

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2021

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer 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

As of June 30, 2021, there were 305,807,223 shares of common stock outstanding.

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

	June 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 4,497,310	\$ 4,455,292
Investments:		
Trading investments at fair value (cost of \$29,049 and \$12,551)	35,908	16,923
Available-for-sale investments at fair value (cost of \$2,070,350 and \$1,986,957, respectively)	2,072,309	1,996,634
Other investments	141,400	80,794
Total investments	2,249,617	2,094,351
Loans held for investment (net of allowance for losses of \$1,160,244 and \$1,361,723, respectively)	20,115,144	19,183,143
Loans held for sale	—	2,885,640
Restricted cash	163,955	154,417
Other interest-earning assets	18,115	42,874
Accrued interest receivable	1,323,448	1,387,305
Premises and equipment, net	153,969	154,670
Income taxes receivable, net	349,107	374,706
Tax indemnification receivable	12,842	18,492
Other assets	41,668	19,533
Total assets	<u>\$ 28,925,175</u>	<u>\$ 30,770,423</u>
Liabilities		
Deposits	\$ 21,124,376	\$ 22,666,039
Short-term borrowings	199,379	—
Long-term borrowings	4,989,060	5,189,217
Other liabilities	308,982	352,332
Total liabilities	<u>26,621,797</u>	<u>28,207,588</u>
Commitments and contingencies		
Equity		
Preferred stock, par value \$0.20 per share, 20 million shares authorized:		
Series B: 2.5 million and 2.5 million shares issued, respectively, at stated value of \$100 per share	251,070	251,070
Common stock, par value \$0.20 per share, 1.125 billion shares authorized: 431.5 million and 456.7 million shares issued, respectively	86,302	91,346
Additional paid-in capital	1,058,698	1,331,247
Accumulated other comprehensive loss (net of tax benefit of (\$6,906) and (\$10,908), respectively)	(21,640)	(34,200)
Retained earnings	2,480,672	1,722,365
Total SLM Corporation stockholders' equity before treasury stock	3,855,102	3,361,828
Less: Common stock held in treasury at cost: 125.7 million and 81.4 million shares, respectively	(1,551,724)	(798,993)
Total equity	2,303,378	2,562,835
Total liabilities and equity	<u>\$ 28,925,175</u>	<u>\$ 30,770,423</u>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Interest income:				
Loans	\$ 430,099	\$ 480,170	\$ 861,903	\$ 1,035,447
Investments	3,168	3,096	5,896	5,759
Cash and cash equivalents	1,423	1,529	3,049	18,522
Total interest income	434,690	484,795	870,848	1,059,728
Interest expense:				
Deposits	57,256	100,246	123,854	235,358
Interest expense on short-term borrowings	5,700	3,399	8,902	7,616
Interest expense on long-term borrowings	32,950	32,375	68,194	67,863
Total interest expense	95,906	136,020	200,950	310,837
Net interest income	338,784	348,775	669,898	748,891
Less: provisions for credit losses	69,677	351,887	(156,090)	413,145
Net interest income (loss) after provisions for credit losses	269,107	(3,112)	825,988	335,746
Non-interest income:				
Gains (losses) on sales of loans, net	3,679	(369)	402,790	238,566
Gains on derivatives and hedging activities, net	89	3,751	117	49,423
Other income	48,580	25,412	62,868	32,899
Total non-interest income	52,348	28,794	465,775	320,888
Non-interest expenses:				
Operating expenses:				
Compensation and benefits	62,616	72,448	134,197	156,670
FDIC assessment fees	5,925	7,163	11,113	16,053
Other operating expenses	59,469	61,946	107,199	116,132
Total operating expenses	128,010	141,557	252,509	288,855
Restructuring expenses	70	—	1,147	—
Total non-interest expenses	128,080	141,557	253,656	288,855
Income (loss) before income tax expense (benefit)	193,375	(115,875)	1,038,107	367,779
Income tax expense (benefit)	53,174	(30,664)	256,699	90,817
Net income (loss)	140,201	(85,211)	781,408	276,962
Preferred stock dividends	1,192	2,478	2,393	5,942
Net income (loss) attributable to SLM Corporation common stock	\$ 139,009	\$ (87,689)	\$ 779,015	\$ 271,020
Basic earnings (loss) per common share attributable to SLM Corporation	\$ 0.45	\$ (0.23)	\$ 2.32	\$ 0.69
Average common shares outstanding	312,183	375,009	336,478	392,397
Diluted earnings (loss) per common share attributable to SLM Corporation	\$ 0.44	\$ (0.23)	\$ 2.28	\$ 0.69
Average common and common equivalent shares outstanding	317,119	375,009	341,544	395,191
Declared dividends per common share attributable to SLM Corporation	\$ 0.03	\$ 0.06	\$ 0.06	\$ 0.09

