and reimbursements or other expense allowances under a non-accountable plan (as described in section 1.62-2(c) of the Treasury Regulations).

(b) In the case of an employee who is an employee within the meaning of section 401(c)(1) of the Code and the regulations thereunder, the employee's earned income (as defined in section 401(c)(2) of the Code and the regulations thereunder).

(c) Amounts described in sections 104(a)(3), 105(a), and 105(h) of the Code, but only to the extent that these amounts are includible in the gross income of the employee.

(d) Amounts paid or reimbursed by the Employer for moving expenses incurred by an employee, but only to the extent that, at the time of the payment, it is reasonable to believe that these amounts are not deductible by the Employer under section 217 of the Code.

(e) The value of a non-qualified stock option granted to an employee by the Employer, but only to the extent that the value of the option is includible in the gross income of the employee for the taxable year in which granted.

(f) The amount includible in the gross income of an employee upon making the election described in section 83(b) of the Code.

(g) The amount of any elective deferral (as defined in section 402(g)(3) of the Code), and any amount which is contributed or deferred by the Employer at the election of the employee and which is not includible in the gross income of the employee by reason of section 125, 132(f)(4), or 457 of the Code.

(h) Amounts that are includible in the gross income of an employee under the rules of section 409A or 457(f)(1)(A) of the Code or because the amounts are constructively received by the employee.

(i) Any differential wage payment (as defined in section 3401(h)(2) of the Code) made by the Employer.

The following items are not included in the definition of compensation:

(i) Except to the extent required to be included in the definition of compensation by section 415(c)(3)(D) of the Code, contributions made by the Employer to a plan of deferred compensation (including a simplified employee pension described in section 408(k) of the Code or a simple retirement account described in section 408(p) of the Code, and whether or not qualified) to the extent that, before the application of the section 415 limitations to that plan, the contributions are not includible in the gross income of the employee for the taxable year in which contributed. Additionally, any distributions from a plan of deferred compensation (whether or not qualified) are not considered as compensation for purposes of section 415 of the Code, regardless of whether such amounts are includible in the gross income of the employee when distributed. However, any amounts received by an employee pursuant to an unfunded non-qualified plan are permitted to be considered as compensation for section 415 purposes in the year the amounts are actually received, but only to the extent such amounts are includible in the gross income of the employee.

(ii) Amounts realized from the exercise of a non-qualified stock option, or when restricted stock (or other property) held by an employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture (see section 83 of the Code and the regulations thereunder).

(iii) Amounts realized from the sale, exchange or other disposition of stock acquired under a statutory stock option (as defined in section 1.421-1(b) of the Treasury Regulations).

(iv) Except to the extent required to be included in the definition of compensation by section 415(c)(3)(D) of the Code, other amounts which receive special tax benefits, such as premiums for group-term life insurance (but only to the extent that the premiums are not includible in the gross income of the employee and are not salary reduction amounts that are described in section 125 of the Code), or other items of remuneration that are similar to any of the items listed in paragraphs (i) through this (iv).

2.38 Non-Key Employee. "Non-Key Employee" means any employee or former employee of an Employer or an Affiliated Employer or beneficiary of such employee who is not a Key Employee, within the meaning of section 416(i)(2) of the Code and the regulations thereunder.

2.39 Normal Retirement Age. "Normal Retirement Age" means age sixty-five (65).

2.40 One Percent Owner. "One Percent Owner" means any person who would be a Five Percent Owner if "one percent (1%)" were substituted for "five percent (5%)" each place it appears.

2.41 Participant. "Participant" means any Employee who has satisfied the eligibility requirements for the Plan as provided under Article 3 and who (a) has elected to participate in the Plan by enrolling in the Plan as described in Section 3.02(a), and/or (b) who has received an allocation of Employer Discretionary Profit-Sharing Contributions, Employer Core Contributions (for Plan Years ending on or before December 31, 2017), or Service Contract Act Contributions, as applicable. In addition, each individual described in Section 1.02(b) or 1.02(c) shall be treated as a Participant who had a severance of employment or termination of employment with a deferred vested Employee Account. Notwithstanding the foregoing, an individual described in Section 1.02(b) or 1.02(c) who becomes an Employee after April 30, 2014 shall cease to be treated as having a severance of employment and termination of employment for purposes of taking a distribution of his Employee Account under the Plan.

2.42 **Pension Plan**. "Pension Plan" means any defined benefit plan or any defined contribution plan established by an Employer or an Affiliated Employer and qualified under section 401 of the Code.

2.43 **Period of Service**. "Period of Service" means the period that begins on an employee's Employment Commencement Date, or Reemployment Commencement Date, with an Employer or Affiliated Employer and ends on his Severance from Service Date, and includes the employee's total number of years and months of service, crediting each completed and partial month as a full month. In the event an employee has a Severance from Service Date followed by a Reemployment Commencement Date within twelve (12) months of such Severance from Service Date, the Period of Severance shall be treated as a Period of Service. In addition, if an employee is on an Authorized Leave of Absence and subsequently experiences a Severance from Service Date, but later has a Reemployment Commencement Date within twelve (12) months of the day he was first absent from employment because of the Authorized Leave of Absence, then the period from the Severance from Service Date until the Reemployment Commencement Date shall be treated as a Period of Service.

2.44 **Period of Severance**. "Period of Severance" shall be the period beginning on the Severance from Service Date and ending on the employee's next Reemployment Commencement Date.

2.45 **Permissive Aggregation Group**. "Permissive Aggregation Group" means a Required Aggregation Group that also includes a Pension Plan of an Employer or an Affiliated Employer which, although not required to be included in the Required Aggregation Group, is treated by an Employer or an Affiliated Employer as being part of such Required Aggregation Group, provided that such Required Aggregation Group would continue to meet the requirements of sections 401(a)(4) and 410(b) of the Code with such Pension Plan being taken into account.

2.46 **Plan**. "Plan" means this Sallie Mae 401(k) Savings Plan and all authorized amendments, except that, prior to November 1, 1997, Plan shall mean the Student Loan Marketing Association Employees' Thrift and Savings Plan and all authorized amendments.

2.47 **Plan Administrator**. "Plan Administrator" means the Committee.

2.48 **Plan Year**. "Plan Year" means the twelve (12) month period beginning on January 1 and ending on December 31.

2.49 **Qualified Beneficiary**. "Qualified Beneficiary" means a Participant's or former Participant's surviving Spouse, or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, or, effective January 1, 2010, non-Spouse designated beneficiary (as defined in section 401(a)(9)(E) of the Code).

2.50 Qualified Non-Elective Contribution. "Qualified Non-Elective Contribution" means a previous contribution by an Employer that was made to enable the Plan to meet the nondiscrimination tests described in sections 401(k)(3), 401(k)(12), 401(m)(2), or 401(m)(11) of the Code.

2.51 Reemployment Commencement Date. "Reemployment Commencement Date" means the date an employee first performs an Hour of Service for an Employer or Affiliated Employer following a Period of Severance.

2.52 Required Aggregation Group. "Required Aggregation Group" means (a) each Pension Plan of an Employer or an Affiliated Employer in which a Key Employee is a Participant, and (b) each other Pension Plan of an Employer or an Affiliated Employer which enables any Pension Plan described in the immediately preceding clause (a) to meet the requirements of section 401(a)(4) or 410(b) of the Code.

2.53 Rollover Contribution. "Rollover Contribution" means any rollover account or rollover contribution as defined in section 402(c)(4), 403(a)(4) or 408(d)(3) of the Code.

2.54 Roth Contribution. "Roth Contribution" means a contribution made to the Plan by an Employer pursuant to an Employee's salary deferral election and treated by the Employer as includible in the Participant's income at the time the Participant would have received that amount in cash if the Participant had not made a cash or deferred election. Unless specifically stated otherwise herein or otherwise required by law, Roth Contributions will be treated as Employee Contributions for all purposes under the Plan.

2.55 Service Contract Act Contribution. "Service Contract Act Contribution" means a contribution to the Plan by the Employer in accordance with Section 4.01(f). Effective April 30, 2014, no Employer shall make a Service Contract Act Contribution to the Plan.

2.56 Severance from Service Date. "Severance from Service Date" means:

(a) the date on which an employee's employment is terminated for any reason, other than an Authorized Leave of Absence; or

(b) in the case of an Authorized Leave of Absence, the earlier of (i) the first anniversary of the first date of an Authorized Leave of Absence, or (ii) in the event an employee fails to return to employment with an Employer or Affiliated Employer on or before the expiration of an Authorized Leave of Absence, the date following the date on which an Authorized Leave of Absence expires; or

(c) in the case of an absence from work which is due to the pregnancy of the employee, the birth of a child of the employee, the adoption of a child by the employee, or the caring for a child by the employee for a period beginning immediately following the birth or adoption of the child, and which extends beyond the first anniversary of the first day of such absence from work, the second anniversary of the first date on which the employee commenced such absence from work.

2.57 SLM Common Stock. "SLM Common Stock" means common stock of the Corporation.

2.58 SLM Stock Fund. "SLM Stock Fund" means the portion of the Fund invested in SLM Common Stock as described in Section 5.03.

2.59 Spouse. Spouse means the person who is legally married to an Employee. Effective June 26, 2013, a person of the same sex as the Participant can be a spouse for purposes of the Plan, provided the couple was legally married in a jurisdiction that authorizes same-sex marriage (even if the couple lives in a jurisdiction that does not recognize same-sex marriage).

2.60 Top Heavy Group. "Top Heavy Group" means, with respect to any Plan Year, an Aggregation Group if, as of the Determination Date with respect to such Plan Year, (a) the sum of (i) the present value of the cumulative accrued benefits under all Pension Plans included in such Aggregation Group, determined in accordance with section 416(g) of the Code and the regulations thereunder, and (ii) the aggregate of the accounts of Key Employees under all defined contribution plans included in such Aggregation Group, as determined in accordance with section 416(g) of the Code and the regulations thereunder, exceeds (b) sixty percent (60%) of a similar sum determined for Key Employees and Non-Key Employees; provided, however, that if any employee is a Non-Key Employee with respect to any Pension Plan for any Plan Year, but such employee was a Key Employee with respect to such Pension Plan for any prior Plan Year, any accrued benefit for such employee and any account of such employee shall not be taken into account for purposes of the foregoing determination; and provided further, that if any employee has not performed any service for any Employer or Affiliated Employer maintaining the Pension Plan at any time during the one (1)-year period ending on the Determination Date, any accrued benefit for such employees and any account of such employees shall not be taken into account. For purposes of determining the present value of the cumulative accrued benefit for any employee, or the amount of the account of any employee, such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the Pension Plan during the one (1)-year period (or, in the event such distribution is made for a reason other than severance from employment, death, or disability, during the five (5)-year period) ending on the Determination Date. The preceding sentence shall also apply to distributions under a terminated Pension Plan which if it had not been terminated would have been required to be included in the Aggregation Group.