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 140,201	\$ (85,211)	\$ 781,408	\$ 276,962
Other comprehensive income (loss):				
Unrealized gains (losses) on investments	2,354	1,211	(7,717)	6,014
Unrealized gains (losses) on cash flow hedges	856	(2,343)	24,279	(48,037)
Total unrealized gains (losses)	3,210	(1,132)	16,562	(42,023)
Income tax (expense) benefit	(773)	335	(4,002)	10,319
Other comprehensive income (loss), net of tax (expense) benefit	2,437	(797)	12,560	(31,704)
Total comprehensive income (loss)	<u>\$ 142,638</u>	<u>\$ (86,008)</u>	<u>\$ 793,968</u>	<u>\$ 245,258</u>

See accompanying notes to consolidated financial statements.

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

	Common Stock Shares				Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
	Preferred Stock Shares	Issued	Treasury	Outstanding							
Balance at March 31, 2020	4,000,000	456,437,488	(81,348,528)	375,088,960	\$ 400,000	\$ 91,288	\$ 1,226,886	\$ (43,274)	\$ 1,243,722	\$ (798,039)	\$ 2,120,583
Net loss	—	—	—	—	—	—	—	—	(85,211)	—	(85,211)
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(797)	—	—	(797)
Total comprehensive loss	—	—	—	—	—	—	—	—	—	—	(86,008)
Cash dividends declared:											
Common stock (\$0.06 per share)	—	—	—	—	—	—	—	—	(22,749)	—	(22,749)
Preferred Stock, Series B (\$0.62 per share)	—	—	—	—	—	—	—	—	(2,478)	—	(2,478)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	15	—	(15)	—	—
Issuance of common shares	—	147,735	—	147,735	—	29	(30)	—	—	—	(1)
Stock-based compensation expense	—	—	—	—	—	—	7,579	—	—	—	7,579
Shares repurchased related to employee stock-based compensation plans	—	—	(908)	(908)	—	—	—	—	—	(7)	(7)
Balance at June 30, 2020	4,000,000	456,585,223	(81,349,436)	375,235,787	\$ 400,000	\$ 91,317	\$ 1,234,450	\$ (44,071)	\$ 1,133,269	\$ (798,046)	\$ 2,016,919

See accompanying notes to consolidated financial statements.

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

	Common Stock Shares				Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Equity
	Preferred Stock Shares	Issued	Treasury	Outstanding							
Balance at March 31, 2021	2,510,696	431,053,178	(102,701,602)	328,351,576	\$ 251,070	\$ 86,211	\$ 1,052,904	\$ (24,077)	\$ 2,350,986	\$ (1,108,630)	\$ 2,608,464
Net income	—	—	—	—	—	—	—	—	140,201	—	140,201
Other comprehensive income, net of tax	—	—	—	—	—	—	—	2,437	—	—	2,437
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	142,638
Cash dividends declared:											
Common stock (\$0.03 per share)	—	—	—	—	—	—	—	—	(9,264)	—	(9,264)
Preferred Stock, Series B (\$0.47 per share)	—	—	—	—	—	—	—	—	(1,192)	—	(1,192)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	59	—	(59)	—	—
Issuance of common shares	—	454,920	—	454,920	—	91	(131)	—	—	—	(40)
Stock-based compensation expense	—	—	—	—	—	—	6,444	—	—	—	6,444
Fees related to first-quarter 2021 common stock tender offer	—	—	—	—	—	—	(578)	—	—	—	(578)
Common stock repurchased	—	—	(22,806,841)	(22,806,841)	—	—	—	—	—	(439,477)	(439,477)
Shares repurchased related to employee stock-based compensation plans	—	—	(192,432)	(192,432)	—	—	—	—	—	(3,617)	(3,617)
Balance at June 30, 2021	2,510,696	431,508,098	(125,700,875)	305,807,223	\$ 251,070	\$ 86,302	\$ 1,058,698	\$ (21,640)	\$ 2,480,672	\$ (1,551,724)	\$ 2,303,378

See accompanying notes to consolidated financial statements.