2.61 Top Heavy Plan. "Top Heavy Plan" means a plan included in a Top Heavy Group, except that (a) a simple retirement account as described in section 408(p) of the Code is not a Top Heavy Plan, and (b) a plan that consists solely of a cash or deferred arrangement which meets the requirements of section 401(k)(12) or 401(k)(13) of the Code and matching contributions with respect to which the requirements of section 401(m)(11) or 401(m)(12) are met is not a Top Heavy Plan, except that if such plan described in this paragraph (b) would be treated as a Top Heavy Plan because it is a member of an Aggregation Group that is a Top Heavy Group, contributions under the plan may be taken into account in determining whether any other plan in the Aggregation Group meets the requirements of section 416(c)(2) of the Code.

2.62 **Trust Agreement**. "Trust Agreement" means the agreement, including all authorized amendments, entered into by the Trustee and the Corporation pursuant to which the Fund is established and maintained.

2.63 **Trustee**. "Trustee" means the individual or entity designated as Trustee under the terms of the Trust Agreement, or any successor Trustee which is a party to the Trust Agreement.

2.64 **Valuation Date**. "Valuation Date" means any date that the New York Stock Exchange is open for trading.

2.65 **Vested Benefit**. "Vested Benefit" means the portion of a Participant's Employee Account that is non-forfeitable.

2.66 **Year of Participation**. "Year of Participation" means a twelve (12)-month period beginning on the date an employee first becomes a Participant in the Plan. If a Participant has a Severance from Service Date and does not receive a distribution of his Plan benefit, he shall continue to be credited with Years of Participation as long as his Plan benefit remains in the Plan. In the event a Participant has a Severance from Service Date, receives a distribution of his Plan benefit, and subsequently has a Reemployment Commencement Date, his Years of Participation upon his reemployment shall be calculated from his Reemployment Commencement Date and shall not include Years of Participation credited before his Reemployment Commencement Date.

2.67 **Year of Vesting Service**. "Year of Vesting Service" means a twelve (12) month Period of Service, aggregating all Periods of Service, and crediting each completed month as a full month of service. Years of Vesting Service shall also include any years of vesting service from a prior employer recognized by the Plan in effect prior to January 1, 2010.

If an employee has a Period of Severance that exceeds twelve (12) months, his prior Years of Vesting Service shall be used to determine his vesting percentage as of his Reemployment Commencement Date only if (a) he was vested in any portion of his Employee Account derived from Employer contributions, as of his Severance from Service Date, or (b) his latest Period of Severance as of his Reemployment Commencement Date is either (i) less than five (5) years, or (ii) a shorter period of time than his Period of Service, immediately before the date such Period of Severance began.

With respect to employees re-employed on or after September 1, 2000, an employee's prior Years of Vesting Service shall be used to determine his Years of Vesting Service as of his date of re-employment; provided that such prior Years of Vesting Service shall not include any Years of Vesting Service previously disregarded by reason of a prior Period of Severance.

Wherever used in this instrument, a masculine pronoun shall be deemed to include the masculine and feminine gender, a singular word shall be deemed to include the singular and plural and a plural word shall be deemed to include the singular and plural in all cases where the context requires.

ARTICLE 3
ELIGIBILITY & PARTICIPATION

3.01 Eligibility.

(a) Employee Contributions. An Employee shall be eligible to elect to have Employee Contributions and After-Tax Contributions made on his behalf beginning on any date coincident with or next following the date the Employee is credited with a one (1) month Period of Service with an Employer; provided that such Employee is an Employee on such date and satisfies the requirements of Section 3.02.

(b) Employer Matching Contributions. A Participant shall be eligible to receive Employer Matching Contributions beginning with the first pay period coincident with or next following the date the Participant completes a six (6) month Period of Service with an Employer, provided that the Participant is an Employee on such date.

(c) Service Contract Act Contributions. Effective September 1, 2009, any Employee (i) who is eligible to elect to have Employee Contributions made on his behalf in accordance with Section 3.01(a), and (ii) who is designated by the Corporation to be a government contract employee, shall be eligible to receive Service Contract Act Contributions in an amount necessary to meet the requirements of the Federal Service Contract Act. Effective after April 30, 2014, no Participant shall be eligible to receive Service Contract Act Contributions under the Plan.

3.02 Participation.

(a) General. To become a Participant, an Employee must enroll in the Plan pursuant to procedures promulgated by the Committee, including making a salary reduction election whereby the Employee elects to reduce his Compensation by an amount permitted under Section 4.01(a) and the Employer agrees to contribute such amount to the Plan on behalf of the Employee or having an automatic salary reduction authorization made on his behalf as provided in Section 4.01(a).

An Employee who is eligible to become a Participant in the Plan, in accordance with Section 3.01, will become a Participant as soon as administratively feasible after the date he completes the enrollment procedures described above.

(b) Employer Discretionary Profit-Sharing Contributions. An Employee who is eligible to become a Participant in the Plan, in accordance with Section 3.01, will become a Participant without completing the enrollment procedures described in Section 3.02(a) upon receiving an allocation of Employer Discretionary Profit-Sharing Contributions in accordance with Section 4.01(c) hereof.

(c) Service Contract Act Contributions. An Employee who is eligible to become a Participant in the Plan, in accordance with Section 3.01, will become a Participant without completing the enrollment procedures described above upon receiving an allocation of Service Contract Act Contributions in accordance with Section 4.01(f) hereof.

3.03 Re-employment of Former Participant or Former Employee and Change in Employment Status.

(a) Change in Employment Status: Eligibility for Employee Contributions. Effective January 1, 2010, if an employee or a former employee who has completed a one (1)-month Period of Service, but who was not an Employee on the date coinciding with or next following the date on which the employee completed such service requirement, becomes or again becomes an Employee on or after January 1, 2010, then such Employee shall be eligible to become a Participant and have Employee Contributions made on his behalf as of the first day he becomes or again becomes an Employee; provided that he completes the enrollment process to become a Participant in the Plan, in the manner described in Section 3.02. In the case of such a Participant, his Employer will commence making Employee Contributions on his behalf as soon as administratively feasible following receipt of the Participant's salary reduction authorization.

(b) Change in Employment Status: Eligibility for Employer Matching Contributions. Effective January 1, 2010, if an employee or a former employee who has completed a twelve (12)-month Period of Service (and, effective January 1, 2013, a six (6)-month Period of Service), but who was not an Employee on the date coinciding with or next following the date on which the employee completed such service requirement, becomes or again becomes an Employee on or after January 1, 2010, then such Employee shall be eligible to receive Employer Matching Contributions as of the first day he becomes or again becomes an Employee; provided that he completes the enrollment process to become a Participant in the Plan, in the manner described in Section 3.02.

(c) Re-employment of Former Participant: Eligibility for Employee Contributions. Effective January 1, 2010, if a former Participant who terminated employment again becomes an Employee on or after January 1, 2010, then such Employee shall be eligible to become a Participant and have Employee Contributions made on his behalf as of the first day he again becomes an Employee; provided that he completes the enrollment process to become a Participant in Plan, in the manner described in Section 3.02. In the case of such a Participant, the Employer will commence making Employee Contributions on his behalf as soon as administratively feasible following receipt of the Participant's salary reduction authorization.

(d) Re-employment of Former Participant: Eligibility for Matching Contributions. Effective January 1, 2010, if a former Participant who terminated employment and had completed a twelve (12)-month Period of Service (or, effective January 1, 2013, a six (6)-month Period of Service) again becomes an Employee on or after January 1, 2010, then such Employee shall be eligible to receive Employer Matching Contributions as of the first day he again becomes an Employee; provided that he completes the enrollment process to become a Participant in the Plan, in the manner described in Section 3.02.

(e) Effective January 1, 2010, with respect to Employees re-employed on or after January 1, 2010, an Employee's prior Period of Service shall be used to determine his Period of Service as of his date of re-employment; provided that such Period of Service shall not include any Period of Service previously disregarded by reason of a prior Period of Severance.

(f) A former Participant or former Employee who has a Period of Severance, and whose prior Period of Service is not reinstated as described above, must meet the eligibility requirements of Section 3.01 before becoming a Participant in the Plan.

Notwithstanding the foregoing provisions of this Section 3.03, the terms of the Plan in effect prior to January 1, 2010 shall determine an individual's eligibility for benefits under the Plan prior to January 1, 2010.

3.04 Transfer of Participant to Another Employer. A Participant who transfers from one Employer to another Employer will continue to be a Participant in the Plan.

3.05 Transfer of Participant to an Affiliated Employer. A Participant who transfers from an Employer to Upromise, Inc. or Asset Performance Group, LLC on or after July 1, 2007 shall remain a Participant in the Plan upon such transfer, and shall continue to be a Participant in the Plan until such Participant terminates employment or is reclassified to an ineligible classification set forth in Sections 2.15(a)-(e).

3.06 Transfer of Participant from Affiliated Employer. A Participant who transfers to an Employer from an Affiliated Employer shall receive credit under the Plan for service with such Affiliated Employer as if the Participant's service was for the Employer.

ARTICLE 4
CONTRIBUTIONS

4.01 Employer Contributions.

(a) Employee Contributions. For each Plan Year, the Employer shall contribute to the Plan Employee Contributions and After-Tax Contributions on behalf of each Participant an amount equal to a whole percentage, in the aggregate, up to seventy-five percent (75%) of a Participant's Compensation, pursuant to the salary reduction authorization of the Participant (who may elect to classify Employee Contributions as Roth Contributions); provided, however, that the aggregate amount of Employee Contributions contributed to the Plan and to all other plans, contracts and arrangements maintained by the Employer on behalf of any Participant for any calendar year shall not exceed the dollar limit contained in sections 402(g)(5) and 415(d) of the Code in effect for such calendar year, except to the extent permitted under section 414(v) of the Code.

Each Employee hired or rehired on or after January 1, 2018 who does not make an affirmative salary reduction authorization during the election period prescribed by the Committee (including an affirmative election to not have Compensation reduced and contributed to the Plan as Employee Contributions or After-Tax Contributions) shall be automatically enrolled as a Participant and deemed to have made an automatic salary reduction authorization to have five percent (5%) of Compensation withheld and contributed as a pre-tax Employee Contribution as of the first payroll period following thirty (30) days after the date the Employee satisfies the eligibility requirements in Section 3.01(a). A Participant has thirty (30) days after the date he satisfies the eligibility requirements in Section 3.01(a) to elect to be neither automatically enrolled as a Participant in the Plan nor deemed to have made an automatic salary reduction authorization. Employee Contributions made pursuant to an automatic salary reduction authorization shall cease as soon as administratively feasible after a Participant makes an affirmative salary reduction election under this Section and Section 4.04, including an affirmative election to cease all Employee Contributions.