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

	Common Stock Shares				Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
	Preferred Stock Shares	Issued	Treasury	Outstanding							
Balance at December 31, 2019	4,000,000	453,599,926	(32,506,562)	421,093,364	\$ 400,000	\$ 90,720	\$ 1,307,630	\$ (12,367)	\$ 1,850,512	\$ (324,659)	\$ 3,311,836
Cumulative adjustment for the adoption of ASU No. 2016-13 (CECL)	—	—	—	—	—	—	—	—	(952,639)	—	(952,639)
Balance at January 1, 2020	4,000,000	453,599,926	(32,506,562)	421,093,364	400,000	90,720	1,307,630	(12,367)	897,873	(324,659)	2,359,197
Net income	—	—	—	—	—	—	—	—	276,962	—	276,962
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(31,704)	—	—	(31,704)
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	245,258
Cash dividends declared:											
Common stock (\$0.09 per share)	—	—	—	—	—	—	—	—	(35,344)	—	(35,344)
Preferred Stock, Series B (\$1.49 per share)	—	—	—	—	—	—	—	—	(5,942)	—	(5,942)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	270	—	(280)	—	(10)
Issuance of common shares	—	2,985,297	—	2,985,297	—	597	2,284	—	—	—	2,881
Stock-based compensation expense	—	—	—	—	—	—	21,189	—	—	—	21,189
Common stock repurchased	—	—	(47,736,847)	(47,736,847)	—	—	(96,923)	—	—	(461,244)	(558,167)
Shares repurchased related to employee stock-based compensation plans	—	—	(1,106,027)	(1,106,027)	—	—	—	—	—	(12,143)	(12,143)
Balance at June 30, 2020	4,000,000	456,585,223	(81,349,436)	375,235,787	\$ 400,000	\$ 91,317	\$ 1,234,450	\$ (44,071)	\$ 1,133,269	\$ (798,046)	\$ 2,016,919

See accompanying notes to consolidated financial statements.

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

	Common Stock Shares				Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Equity
	Preferred Stock Shares	Issued	Treasury	Outstanding							
Balance at December 31, 2020	2,510,696	456,729,251	(81,441,252)	375,287,999	\$ 251,070	\$ 91,346	\$ 1,331,247	\$ (34,200)	\$ 1,722,365	\$ (798,993)	\$ 2,562,835
Net income	—	—	—	—	—	—	—	—	781,408	—	781,408
Other comprehensive income, net of tax	—	—	—	—	—	—	—	12,560	—	—	12,560
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	793,968
Cash dividends declared:											
Common stock (\$0.06 per share)	—	—	—	—	—	—	—	—	(20,170)	—	(20,170)
Preferred Stock, Series B (\$0.95 per share)	—	—	—	—	—	—	—	—	(2,393)	—	(2,393)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	522	—	(538)	—	(16)
Issuance of common shares	—	3,281,307	—	3,281,307	—	656	1,365	—	—	—	2,021
Stock-based compensation expense	—	—	—	—	—	—	17,568	—	—	—	17,568
Common stock repurchased and cancelled	—	(28,502,460)	—	(28,502,460)	—	(5,700)	(466,688)	—	—	—	(472,388)
Common stock repurchased	—	—	(43,007,211)	(43,007,211)	—	—	174,684	—	—	(734,801)	(560,117)
Shares repurchased related to employee stock-based compensation plans	—	—	(1,252,412)	(1,252,412)	—	—	—	—	—	(17,930)	(17,930)
Balance at June 30, 2021	2,510,696	431,508,098	(125,700,875)	305,807,223	\$ 251,070	\$ 86,302	\$ 1,058,698	\$ (21,640)	\$ 2,480,672	\$ (1,551,724)	\$ 2,303,378