The Employer will begin contributing Employee Contributions and After-Tax Contributions to the Plan commencing as soon as administratively feasible following receipt of the Participant's salary reduction authorization and, in the case of an Employee hired or rehired on or after January 1, 2018 who is automatically enrolled as a Participant pursuant to Section 3.02(a), will begin contributing pre-tax Employee Contributions as of the first payroll period following thirty (30) days after the date the Employee satisfies the eligibility requirements in Section 3.01(a).

All Employee Contributions and Roth Contributions will be credited to the Participant's Employee Contribution sub-account and any portion a Participant elects to classify as Roth Contributions shall be separately accounted for thereunder. All After-Tax Contributions will be credited to the Participant's After-Tax Contribution sub-account. The Participant will at all times be fully vested in his Employee Contribution sub-account and his After-Tax Contribution sub-account.

(b) Employer Matching Contributions. The Employer will contribute to the Plan for each Participant eligible to receive Employer Matching Contributions (on a pay period basis) an amount equal to one hundred percent (100%) of the Participant's Employee Contributions that do not exceed five percent (5%) of Compensation. Employer Matching Contributions are intended to satisfy the safe harbor nondiscrimination requirements of section 401(k)(12) of the Code and shall be one hundred percent (100%) vested when made. In compliance therewith, the Employer shall provide each eligible Employee with notice of the Employee's rights and obligations under the Plan (which notice may be provided through electronic media), within a reasonable period of time before the beginning of each Plan Year (or, in the Plan Year an Employee first becomes eligible, within a reasonable period before becoming eligible), in accordance with the requirements of section 401(k)(12) of the Code (and the regulations and other guidance issued thereunder). Notwithstanding anything in the Plan to the contrary, effective January 1, 2009, no true-up Employer Matching Contributions may be made to a Participant who is eligible to receive Employer Matching Contributions in accordance with this Section 4.01(b).

(c) Employer Discretionary Profit-Sharing Contributions. From time to time, the Employer may make an Employer Discretionary Profit-Sharing Contribution to the Fund. All allocations of Employer Discretionary Profit-Sharing Contributions determined above shall be credited to the Employee's Employer Discretionary Profit-Sharing Contribution sub-account, which sub-account shall at all times be fully vested.

(d) Other Employer Contributions. The Employer may also make additional contributions to the Plan to correct any errors in accordance with the Employee Plans Compliance Resolution System as set forth in Revenue Procedure 2016-51 or any superseding guidance; provided that such additional contributions are in the best interest of the Participants and are not Employer Matching Contributions.

(e) Employee Catch-Up Contributions. Effective January 1, 2002, all Participants who are eligible to make Employee Contributions under this Plan and who have attained age fifty (50) before the close of the calendar year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, section 414(v) of the Code. Such catch-up contributions shall not be taken into account for purposes of the Plan implementing the required limitations of sections 402(g) and 415 of the Code. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of section 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416 of the Code, as applicable, by reason of the making of such catch-up contributions. Employer Matching Contributions shall be made with respect to amounts contributed as catch-up Employee Contributions.

(f) Service Contract Act Contributions. Effective September 1, 2009, the Employer may make a Service Contract Act Contribution to the Plan on behalf of each eligible

Employee described in Section 3.01(c). All allocations of Service Contract Act Contributions shall be credited to an Employee's Service Contract Act Contribution sub-account, which sub-account shall at all times be fully vested. Effective after April 30, 2014, no Employer shall make a Service Contact Act Contribution to the Plan.

4.02 **Rollover Contributions**. An Employee may file an application with the Plan's third party administrator to have the Trustee accept his Rollover Contribution, even if he has not satisfied the eligibility requirements to become a Participant. Any such request shall state the amount of the Rollover Contribution and include a statement that such contribution qualifies as a Rollover Contribution. In addition, the Committee may require the Employee to submit such other evidence and documentation as the Committee and the Trustee determine is necessary to insure that the contribution qualifies as a Rollover Contribution.

If the Committee and the Trustee accept the Rollover Contribution, the Employee's Rollover Contribution shall be credited to the Employee's Rollover Contribution sub-account. The Employee shall elect to direct the investment of his Rollover Contribution among the investment alternatives as are then currently available. The Employee shall at all times be fully vested in his Rollover Contribution sub-account.

In addition to distributions from a qualified plan described in section 401(a) or 403(a) of the Code that are otherwise includible in gross income or a "conduit IRA" containing those assets, the Plan will accept Rollover Contributions (including direct Rollover Contributions in accordance with section 401(a)(31) of the Code), subject to the Committee's determination that such amounts meet the requirements for Rollover Contributions, of (1) distributions from an annuity contract described in section 403(b) of the Code that are otherwise includible in gross income, (2) distributions from an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, that are otherwise includible in gross income and (3) distributions from an individual retirement account or annuity described in section 408(a) or (b) of the Code that are otherwise includible in gross income.

At the direction of the Committee, and in accordance with such rules as the Committee may establish from time to time, the Trustee may accept a rollover contribution to the after-tax portion of an Employee Contribution sub-account or the After-Tax Contribution sub-account only if it is a direct rollover from another Roth salary deferral contribution or after-tax account under an eligible retirement plan under a plan described in section 401(k) of the Code, an annuity contract described in section 403(b) of the Code or an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state or any agency or instrumentality of a state or political subdivision of a state, and the Trustee will credit such amounts to the after-tax portion of the Employee Contribution sub-account or the After-Tax Contribution sub-account established in the name of the Participant to the extent the rollover contribution is separately accounted for thereunder and is permitted under the rules of section 402(c) of the Code.

4.03 Distribution of Employee Contributions that Exceed the Statutory Limitation. If any amount constituting "excess deferrals", within the meaning of section 402(g) of the Code, is required to be included in the gross income of a Participant under section 402(g)(1) of the Code for any taxable year of the Participant, the Participant shall notify the Committee of such excess deferrals by March 1 following the close of the taxable year with respect to which the excess deferrals were made, and the Committee shall direct the Trustee to distribute, in accordance with section 402(g)(2) of the Code and the regulations thereunder, to the Participant, not later than the next following April 15, the amount of excess deferrals allocated to the Plan for such taxable year, including any income allocable thereto for the taxable year. No Employer Matching Contributions shall be made with respect to such excess deferrals; or if Employer Matching Contributions have been made with respect to such excess deferrals, they shall be forfeited. In all events, the income attributable to excess deferrals will be determined in accordance with section 402(g) of the Code and the regulations issued thereunder.

4.04 Change of Contribution Rate and Suspension of Contributions. A Participant may elect to change the percentage rate of salary reduction specified in his salary reduction authorization or automatic salary reduction authorization or to suspend his Employee Contributions in the manner prescribed by the Committee. Any such change will become effective as soon as administratively feasible.

A Participant may elect to suspend all of his Employee Contributions and After-Tax Contributions, which results in the cancellation of the salary reduction authorization between the Participant and the Employer, in accordance with procedures promulgated by the Committee. Any such suspension will become effective as soon as administratively feasible. A Participant whose Employee Contributions and After-Tax Contributions have been suspended as provided in this paragraph may reinstate such contributions in accordance with procedures promulgated by the Committee, which shall be effective as soon as administratively feasible.

See Section 6.04 for a discussion of the mandatory suspension of contributions following a hardship withdrawal.

4.05 Payment to the Trustee. Employee Contributions and After-Tax Contributions shall be transmitted to the Trustee as soon as administratively feasible, but in no event later than the fifteenth (15th) business day of the month following the month in which the Employee Contributions and After-Tax Contributions would otherwise have been payable to the Participant in cash. Employer Matching Contributions shall be transmitted to the Trustee no later than the date prescribed by law for the filing of the Corporation's Federal tax return for the year for which the contribution is made, including extensions of such time granted by the Internal Revenue Service. Employer Discretionary Profit-Sharing Contributions and Service Contract Act Contributions, if made for a particular year, shall be transmitted to the Trustee no later than December 31 of the year after the year for which the contribution is made. Notwithstanding the foregoing, in no event shall Employee Contributions, After-Tax Contribution, or Employer Matching Contributions be contributed to the Fund (i) before the Participant has made a salary reduction election or has an automatic salary reduction election made on his behalf pursuant to

Sections 3.02 and 4.01(a), or (ii) before the earlier of (A) the Participant's performance of services that relate to the Compensation that, but for the Participant's salary reduction election, would have been paid to the Participant or (B) the date the Compensation is made currently available to the Participant.

4.06 **Safe Harbor Requirements**. The Plan is intended to satisfy the safe harbor requirements in accordance with section 401(k)(12)(B) of the Code, and as such is not subject to the nondiscrimination testing under section 401(k)(3) of the Code. The Plan is further intended to satisfy the safe harbor requirements in accordance with section 401(m)(11) of the Code, and as such is not subject to nondiscrimination testing under section 401(m)(2) of the Code.

4.07 **Maximum Benefit and Contribution Limitations**.

(a) In accordance with the requirements of section 415 of the Code and the final regulations issued on April 5, 2007 thereunder (which are hereby incorporated by reference), in no event shall the contributions made to a Participant's Employee Account for any Plan Year exceed the amount permitted under section 415 of the Code. As of January 1 of each calendar year, the dollar limitation under section 415(c)(1)(A) of the Code, as adjusted pursuant to section 415(d) of the Code, shall become effective under the Plan.

(b) For the purposes of section 415 of the Code and this Section 4.07, compensation means wages as reported in Box 1 on Form W-2, or in such other box or on such other form as may be designated for purposes of withholding tax by the Federal government. Compensation shall also include elective deferrals, as defined in section 402(g) of the Code, and amounts that are excluded from compensation under section 125 or 457 of the Code. Effective January 1, 2008, the definition of compensation for purposes of applying the limitations under section 415 of the Code shall comply with section 1.415(c)-2(d)(4) of the Treasury Regulations and shall be subject to the following:

(i) Compensation for a limitation year shall also include the following amounts if paid by the later of two and one-half (2½) months after the Participant's severance from employment or the end of the limitation year that includes the date of the Participant's severance from employment: payments of regular compensation for services during the Participant's regular working hours, or compensation for services outside the Participant's regular working hours (such as overtime or shift deferential), commissions, bonuses, or other similar payments; provided that, absent a severance from employment, the payments would have been made to the Participant while the Participant continued employment with the Corporation or an Affiliated Employer.

(ii) Any payment not described in Section 4.07(b)(i) above will not be included in compensation if paid after the Participant's severance from employment, even if paid by the later of two and one-half (2½) months after the date of severance from employment or the end of the limitation year that includes the date of the severance from employment; provided, however, that compensation shall include amounts paid by the Corporation or an Affiliated

Employer to an individual who does not currently perform services for the Corporation or an Affiliated Employer by reason of qualified military service (within the meaning of section 414(u)(5) of the Code) to the extent such amounts do not exceed the amounts the individual would have received if the individual had continued to perform services for the Corporation or Affiliated Employer rather than entering qualified military service.

(iii) Compensation shall not include amounts in excess of the applicable dollar limit under section 401(a)(17) of the Code, as adjusted by the Internal Revenue Service for increases in the cost of living determined in accordance with section 401(a)(17)(B) of the Code and the regulations and other guidance issued thereunder.

(iv) Compensation shall include any differential wage payment (as defined in section 3401(h)(2) of the Code) made by the Employer.

(c) The limitation year, as defined in section 415 of the Code, for the Plan shall be the Plan Year. If for any Plan Year the limitation of this Section 4.07 shall be exceeded, then the Plan shall correct such excess in accordance with the Employee Plans Compliance Resolution System ("EPCRS") as set forth in Revenue Procedure 2013-12 or any superseding guidance.

(d) If a Participant also participates in another tax-qualified defined contribution plan maintained by the Corporation or an Affiliated Employer (as modified by application of section 415(h) of the Code), the various plans shall be considered a single defined contribution plan and the otherwise applicable limitation on the contributions made to a Participant's Employee Account for any Plan Year under this Plan shall be adjusted as follows:

(i) If the Participant previously participated in another tax-qualified defined contribution plan maintained by the Corporation or an Affiliated Employer (as modified by the application of section 415(h) of the Code) within the same limitation year prior to becoming a Participant in the Plan, the otherwise applicable limitation on the contributions made to a Participant's Employee Account for any Plan Year under this Plan for that limitation year shall be reduced by the amount of annual additions (within the meaning of section 415(c)(2) of the Code) allocated under any such other defined contribution plan for that limitation year; and

(ii) If, at any point during a limitation year, a Participant ceases being a Participant in the Plan and becomes a participant in another tax-qualified defined contribution plan maintained by the Corporation or an Affiliated Employer (as modified by the application of section 415(h) of the Code) within the same limitation year, the otherwise applicable limitation on annual additions (within the meaning of section 415(c)(2) of the Code) under any such other defined contribution plan for that limitation year shall be reduced by the amount of the contributions made to a Participant's Employee Account for any Plan Year allocated under the Plan for that limitation year.

ARTICLE 5
INVESTMENT ELECTIONS AND ACCOUNTS OF PARTICIPANTS

5.01 **Participant Investment Elections**. Subject to Section 5.03, at such time and in such manner as designated by the Committee, a Participant may elect to direct the investment of his Employee Account balance among the investment alternatives provided for in accordance with Section 5.02. In the event no investment election is received, a Participant's Employee Account shall be invested in an investment fund as available from time to time, which has been designated as a default investment fund by the Committee, and may constitute a qualified default investment alternative within the meaning of section 404(c)(5) of ERISA.

If and to the extent the Plan is an "applicable defined contribution plan" (as defined in Section 401(a)(35) of the Code) by virtue of the Plan holding applicable publicly traded securities, a Participant must be offered the opportunity to elect to divest any portion of the Participant's Employee Account invested in employer securities and reinvest an equivalent amount in other investment alternatives. At least three investment alternatives (other than employer securities) shall be offered to such Participants. Each investment alternative shall be diversified and have materially different risk and return characteristics. Periodic reasonable divestment and reinvestment opportunities shall be provided at least quarterly. Except as provided in Treasury Regulation Sections 1.401(a)(35)-1(e)(2) and (3), restrictions (either direct or indirect) or conditions will not be imposed on the investment of publicly traded employer securities if such restrictions or conditions are not imposed on the investment of other Plan assets.

5.02 **Investment Alternatives**. The Committee will direct the Trustee as to the specific investment alternatives which may be available from time to time. Each Participant shall inform the Trustee of his investment election and the Trustee shall allocate his Employee Account accordingly.

5.03 **SLM Stock Fund**. All investments in SLM Common Stock shall be maintained in the SLM Stock Fund. Each Employee described in Section 1.02(a) may allocate contributions, if any, to the SLM Stock Fund. Each individual described in Section 1.02(b) and each individual described in Section 1.02(c) shall be prohibited from increasing their holdings in the SLM Stock Fund and may elect to liquidate their holdings in the SLM Stock Fund and invest the proceeds in any other investment alternative offered under the Plan.

5.04 **Allocation to Accounts**. As of each Valuation Date, the Trustee shall determine the fair market value of the Fund, as well as the fair market value of the Employee Account of each Participant. The value of the Employee Account of each Participant as of a Valuation Date, shall be equal to the value of such Account as of the last Valuation Date, plus or minus all applicable adjustments, including the following:

(a) Allocation of Investment Earnings and Expenses. The Participant's Employee Account shall be credited with the amount of investment income, any realized or unrealized capital gains or losses and any expenses since the last Valuation Date, in accordance with a policy promulgated by the Committee.

(b) Allocation of Employer Contributions. The Employee Contribution sub-account, After-Tax Contribution sub-account, Employer Matching Contribution sub-account, Employer Discretionary Profit-Sharing Contribution sub-account, Employer Core Contribution sub-account, and Service Contract Act Contribution sub-account, if any, of each Participant shall be credited with any Employee Contributions, After-Tax Contribution sub-account, Employer Matching Contributions, Employer Discretionary Profit-Sharing Contributions, Employer Core Contributions (for Plan Years ending on or before December 31, 2017), and Service Contract Act Contributions respectively, which have been contributed thereto in accordance with Section 4.01 and allocated to the Participant's Employee Account. Employee Contributions, After-Tax Contribution sub-account, any Employer Matching Contributions which are based on the Employee Contributions, After-Tax Contribution sub-account, Employer Discretionary Profit-Sharing Contributions, Employer Core Contributions (for Plan Years ending on or before December 31, 2017), and any Service Contract Act Contributions shall be allocated to the Employee Account as of the Trustee's receipt of such contributions. The Qualified Non-Elective Contribution sub-account contains any Qualified Non-Elective Contributions that were previously contributed and allocated to the Participant's Employee Account.

(c) Allocation of Loan Repayments. The appropriate sub-accounts of the Employee Account of each Participant shall be credited with all loan repayments, such repayments being credited towards both principal and interest.

(d) Allocation of Withdrawals and Distributions. The appropriate sub-accounts of the Employee Account of each Participant shall be charged with any withdrawals or loans made pursuant to Article 6 and with any distributions made pursuant to Article 8 since the last Valuation Date.

5.05 Determination of Account Balances Binding. In determining the value of the Fund and Employee Accounts, the Trustee and the Committee shall exercise their best judgment, and all such determinations of value in the absence of bad faith shall be binding upon all Participants and their Beneficiaries.

5.06 Participation of Additional Employers. Subject to Section 14.12, in the event that affiliated or subsidiary organizations become signatory hereto, the Trustee may invest all funds without segregating assets between or among signatory Employers.

5.07 Voting Rights of SLM Common Stock. Each Participant and former Participant who terminated employment or, in the event of his death, his Beneficiary shall have the right to direct the Trustee as to the manner in which whole shares of SLM Common Stock allocated to his Employee Account as of the record date are to be voted on each matter brought before an annual or special shareholders' meeting. Before each such meeting of shareholders, the Trustee shall cause to be furnished to each Participant, former Participant who terminated employment and Beneficiary a copy of the proxy solicitation material, together with a form requesting directions on how such shares of SLM Common Stock allocated to such Participant's account shall be voted on each such matter. Upon timely receipt of such directions, the Trustee shall on each such matter vote, as directed, the number of shares of SLM Common Stock allocated to such Participant's Employee Account, and the Trustee shall have no discretion in such matter. The Trustee shall establish procedures as are necessary to maintain the confidentiality from the Employer of the directions of individuals. The Trustee shall vote allocated shares for which it has not received direction and unallocated shares of SLM Common Stock in the same proportion as directed shares are voted, and shall have no discretion in such matter.

ARTICLE 6
IN-SERVICE WITHDRAWALS AND LOANS

6.01 <u>Withdrawals from Voluntary Contribution and Participant Contribution Sub-Accounts</u>. A Participant is entitled to make up to two (2) withdrawals each Plan Year, on any business date, from his voluntary contribution sub-account and up to two (2) withdrawals each Plan Year, on any business date, from his participant contribution sub-account; provided, however, that after the withdrawal, his Vested Benefit equals or exceeds the amount of the security for his loans, if any, under Section 6.05. The amount credited to his voluntary contribution sub-account and participant contribution sub-account shall be determined on the date of the withdrawal. Any amount withdrawn by a Participant under this Section 6.01 shall be deemed to have been first withdrawn from his voluntary contributions, then from his participant contributions, then from the investment earnings on his voluntary contributions, and finally from the investment earnings on his participant contributions. Withdrawals from the voluntary contribution sub-account and the participant contribution sub-account may be in cash or in SLM Common Stock. Withdrawals shall be made from the investment funds in which the sub-account is invested in accordance with a policy promulgated by the Committee, except that a Participant may not receive a distribution from the SLM Common Stock Fund, if he is restricted from trading in the SLM Common Stock Fund at the time of the distribution. The Committee may establish a minimum amount that may be withdrawn under this Section 6.01, or under this Section 6.01 and any other Section of Article 6, in the aggregate.

6.02 <u>Withdrawals from Rollover Contribution Sub-Accounts</u>. A Participant is entitled to make up to two (2) withdrawals each Plan Year, on any business day, from his Rollover Contribution sub-account; provided, however, that after the withdrawal his Vested Benefit equals or exceeds the amount of the security for his loans, if any, under Section 6.05. The number of withdrawals permitted under this Section 6.02 shall be decreased by the number of any withdrawal from a Participant's voluntary contribution or participant contribution sub-accounts pursuant to Section 6.01, unless the withdrawal pursuant to this Section 6.02 is made on the same date as the withdrawal pursuant to Section 6.01. The amount credited to his Rollover Contribution sub-account shall be determined on the date of the withdrawal. Withdrawals from the Rollover Contribution sub-account may be made only in cash. The Participant may make a withdrawal from his Rollover Contribution sub-account provided that the Participant elects to withdraw, or has already withdrawn, one hundred percent (100%) of the amounts credited to his voluntary contribution and participant contribution sub-accounts. Withdrawals shall be made from each investment fund in accordance with a policy promulgated by the Committee, except that a Participant may not receive a distribution from the SLM Common Stock Fund if he is restricted from trading in SLM Common Stock on the date of the distribution. The Committee may establish a minimum amount that may be withdrawn under this Section 6.02, or under this Section 6.02 and any other Section of Article 6 in the aggregate.