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	2021	2020
Operating activities		
Net income	\$ 781,408	\$ 276,962
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provisions for credit losses	(156,090)	413,145
Income tax expense	256,699	90,817
Amortization of brokered deposit placement fee	8,194	10,128
Amortization of Secured Borrowing Facility upfront fee	1,486	1,346
Amortization of deferred loan origination costs and loan premium/(discounts), net	7,983	16,220
Net amortization of discount on investments	4,079	2,551
Unrealized gain on investments	—	(1,710)
Reduction (increase) in tax indemnification receivable	5,649	(567)
Depreciation of premises and equipment	7,545	7,677
Stock-based compensation expense	17,568	21,009
Unrealized (gains) losses on derivatives and hedging activities, net	17,809	(34,752)
Gains on sales of loans, net	(402,790)	(238,566)
Gain on sale of Upromise subsidiary, net	—	(11,331)
Other adjustments to net income, net	(31,210)	3,812
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(369,343)	(464,291)
Increase in non-marketable securities	(8,611)	—
Decrease (increase) in other interest-earning assets	24,759	(22,338)
Increase in other assets	(96,253)	(62,497)
Decrease in income taxes payable, net	(232,124)	(23,597)
Decrease in accrued interest payable	(8,292)	(11,912)
Decrease in Upromise member accounts due to sale	—	(193,840)
Decrease in other liabilities	(8,399)	159,589
Total adjustments	(961,341)	(339,107)
Total net cash used in operating activities	(179,933)	(62,145)
Investing activities		
Loans acquired and originated	(2,628,056)	(2,824,850)
Net proceeds from sales of loans held for investment	3,436,085	3,283,039
Proceeds from claim payments	9,275	17,308
Net decrease in loans held for investment	1,892,800	2,035,613
Purchases of available-for-sale securities	(505,004)	(1,556,084)
Proceeds from sales and maturities of available-for-sale securities	582,090	105,073
Proceeds from sale of Upromise subsidiary, net	—	16,922
Total net cash provided by investing activities	2,787,190	1,077,021
Financing activities		
Brokered deposit placement fee	(713)	(3,305)
Net decrease in certificates of deposit	(2,312,940)	(1,059,731)
Net increase in other deposits	816,013	220,047
Borrowings collateralized by loans in securitization trusts - issued	529,253	633,305
Borrowings collateralized by loans in securitization trusts - repaid	(534,282)	(541,365)
Issuance costs for unsecured debt offering	(325)	—
Repayment of borrowings under Secured Borrowing Facility	—	(289,230)
Fees paid on Secured Borrowing Facility	(2,846)	(3,251)
Common stock dividends paid	(20,170)	(23,844)
Preferred stock dividends paid	(2,393)	(5,942)

Common stock repurchased	(1,027,298)	(558,167)
Total net cash used in financing activities	(2,555,701)	(1,631,483)
Net increase (decrease) in cash, cash equivalents and restricted cash	51,556	(616,607)
Cash, cash equivalents and restricted cash at beginning of period	4,609,709	5,720,760
Cash, cash equivalents and restricted cash at end of period	\$ 4,661,265	\$ 5,104,153
Cash disbursements made for:		
Interest	\$ 192,939	\$ 304,119
Income taxes paid	\$ 232,285	\$ 27,661
Income taxes refunded	\$ (1,049)	\$ (4,016)
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets:		
Cash and cash equivalents	\$ 4,497,310	\$ 4,988,961
Restricted cash	163,955	115,192
Total cash, cash equivalents and restricted cash	\$ 4,661,265	\$ 5,104,153

See accompanying notes to consolidated financial statements.

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

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, consolidated financial statements of SLM Corporation (“Sallie Mae,” “SLM,” the “Company,” “we,” or “us”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all the information and footnotes required by GAAP for complete consolidated financial statements. The consolidated financial statements include the accounts of SLM Corporation and its majority-owned and controlled subsidiaries after eliminating the effects of intercompany accounts and transactions. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three and six months ended June 30, 2021 are not necessarily indicative of the results for the year ending December 31, 2021 or for any other period. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020 (the “2020 Form 10-K”).