6.03 Withdrawals from Employer Matching Contribution Sub-Accounts, Employer Discretionary Profit-Sharing Contribution Sub-Accounts, Employer Core Contribution Sub-Accounts, and Service Contract Act Contribution Sub-Accounts. A Participant who has completed five (5) Years of Participation in the Plan as of the date of a withdrawal and who has elected to withdraw, or has already withdrawn, one hundred percent (100%) of the amounts credited to his voluntary contribution, participant contribution, and Rollover Contribution sub-accounts is entitled to make up to two (2) withdrawals (per sub-account type) each Plan Year, on any business day, of any part or all of the amount credited to each of the following sub-accounts: his Employer Matching Contribution sub-account (with respect to Employer Matching Contributions made prior to January 1, 2003 only) (referred to as "Pre-2003 Employer Matching Contributions"), his Employer Discretionary Profit-Sharing Contribution sub-account, his Employer Core Contribution sub-account and his Service Contract Act Contribution sub-account, if applicable; provided, however, that after the withdrawal his Vested Benefit equals or exceeds the amount of the security for his loans, if any, under Section 6.05. The amount credited to his Pre-2003 Employer Matching Contribution sub-account, his Employer Discretionary Profit-Sharing Contribution sub-account, his Employer Core Contribution sub-account, and his Service Contract Act Contribution sub-account shall be determined on the date of withdrawal. Withdrawals from the Pre-2003 Employer Matching Contribution sub-account, the Employer Discretionary Profit-Sharing Contribution sub-account, the Employer Core Contribution sub-account and the Service Contract Act Contribution sub-account may be made only in cash. Withdrawals shall be made from the investment funds in accordance with a policy promulgated by the Committee, except that a Participant may not receive a distribution from the SLM Common Stock Fund, if he is restricted from trading in SLM Common Stock on the date of distribution.

6.04 Hardship Withdrawals from Employee Contribution Sub-Accounts. In the event of financial hardship, a Participant may apply to the Plan's third party administrator for the distribution of part or all of the value of the vested portion of his Employee Account (excluding his Qualified Non-Elective Contribution sub-account and amounts credited to his Employer Matching Contribution sub-account and earnings thereon as well as earnings attributable to amounts credited to his Employee Contribution sub-account on or after January 1, 1989) determined as of the date of his hardship withdrawal; provided, however, that the Participant elects to withdraw, or has already withdrawn, one hundred percent (100%) of the amount he is able to withdraw from his voluntary contribution, participant contribution, Rollover Contribution, Pre-2003 Employer Matching Contribution, Employer Discretionary Profit-Sharing Contribution, Employer Core Contribution, and Service Contract Act Contribution sub-accounts, and provided that after the withdrawal his Vested Benefit equals or exceeds the amount of the security for his loans, if any, under Section 6.05. In addition, a hardship withdrawal will only be permitted if the Participant has applied for or received the maximum amount of loans available pursuant to the terms of the Plan. In accordance with procedures established by the Plan's third party administrator, a Participant's hardship withdrawal date is the business day coincident with or immediately following the date the Plan's third party administrator approves his application for the hardship withdrawal. Hardship withdrawals may be made only in cash. Hardship withdrawals shall be made from the investment funds in accordance with a policy promulgated by the Committee, except that no hardship distribution may be made from the SLM Common Stock Fund if the Participant is restricted from trading in SLM Common Stock at the time he requests the distribution.

A distribution will be on account of financial hardship if the distribution is made both on account of an immediate and heavy financial need of the Participant and is necessary to satisfy such financial need. A distribution from the Plan under this Section 6.04 may be made only for the following types of financial hardships:

(a) expenses for (or necessary to obtain) medical care described in section 213(d) of the Code previously incurred by the Participant, his Spouse, his designated Beneficiary, or his dependents (as defined in section 152 of the Code and without regard to sections 152(b)(1), 152(b)(2), and 152(d)(1)(B) of the Code), which expenses are not covered by insurance;

(b) costs directly related to the purchase of a principal residence for the Participant, excluding mortgage payments;

(c) payment of tuition, related educational fees, and room and board expenses for up to the next twelve months of post-secondary education for the Participant, his Spouse, children, his designated Beneficiary, or dependents (as defined in section 152 of the Code and without regard to sections 152(b)(1), 152(b)(2), and 152(d)(1)(B) of the Code);

(d) payments necessary to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage on that residence; or

(e) funeral or burial expenses for the Participant's deceased parent, Spouse, children, his designated Beneficiary, or dependents (as defined in section 152 of the Code and without regard to section 152(d)(1)(B) of the Code);

(f) expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under section 165 of the Code (determined without regard to whether the loss exceeds ten percent (10%) of adjusted gross income); or

(g) other events that qualify as a financial hardship distribution as provided for in revenue rulings, notices or other documents of general applicability published by the Internal Revenue Service under section 401(k) of the Code.

A distribution from the Plan for a financial hardship will not exceed the amount required to relieve the financial hardship, taking into account the extent such hardship may be satisfied from other resources that are reasonably available to the Participant. The amount of an immediate and heavy financial need may include any amounts necessary to pay any Federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution. Unless the Plan's third party administrator has actual knowledge to the contrary, a distribution will be treated as necessary to satisfy a financial need if the Participant represents in writing or such other form as may be required by the Plan's third party administrator that his financial hardship cannot reasonably be relieved:

(i) through reimbursement or compensation by insurance or otherwise;

(ii) by liquidation of the Participant's assets;

(iii) by cessation of Employee Contributions and After-Tax Contributions;

(iv) by other distributions or nontaxable loans from plans maintained by his Employer or by any other employer, or by borrowing from commercial sources on reasonable commercial terms in an amount sufficient to satisfy the need; or

(v) by cash dividends, if any, paid on the shares of SLM Common Stock in the Participant's Employee Account and available for distribution.

A need cannot reasonably be relieved by one of the actions listed immediately above if the effect would be to increase the amount of the need.

The Employee Contributions and After-Tax Contributions of a Participant who makes a hardship withdrawal will be suspended for the six (6) calendar-month period immediately following the date of his hardship withdrawal. Upon the termination of the six (6) calendar-month period of suspension, a Participant shall be eligible to re-elect to have Employee Contributions and After-Tax Contributions made on his behalf in accordance with Section 3.01(a).

6.05 __Loans__. The Committee will make loans available to all Participants who are parties in interest, as defined in section 3(14) of ERISA, on a reasonably equivalent basis. Such loans will be adequately secured, bear a reasonable rate of interest and be made in accordance with the rules in the Plan Loan Program Procedures, which is incorporated herein by reference.

ARTICLE 7
VESTING

7.01 **Vesting**. The amounts, if any, credited to a Participant's voluntary contribution, participant contribution, Employee Contribution, After-Tax Contribution, Employer Matching Contribution, Employer Discretionary Profit-Sharing Contribution, Service Contract Act Contribution, Qualified Non-Elective Contribution, and Rollover Contribution sub-accounts are nonforfeitable.

A Participant shall become one hundred percent (100%) vested in any amounts credited to his Employer Core Contribution sub-account upon the Participant's completion of one (1) Year of Vesting Service.

Notwithstanding the foregoing, a Participant shall become one hundred percent (100%) vested in all amounts in the Participant's Employee Account upon the earlier of the Participant reaching Normal Retirement Age or upon the Participant's Severance from Service Date, when such severance is due to the Participant's death or Disability. In addition, if a Participant dies on or after January 1, 2007 while performing qualified military service (as defined in section 414(u)(5) of the Code), the Participant shall become one hundred percent (100%) vested in all amounts in the Participant's Employee Account.

ARTICLE 8
DISTRIBUTIONS

8.01 Earliest Time for and Method of Distribution of Benefits.

(a) Except in the case of distributions under Article 6, a Participant's Vested Benefit may be distributed from the Plan no earlier than the Participant's termination of employment, death, Disability, or upon his attainment of age fifty-nine and one-half (59½).

(b) A Participant's entire Plan vested account balance shall be distributable on account of the Participant's severance from employment, regardless of when the severance from employment occurred. However, such a distribution shall be subject to the other provisions of the Plan regarding distributions, other than any provisions that required a separation from service before such amounts may be distributed.

Distributions shall be made in a lump sum, reduced by the outstanding balance of any loan. The Participant or his Beneficiary may elect to have the Participant's Vested Benefit paid (i) all in cash, (ii) all in SLM Common Stock or (iii) in a combination of cash and SLM Common Stock. If the Participant or Beneficiary elects to receive SLM Common Stock, fractional shares of SLM Common Stock will be paid in cash to the Participant or his Beneficiary.

8.02 Time of Payment. Upon a Participant's termination of employment, Disability, or death, the Participant (or his Beneficiary in the case of death) may request a distribution of benefits and such distribution shall be made as soon as administratively feasible after the Trustee receives such request for distribution; except as provided in Section 8.03, a distribution shall not be made to a former Participant who terminated employment, without his consent, before he attains his Normal Retirement Age, unless the distribution is made after the Plan terminates and the Employer and/or Affiliated Employer do not maintain another defined contribution plan, as defined in section 414(i) of the Code, other than an employee stock ownership plan, as defined in section 4975(e)(7) or 409(a) of the Code. The amount of the distribution will be the Participant's Vested Benefit as of the date of distribution.

If a Participant does not request to receive his Vested Benefit at his Severance from Service Date, then the Participant's Employee Account will continue to be subject to adjustments in accordance with Section 5.03.

8.03 Distribution of Small Benefits. Notwithstanding anything in Section 8.02 to the contrary, if the Participant's vested Employee Account balance does not exceed $1,000, his Employee Account balance shall be distributed to him after his Severance from Service Date without his request. If the Participant's vested Employee Account balance exceeds $1,000, then any mandatory distribution of his Employee Account balance before his Normal Retirement Age, to the extent such mandatory distribution is an Eligible Rollover Distribution subject to section 401(a)(31) of the Code, shall be automatically rolled over to an individual retirement account.

The net value of the vested portion of a Participant's account balance shall be determined by including that portion of the account that is attributable to rollover contributions (and earnings allocable thereto) within the meaning of sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Code.

8.04 **Latest Time for Distribution**. In no event may a distribution under this Article to a Participant begin later than the sixtieth (60th) day after the latest of the close of the Plan Year in which:

(a) occurs the date on which the Participant attains his Normal Retirement Age;

(b) occurs the fifth (5th) anniversary of the date on which the Participant commenced participation in the Plan; or

(c) the Participant terminates his service with an Employer or Affiliated Employer and is not then reemployed by another Employer or Affiliated Employer.

Notwithstanding the foregoing or any other provision in the Plan, in accordance with section 401(a)(9) of the Code and regulations thereunder, including the minimum distribution incidental benefit requirement of section 401(a)(9)(G) of the Code and sections 1.401(a)(9)-1 through 1.401(a)(9)-9 of the Treasury Regulations, benefit payments shall be made or commenced not later than April 1 of the calendar year following the later of (i) the calendar year in which a Participant attains age seventy and one-half (70½), or (ii) the calendar year in which the Participant retires; provided, however, that benefit payments to a Five Percent Owner shall be made or commence to be made no later than April 1 of the calendar year following the calendar year in which the Participant attains age seventy and one-half (70½). Plan benefits made in accordance with this provision shall be distributed over the life expectancy of the Participant. The Participant's life expectancy will be recalculated annually in accordance with section 401(a)(9)(D) of the Code. If minimum distributions have begun to a Participant pursuant to this paragraph, upon his subsequent termination of employment, his Vested Benefit will be paid to him under the rules in Sections 8.01 and 8.02, but not less rapidly than is required by section 401(a)(9) of the Code. In the case of a Participant's death, the Participant's entire Vested Benefit will be paid to his Beneficiary within five (5) years of the Participant's date of death.

Notwithstanding the preceding paragraph, if the amount of the payment required to commence on the date determined under the above paragraph cannot be ascertained by such date, a payment retroactive to such date shall be made no later than sixty (60) days after the earliest date on which the amount of such payment can be ascertained.

With respect to minimum required distributions under the Plan made on or after January 1, 2003 for calendar years beginning on or after January 1, 2003, the Plan will apply the minimum distribution requirements of section 401(a)(9) of the Code in accordance with

Appendix B to the Plan and the requirements of section 401(a)(9) of the Code and sections 1.401(a)(9)-1 through 1.401(a)(9)-9 of the Treasury Regulations.

Notwithstanding the foregoing provisions of Section 8.04, a Participant or Beneficiary who would have been required to receive required minimum distributions for 2009 but for the enactment of section 401(a)(9)(H) of the Code ("2009 RMDs"), and who would have satisfied that requirement by receiving distributions that are (1) equal to the 2009 RMDs or (2) one or more payments in a series of substantially equal distributions (that include the 2009 RMDs) made at least annually and expected to last for the life (or life expectancy) of the Participant, the joint lives (or joint life expectancy) of the Participant and the Participant's designated Beneficiary, or for a period of at least 10 years ("Extended 2009 RMDs"), will not receive those distributions for 2009, unless the Participant or Beneficiary chooses to receive such distributions. Participants and Beneficiaries described in the preceding sentence will be given the opportunity to elect to receive the distributions described in the preceding sentence. In addition, solely for purposes of applying the direct rollover provisions of the Plan, including but not limited to Section 2.14, 2009 RMDs and Extended 2009 RMDs (both as defined above) will be treated as Eligible Rollover Distributions.

8.05 **Missing Participant or Beneficiary**. Unclaimed benefits shall be canceled and applied to reduce Employer contributions if the Committee has not been able to locate the payee after making reasonable efforts to do so, in accordance with a procedure adopted by the Committee. Upon the cancellation of unclaimed benefits, the Plan shall have no further liability to pay the benefit. However, if the payee later submits a claim for his benefit, the canceled benefit shall be reinstated, without any adjustment for interest or earnings, and the Employer shall make an additional contribution to the Plan to fund the reinstated benefit. Notwithstanding anything in this Section 8.05 to the contrary, in the event any portion of such an Employee Account has been paid to the State pursuant to the State's escheat laws, to the extent permitted under Federal law, the Employee Account will not be reinstated upon the payee's filing of a claim, and the payee must look to the State for payment.

8.06 **Election of Direct Rollover of a Vested Benefit**. Notwithstanding any provision of the Plan to the contrary, a Participant or Qualified Beneficiary may elect, at the time and in the manner prescribed by the Committee, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Participant or Qualified Beneficiary in a Direct Rollover. In addition, notwithstanding the foregoing, solely to the extent permitted under Code Section 402(c)(11) and the regulations and other guidance issued thereunder, with respect to any portion of a distribution from the Plan on behalf of a deceased Participant, if a direct trustee-to-trustee transfer is made to an individual retirement plan described in Code Section 402(c)(8)(B)(i) or (ii), which individual retirement plan is established for the purposes of receiving the distribution on behalf of an individual who is a designated beneficiary (as defined by Code Section 401(a)(9)(E)) of the Participant and who is not the surviving spouse of the Participant, the transfer shall be treated as an Eligible Rollover Distribution for purposes of this Plan and Code Section 402(c). For purposes of this paragraph, to the extent provided in regulations or other guidance prescribed by the Internal Revenue Service under Code Section

402(c)(11), a trust maintained for the benefit of one or more designated beneficiaries shall be treated in the same manner as a trust designated beneficiary.

8.07 **Death of a Participant During Qualified Military Service**. If a Participant dies while performing qualified military service (as defined in section 414(u)(5) of the Code) on or after January 1, 2007, the Participant's Beneficiaries shall be entitled to any additional benefits (other than benefit accruals) under the Plan as if the Participant had died during service with the Employer.

ARTICLE 9
PLAN ADMINISTRATION

9.01 **Committee**. The Plan shall be administered by the SLM Corporation Retirement Committee, or such other committee as may be, appointed by, and serving at the pleasure of, the management-level Enterprise Risk Committee of the Corporation from time to time.

9.02 **Powers and Duties of the Committee**. The Committee shall have the discretion to determine all matters relating to eligibility and benefits under the Plan and shall have the discretion to determine all matters relating to the interpretation and operation of the Plan. Decisions of the Committee shall be binding unless arbitrary or capricious. In addition, the Committee shall have the responsibilities and duties described in the Charter of the Committee, as amended from time to time.

9.03 **Delegation of Responsibilities**. In accordance with the Charter of the Committee, as amended from time to time, the Committee may delegate certain Plan responsibilities to management of the Corporation.

ARTICLE 10
CONTROL AND MANAGEMENT OF ASSETS

10.01 In General.

(a) Trustee. All assets of the Plan shall be held by the Trustee pursuant to the terms of the Trust Agreement not inconsistent herewith. The Trustee shall follow the policies and guidelines of the Committee with respect to the choice of investment alternatives. Each Participant or Beneficiary shall have the right to direct the Trustee with respect to the investment of his Employee Account and the Trustee shall follow the investment directions of the Participant or Beneficiary in accordance with section 404(c) of ERISA. In the event the Participant or Beneficiary fails to provide an investment direction, the Trustee shall invest the Employee Account in the default investment fund selected by the Committee, which may constitute a qualified default investment alternative fund within the meaning of section 404(c)(5) of ERISA.

(b) Named Fiduciary for Investment. The Committee shall serve as the Named Fiduciary and shall develop the overall policies and guidelines for the investment of Plan assets, including the selection of the investment alternatives which are to be made available to Participants.

ARTICLE 11
FIDUCIARY LIABILITY INSURANCE AND INDEMNIFICATION

11.01 **Fiduciary Liability Insurance**. The Plan may purchase insurance for its fiduciaries or for itself to cover liability or losses occurring by reason of the act or omission of a fiduciary, if such insurance permits recourse by the insurer against such a fiduciary who has committed a breach of fiduciary duties. A fiduciary may purchase insurance to cover his own liability for any act or omission. Each Employer may purchase insurance to cover potential liability of one or more persons who serve in a fiduciary capacity with respect to the Plan. Nothing in this Section 11.01 shall be construed as requiring the purchase of any insurance.

11.02 **Indemnity**. The Employers may, consistent with applicable law, indemnify the members of the Board of Directors, and the members of the Committee from any liability, loss or other financial consequence with respect to any act or omission relating to the Plan by means other than the provision of fiduciary liability insurance; except that to the extent any such liability, loss or consequence results from a person's gross negligence or willful misconduct, such person shall not be so indemnified. The provisions of Section 11.01 shall apply, to the extent applicable, prior to the provisions of this Section 11.02.

ARTICLE 12
AMENDMENTS TO OR TERMINATION OF THE PLAN

12.01 **Right of Corporation to Amend or Terminate the Plan**. While it is the intention of the Corporation to continue the Plan indefinitely, the Corporation reserves the right to terminate its contributions or terminate the Plan in whole or in part at any time by an instrument in writing pursuant to authority of a vote of the Board of Directors. The Corporation reserves the right to amend the Plan pursuant to authority granted to the Corporation and may delegate such authority. However, the Plan shall not be amended in such manner as would cause or permit any part of the Fund to be diverted to purposes other than for the exclusive benefit of Participants of the Plan and their Beneficiaries, nor in such manner as would cause or permit any portion of such corpus to revert to, or become the property of, any Employer prior to the satisfaction of all liabilities under the Plan with respect to such Participants or to increase the duties or liabilities of the Trustee without its written consent. Unless otherwise required or permitted by law, no amendment to the Plan shall decrease a Participant's account balance or eliminate an optional form of distribution notwithstanding the preceding sentence. Furthermore, no amendment to the Plan shall have the effect of decreasing a Participant's vested interest determined without regard to such amendment as of the later of the date such amendment is adopted, or the date it becomes effective. Notwithstanding any provision of the Plan to the contrary, effective on or after August 9, 2006, no amendment shall decrease a Participant's or former Participant's accrued benefit under the Plan as of the applicable amendment date, or otherwise place greater restrictions or conditions on a Participant's or former Participant's right to protected benefits under section 411(d)(6) of the Code, even if the amendment merely adds a restriction or condition that is otherwise permitted under the vesting rules in sections 411(a)(3) through (11) of the Code.

12.02 **Termination of Plan**. In the event that the Plan is terminated or partially terminated or in the event of a complete discontinuance of contributions, the right of all Participants, or those Participants so affected in the case of a partial termination, to benefits accrued under the Plan as of the date of such termination, partial termination or discontinuance of contributions, shall be non-forfeitable; and after providing for the expenses of the Plan, the remaining assets of the Plan shall be allocated by the Committee. Upon complete termination of the Plan, the Committee shall liquidate the entire Fund as soon as administratively practical if the Employers and Affiliated Employers do not maintain another defined contribution plan, as defined in section 414(i) of the Code, other than an employee stock ownership plan, as defined in section 4975(e)(7) or 409(a) of the Code.

12.03 Withdrawal of an Employer. Each Employer which adopts the Plan shall have the right at any time to terminate the Plan as to its employees or to withdraw its share of assets from the Fund while the Plan continues in effect for the employees of each other Employer. In the event of such withdrawal or termination, such Employer shall deliver to the Corporation and the Committee, at least thirty (30) days prior to the effective date of such termination or withdrawal, a certified copy of the vote of its governing body authorizing such termination or withdrawal. The Committee will advise the Trustee to segregate a portion of the Fund representing the interest of the Employees of such Employer in the Fund. The Trustee, as directed by the Committee, shall transfer such assets to a fund exempt under section 501 of the Code for purposes of providing benefits for such Employees under another plan, or if no such fund exists, distribute such assets currently to the Employees of the withdrawing Employer.

12.04 Plan-to-Plan Transfer. Upon the sale of substantially all of the assets and liabilities of an Employer, the Committee may, upon the written request of the purchaser of such assets and liabilities, instruct the Trustee to segregate a portion of the Fund representing the interest in the Fund of Employees who continue employment with such purchaser and to transfer such portion of the Fund to the plan of such purchaser; provided, however, that such purchaser represents to the Committee that the plan is qualified under section 401(a) of the Code and that the benefit of each Employee immediately after the transfer shall be at least equal to the benefit the Employee was entitled to immediately before the transfer.

ARTICLE 13
TOP HEAVY PROVISIONS

13.01 **Top Heavy Plan Requirements**. Notwithstanding any other provision of the Plan, if for any Plan Year the Plan is determined to be a Top Heavy Plan, then the top heavy minimum benefit requirement of section 416(c) of the Code, as set forth in Section 13.02, shall apply.

13.02 **Top Heavy Minimum Contribution Requirement**. For any Plan Year with respect to which the Plan is determined to be a Top Heavy Plan, with respect to each Employee who is a Non-Key Employee for such Plan Year, the Top Heavy requirements shall be met by the Plan providing the minimum accrued benefit derived from employer contributions necessary to satisfy the benefit requirement of section 416(c) of the Code.

13.03 **Top-Heavy Provisions**.

(a) This Section 13.03 shall apply for purposes of determining whether the plan is a Top-Heavy Plan under section 416(g) of the Code and whether the Plan satisfies the minimum benefits requirements of section 416(c) of the Code.

(b) Minimum Benefits/Matching Contributions. Employer matching contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of section 416(c)(2) of the Code, and the Plan. The preceding sentence shall apply with respect to matching contributions under the Plan or, if the Plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Employer matching contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of section 401(m) of the Code.

ARTICLE 14
MISCELLANEOUS

14.01 **Rights of Employees**. Nothing herein contained shall be deemed to give any employee the right to be retained in the employ of the Employer or to interfere with the right of the Employer to discharge such employee at any time, nor shall it be deemed to give the Employer the right to require the employee to remain in its employ, nor shall it interfere with the employee's right to terminate his employment at any time.

14.02 **Notice of Address**. Each person entitled to benefits under the Plan must inform the Committee, in accordance with a procedure adopted by the Committee, of his post office address and each change of post office address. Any communication, statement or notice addressed to such person at such address shall be deemed sufficient for all purposes of the Plan, and there shall be no obligation on the part of the Employer, the Committee or Trustee to search for or to ascertain the location of such person.

14.03 **Data**. Each person entitled to benefits under the Plan must furnish to the Committee such documents, evidence, or other information as the Committee considers necessary or desirable for the purposes of administering the Plan or to protect the Plan. The Committee shall be entitled to rely on representations made by employees, Participants and Beneficiaries with respect to age, marital status and other personal facts, unless it knows said representations are false.

14.04 **Merger**. This Plan shall not be merged into, or consolidated with, nor shall any assets or liabilities be transferred to, any plan under circumstances resulting in a transfer of assets or liabilities from this Plan to another plan, unless immediately after any such merger, consolidation or transfer, each Participant would, if the Plan had then terminated, receive a benefit immediately after the merger, consolidation or transfer which would be equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer, if the Plan had then terminated.

14.05 **Fund to be for the Exclusive Benefit of Participants**. The contributions of the Employers to the Fund shall be for the exclusive purpose of providing benefits to the Participants and their Beneficiaries and no part of the Fund shall revert to the Employers, except as follows:

(a) if a contribution is made to the Fund by an Employer under mistake of fact, such contribution shall be returned within one (1) year after its payment; or

(b) if any part or all of a contribution is disallowed as a deduction under section 404 of the Code with respect to an Employer, then to the extent of such disallowance it may be returned to the Employer within one (1) year after the disallowance. Employer contributions made to the Plan are conditioned on deductibility under section 404 of the Code. Notwithstanding the prior sentence, at the election of the Employer, contributions that are not deductible under section 404 of the Code solely because of section 404(a)(7) of the Code may be maintained in the Plan, provided such contributions do not exceed the greater of (i) the amount of contributions not in excess of six percent (6%) of compensation (within the meaning of section 404(a) of the Code and including any differential wage payment (as defined in section 3401(h)(2) of the Code) made by the Employer) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the Plan, or (ii) the sum of Employer Matching Contributions plus the amount of contributions described in section 402(g)(3)(A) of the Code.

14.06 Facility of Payment. If it shall be found that (a) a person entitled to receive any payment under the Plan is physically or mentally incompetent to receive such payment and to give a valid release thereof, and (b) another person or an institution is then maintaining or has custody of such person, and no guardian, committee or other representative of the estate of such person has been duly appointed by a court of competent jurisdiction, the payment may be made to such other person or institution referred to in (b) above, and the release of such other person or institution shall be a valid and complete discharge for the payment.

14.07 Restrictions on Alienation. Except with respect to the (a) creation, assignment, or recognition of a right to a benefit payable with respect to a Participant pursuant to a qualified domestic relations order (as defined in section 414(p) of the Code) and, (b) the creation, assignment, or recognition of a right to a benefit payable to the Plan pursuant to section 401(a)(13)(C) of the Code, no benefit payable under the Plan to any person shall be subject to any manner of anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be void; and no such benefit shall in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements, or torts of any person nor shall it be subject to attachment or legal process for, or against, any person, and the same shall not be recognized under the Plan. Distributions may be made to an alternate payee pursuant to a qualified domestic relations order (as defined in section 414(p) of the Code) before the Participant attains the earliest retirement date, as defined in section 414(p)(4)(B) of the Code, under the Plan.

14.08 Headings. The headings of the Plan are inserted for convenience and reference only and shall have no effect upon the meaning of the provisions hereof.

14.09 Construction. The Plan shall be construed, regulated and administered under the laws of the state of Delaware, except that if any such laws are superseded by any applicable Federal law or statute, such Federal law or statute shall apply.

14.10 Exclusion and Severability. Each provision hereof shall be independent of each other provision hereof and if any provision of the Plan proves to be, or is held by any court, or tribunal, board or authority of competent jurisdiction to be void or invalid as to any Participant or group of Participants, such provision shall be disregarded and shall be deemed to be null and void and not part of the Plan. However, such invalidation of any provision shall not otherwise impair or affect the Plan or any of the other provisions or terms hereof.

14.11 Special Rule Relating to Military Service. Notwithstanding any provision in this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with section 414(u) of the Code and the mandatory provisions of the Heroes Earnings Assistance and Relief Tax Act of 2008.

14.12 Application of Forfeitures. Forfeitures arising under the Plan with respect to an Employer's Participants shall be applied, at the discretion of that Employer, either to reduce that Employer's contributions in such proportions as that Employer may direct or to pay administrative expenses of the Plan. Non-vested amounts shall be forfeited from a Participant's Employee Account upon the earlier of (a) the date the entire vested portion of the Participant's Employee Account is distributed and (b) the date the Participant incurs a five (5)-year Period of Severance; provided that in the event such forfeiture occurs as of the date the entire vested portion of the Participant's Employee Account is distributed, such previously forfeited amount (without any adjustment for earnings) shall be reinstated on behalf of the Participant only if such Participant becomes re-employed before he incurs a five (5)-year Period of Severance, and the Participant repays back to the Plan the entire amount of the previous distribution before the earlier of (i) five (5) years after the first date on which the Participant is subsequently reemployed by the Employer, or (ii) the close of the first five (5)-year Period of Severance commencing after the date of distribution.

14.13 Contractual Limitation Period. No action at law or in equity shall be brought to recover benefits under the Plan until the mandatory appeal rights described in the Plan have been exercised and the Plan benefits requested in such appeal have been denied in whole or in part.

If any judicial proceeding is undertaken to appeal the denial of a claim, challenge the amount of any benefit under the Plan or bring any other action under ERISA other than a breach of fiduciary duty claim, any such judicial proceeding must be filed within the earlier date of the following: (a) ninety (90) days after the final decision on any administrative claim for benefits submitted to the Committee; or (b) within three (3) years after the date when the Participant or Beneficiary submits their authorization to commence payment of the Plan benefits at issue in the judicial proceeding.

The evidence presented in such a judicial proceeding will be strictly limited to the evidence timely presented to the Committee (or its designee).

ARTICLE 15
SPECIAL PROVISIONS APPLICABLE TO CORPORATE TRANSACTIONS

15.01 Special Vesting Provisions. The following provisions shall apply in determining a Participant's Vested Benefit.

(a) Former Employees of EFCI, Inc. Any Employee who becomes an employee of Education First Marketing L.L.C., effective January 1, 1997, shall be one hundred percent (100%) vested in his Employee Account at all times, provided his immediately preceding employer was EFCI, Inc. Notwithstanding the foregoing, amounts in any such Employee's Employer Core Contribution sub-account shall become one hundred percent (100%) vested upon the Employee's completion of one (1) Year of Vesting Service.

(b) Employees of Kaludis Consulting Group, Inc. Any Employee of Kaludis Consulting Group, Inc. whose Employment Commencement Date is prior to January 1, 1998, shall be one hundred percent (100%) vested in his Employee Account at all times. However, if an Employee described in the prior sentence incurs a Severance from Service Date and is subsequently reemployed by the Employer, any benefit accrued on or after the Reemployment Commencement Date shall not be subject to this special vesting provision, but shall be subject to the general vesting provisions described in Article 7. Notwithstanding the foregoing, amounts in any such Employee's Employer Core Contribution sub-account shall become one hundred percent (100%) vested upon the Employee's completion of one (1) Year of Vesting Service.

(c) Former Employees of USA Group. Individuals who were employed by USA Group on July 31, 2000, and who became eligible to be Participants in the Plan on August 1, 2000 shall be one hundred percent (100%) vested in any Employer Matching Contributions at all times.

(d) An individual described in Section 1.02(b) or 1.02(c) shall be one hundred percent (100%) vested in the portion of his Employer Matching Contribution and Employer Core Contribution sub-accounts invested in the SLM Stock Fund as of April 30, 2014.

(e) Matching contributions made to the Sallie Mae Retirement Savings Plan on behalf of a Participant prior to July 1, 2004 and transferred to the Participant's Employee Account under this Plan on or as soon as practicable after January 1, 2010 shall become vested in accordance with the following schedule:

Years of Vesting Service	**Percent Vested**
Less than one	0%
1 year	0%
2 years	50%
3 years	100%

(f) Matching contributions made to the Pioneer Credit Recovery 401(k) Savings Plan that were transferred to the Sallie Mae Retirement Savings Plan on January 1, 2005 and again transferred to the Participant's Employee Account under this Plan on or as soon as practicable after January 1, 2010 shall become vested in accordance with the following schedule:

Years of Vesting Service	Percent Vested
Less than one	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years	100%

15.02 USA Group Special Provisions.

(a) EIP Account Provisions. The following provisions shall apply to individuals who were employed by USA Group on July 31, 2000, who were eligible to and became Participants in the Plan on August 1, 2000, and who had "EIP Accounts" under the USA Group Plan (as described in Supplement C to the USA Group Plan ("Supplement C")) (hereinafter referred to as "USA Group/EIP Participants").

(i) Vesting. USA Group/EIP Participants shall be one hundred percent (100%) vested in their EIP Accounts as of August 1, 2000.

(ii) In-Service Withdrawals. USA Group/EIP Participants shall be permitted to take in-service withdrawals of the amounts credited to their EIP Accounts at any time in the form of a single lump sum representing all or a portion of the amount credited to the EIP Account in accordance with procedures established by the Committee.

(iii) Distributions. USA Group/EIP Participants shall be permitted to take distributions of amounts credited to their EIP Accounts only in the form of a single lump sum representing the entire amount credited to the EIP Account following their termination of employment and in accordance with procedures established by the Committee.

15.03 Southwest Student Services Corporation Special Provisions. With respect to any individual who is employed by Southwest Student Services Corporation on March 31, 2005, and who becomes a Participant in the Plan on April 1, 2005, such individual shall be one hundred percent (100%) vested in his Southwest plan account transferred to the Plan.

ARTICLE 16
SIGNATURE

The Plan as herein amended and restated has hereby been approved and is adopted effective as of the dates set forth herein on the date set forth below.

Bonnie Rumbold

Bonnie Rumbold

Senior Vice President and

Chief Human Resources Officer

Dated: December 7, 2017

APPENDIX A
SALLIE MAE 401(K) SAVINGS PLAN
PARTICIPATING EMPLOYERS

As of the date of this Plan restatement the following Employers participate in the Sallie Mae 401(k) Savings Plan:

- Upromise, Inc.
- Sallie Mae Bank
- SMB Servicing Company, Inc.
- SMB Business Development, Inc.
- SMB IT, Inc.
- SMB Shared Services, Inc.

APPENDIX B
<u>ADDITIONAL PROVISIONS RELATED TO REQUIRED MINIMUM DISTRIBUTIONS</u>

Effective for calendar years on and after January 1, 2003, the minimum required distributions made to Participants pursuant to Section 8.04 shall be made in accordance with the following provisions:

B.1 The Vested Benefit of each Participant who is a five percent (5%) owner (as defined in section 416(i) of the Code, but without regard to the top-heavy status of the Plan) shall be distributed or shall commence to be distributed, in accordance with section 401(a)(9) of the Code and the regulations issued thereunder, no later than the April 1 following the close of the calendar year in which the Participant attains age 70½, regardless of whether his employment is terminated as of such date. The Vested Benefit of each Participant who is not a five percent (5%) owner shall be distributed or shall commence to be distributed, in accordance with section 401(a)(9) of the Code and the regulations issued thereunder, no later than the April 1 following the later of: (a) the calendar year in which the Participant attains age seventy and one-half (70½), or (b) the calendar year in which the Participant terminates employment. All distributions under this Plan shall comply with the incidental death benefit requirements of section 401(a)(9)(G) of the Code and the regulations (including section 1.401(a)(9)-2 of the Treasury Regulations) and other guidance issued thereunder.

B.2 The provisions of this Section B.2 will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year. The requirements of this Section B.2 will take precedence over any inconsistent provisions of the Plan. All distributions required under this Section will be determined and made in accordance with the Treasury Regulations under section 401(a)(9) of the Code.

(a) <u>Time and Manner of Distribution</u>. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date. If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(1) If the Participant's surviving Spouse is the Participant's sole Designated Beneficiary, then distribution of the Participant's Vested Benefit shall be made to the surviving Spouse pursuant to Section 8.04.

(2) If the Participant's surviving Spouse is not the Participant's sole Designated Beneficiary, then distribution of the Participant's Vested Benefit shall be made to the Designated Beneficiary pursuant to Section 8.04.

(3) If there is no Designated Beneficiary as of the date of the Participant's death, the Participant's Vested Benefit will be distributed pursuant to Sections 2.04, 8.04 and 8.05.

(4) If the Participant's surviving Spouse is the Participant's sole Designated Beneficiary and the surviving Spouse dies after the Participant but before distributions to the surviving Spouse begin, this Section B.2(a), other than Section B.2(a)(1), will apply as if the surviving Spouse were the Participant.

For purposes of this Section B.2(a) and Section B.2(d), unless Section B.2(a)(4) applies, distributions are considered to begin on the Participant's Required Beginning Date. If Section B.2(a)(4) applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under Section B.2(a)(1).

(b) Forms of Distribution. Unless the Participant's interest is distributed in a single sum on or before the Required Beginning Date, as of the first Distribution Calendar Year distributions will be made in accordance with Sections B.2(c) and B.2(d).

(c) Required Minimum Distributions During Participant's Lifetime. During the Participant's lifetime, the minimum amount that will be distributed for each Distribution Calendar Year is the lesser of:

(1) the quotient obtained by dividing the Participant's 401(a)(9) Account Balance by the distribution period in the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury Regulations, using the Participant's age as of the Participant's birthday in the Distribution Calendar Year; or

(2) if the Participant's sole Designated Beneficiary for the Distribution Calendar Year is the Participant's Spouse, the quotient obtained by dividing the Participant's 401(a)(9) Account Balance by the number in the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9 of the Treasury Regulations, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the Distribution Calendar Year.

Required minimum distributions will be determined under this Section B.2(c) beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Participant's date of death.

(d) If the Participant dies on or after the date distributions begin, the Participant's entire remaining interest under the Plan will be distributed in accordance with Section B.2(a).

(e) For purposes of this Section B.2, the following terms shall have the meanings as set forth below unless the context requires otherwise:

(1) Designated Beneficiary. The individual who is the Beneficiary and is the Designated Beneficiary under section 401(a)(9) of the Code and section 1.401(a)(9)-4, Q&A-1, of the Treasury Regulations.

(2) Distribution Calendar Year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin under Section B.2(a). The required minimum distribution for the Participant's first Distribution Calendar Year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other Distribution Calendar Years, including the required minimum distribution for the Distribution Calendar Year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that Distribution Calendar Year.

(3) Participant's 401(a)(9) Account Balance. The Vested Benefit balance as of the last valuation date in the calendar year immediately preceding the Distribution Calendar Year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the Vested Benefit balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The Vested Benefit balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the Distribution Calendar Year if distributed or transferred in the valuation calendar year.

(4) Required Beginning Date. The date specified in Section 8.04, as applicable.

AMENDMENT
TO THE
SALLIE MAE 401(k) SAVINGS PLAN

This Amendment to the Sallie Mae 401(k) Savings Plan as most recently restated effective as of January 1, 2015 is effective as of the dates set forth below by SLM Corporation (the "Company").

W I T N E S S E T H:

WHEREAS, the Company maintains the Sallie Mae 401(k) Savings Plan, originally effective as of April 1, 1974 (the "Plan");

WHEREAS, the Company reserves the right to amend the Plan, by action of its Board of Directors (the "Board") or its designee, pursuant to Section 12.01 of the Plan;

WHEREAS, the Board has delegated certain powers and authority related to the Plan, including amendment authority for the Plan, to the SLM Retirement Committee (the "Committee"); and

WHEREAS, the Company has determined that the Plan shall be amended in the following particulars, effective as of the dates indicated below:

NOW, THEREFORE BE IT RESOLVED, that the Plan is amended in the following particulars, effective as of the dates provided below:

1. Effective as of January 1, 2019, the first paragraph of Section 6.04 of the Plan shall be amended to read as follows:

"**6.04 Hardship Withdrawals from Employee Contribution Sub-Accounts**. In the event of financial hardship, a Participant may apply to the Plan's third party administrator for the distribution of part or all of the value of the vested portion of his Employee Account (excluding amounts credited to his Employer Matching Contribution sub-account and earnings thereon as well as earnings attributable to amounts credited to his Employee Contribution sub-account on or after January 1, 1989) determined as of the date of his hardship withdrawal; provided, however, that the Participant elects to withdraw, or has already withdrawn, one hundred percent (100%) of the amount he is able to withdraw from his voluntary contribution, participant contribution, Rollover Contribution, Pre-2003 Employer Matching Contribution, Employer Discretionary Profit-Sharing Contribution, Employer Core Contribution, and Service Contract Act Contribution sub-accounts, and provided that after the withdrawal his Vested Benefit equals or exceeds the amount of the security for his loans, if any, under Section 6.05. Notwithstanding the foregoing, and effective as of January 1, 2019, a Participant may request a distribution from part or all of the value of the vested portion of his Employee Account. In accordance with procedures established by the Plan's third party administrator, a Participant's hardship withdrawal date is the business day coincident with or immediately following the date the Plan's third party administrator approves his application for the hardship withdrawal. Hardship withdrawals may be made only in cash. Hardship withdrawals shall be made from the investment funds in accordance with a policy promulgated by the Committee, except that no hardship distribution may be made from the SLM

Common Stock Fund if the Participant is restricted from trading in SLM Common Stock at the time he requests the distribution."

2. Effective as of January 1, 2019, the last paragraph of Section 6.04 of the Plan shall be deleted in its entirety.

3. Effective as of April 1, 2018, the Plan shall be amended by deleting "SMB Servicing Company, Inc." from the List of Participating Employers contained in Appendix A.

FURTHER RESOLVED, that the members of the Committee (and any employee of SLM Corporation authorized by the Committee) are hereby authorized and directed to take all such actions, execute all such documents, and undertake any other actions that are necessary or desirable, in their discretion, to effectuate the foregoing in connection with the implementation of the above described actions.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed on December 31, 2018.

SLM CORPORATION

By: Bonnie Rumbold

Exhibit 21.1

SUBSIDIARIES OF
SLM CORPORATION

Incorporation	Jurisdiction of Name
Sallie Mae Bank	Utah

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of other subsidiaries of SLM Corporation are omitted because, considered in the aggregate, they would not constitute a significant subsidiary as of the end of the year covered by this report.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
SLM Corporation:

We consent to the incorporation by reference in the registration statements of SLM Corporation and subsidiaries (the Company):

Form	Registration Number
S-8	333-140285
S-8	333-125317
S-8	333-33575
S-8	333-33577
S-8	333-44425
S-8	333-53631
S-8	333-68634
S-8	333-80921
S-8	333-92132
S-8	333-109315
S-8	333-109319
S-8	333-159447
S-8	333-116136
S-8	333-181646
S-3	333-226337

of our reports dated February 28, 2020, with respect to the consolidated balance sheets of the Company as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2019, which reports appear in the December 31, 2019 annual report on Form 10-K of the Company.

/s/ KPMG LLP

McLean, Virginia
February 28, 2020

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Raymond J. Quinlan, certify that:

1. I have reviewed this annual report on Form 10-K 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/ RAYMOND J. QUINLAN
Raymond J. Quinlan
Executive Chairman and Chief Executive Officer
(Principal Executive Officer)
February 28, 2020

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Steven J. McGarry, certify that:

1. I have reviewed this annual report on Form 10-K 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)
February 28, 2020

Exhibit 32.1

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

In connection with the Annual Report of SLM Corporation (the "Company") on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Raymond J. Quinlan, Executive Chairman and 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/ RAYMOND J. QUINLAN

Raymond J. Quinlan
Executive Chairman and Chief Executive Officer
(Principal Executive Officer)
February 28, 2020

Exhibit 32.2

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

In connection with the Annual Report of SLM Corporation (the “Company”) on Form 10-K for the year ended December 31, 2019, 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

Steven J. McGarry
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
February 28, 2020