Consolidation

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

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

Reclassifications

Certain reclassifications have been made to the balances for the three and six months ended June 30, 2020, to be consistent with classifications adopted in 2021, which had no effect on net income, total assets or total liabilities.

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

2. Investments

Trading Investments

We periodically sell Private Education Loans through securitization transactions where we are required to retain a 5 percent vertical risk retention interest (i.e., 5 percent of each class issued in the securitizations). We classify those vertical risk retention interests related to the transactions as available-for-sale investments, except for the interest in the residual classes, which we classify as trading investments recorded at fair value with changes recorded through earnings. At June 30, 2021 and December 31, 2020, we had \$36 million and \$17 million, respectively, classified as trading investments.

Available-for-Sale Investments

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

	June 30, 2021				
	Amortized Cost	Allowance for credit losses ⁽¹⁾	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:					
Mortgage-backed securities	\$ 373,019	\$ —	\$ 2,892	\$ (3,762)	\$ 372,149
Utah Housing Corporation bonds	8,375	—	107	—	8,482
U.S. government-sponsored enterprises and Treasuries	1,471,892	—	2,003	(264)	1,473,631
Other securities	217,064	—	1,309	(326)	218,047
Total	<u>\$ 2,070,350</u>	<u>\$ —</u>	<u>\$ 6,311</u>	<u>\$ (4,352)</u>	<u>\$ 2,072,309</u>

	December 31, 2020				
	Amortized Cost	Allowance for credit losses ⁽¹⁾	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:					
Mortgage-backed securities	\$ 308,913	\$ —	\$ 6,095	\$ (134)	\$ 314,874
Utah Housing Corporation bonds	12,357	—	210	—	12,567
U.S. government-sponsored enterprises	1,596,890	—	3,395	—	1,600,285
Other securities	68,797	—	462	(351)	68,908
Total	<u>\$ 1,986,957</u>	<u>\$ —</u>	<u>\$ 10,162</u>	<u>\$ (485)</u>	<u>\$ 1,996,634</u>

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

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

2. Investments (Continued)

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

	Less than 12 months		12 months or more		Total	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
As of June 30, 2021:						
Mortgage-backed securities	\$ (3,762)	\$ 251,811	\$ —	\$ —	\$ (3,762)	\$ 251,811
Utah Housing Corporation bonds	—	—	—	—	—	—
U.S. government-sponsored enterprises and Treasuries	(264)	316,890	—	—	(264)	316,890
Other securities	(325)	75,773	(1)	2,557	(326)	78,330
Total	\$ (4,351)	\$ 644,474	\$ (1)	\$ 2,557	\$ (4,352)	\$ 647,031
As of December 31, 2020:						
Mortgage-backed securities	\$ (134)	\$ 46,011	\$ —	\$ —	\$ (134)	\$ 46,011
Utah Housing Corporation bonds	—	—	—	—	—	—
U.S. government-sponsored enterprises	—	—	—	—	—	—
Other securities	(351)	30,441	—	—	(351)	30,441
Total	\$ (485)	\$ 76,452	\$ —	\$ —	\$ (485)	\$ 76,452

At June 30, 2021 and December 31, 2020, 41 of 182 and 14 of 163, respectively, of our available-for-sale debt securities were in an unrealized loss position.

Impairment

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

Our investment portfolio contains mortgage-backed securities issued by Ginnie Mae, Fannie Mae, and Freddie Mac, as well as Utah Housing Corporation bonds. We own these securities to meet our requirements under the Community Reinvestment Act ("CRA"). We also invest in other U.S. government-sponsored enterprise securities issued by the Federal Home Loan Bank, Freddie Mac, and the Federal Farm Credit Bank. Our mortgage-backed securities that were issued under Ginnie Mae programs carry a full faith and credit guarantee from the U.S. Government. The remaining mortgage-backed securities in a net loss position carry a principal and interest guarantee by Fannie Mae or Freddie Mac, respectively. Our Treasury and other U.S. government-sponsored enterprise bonds are rated Aaa by Moody's Investors Service or AA+ by Standard and Poor's. The decline in value from December 31, 2020 to June 30, 2021 was driven by the current interest rate

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

2. Investments (Continued)

environment and is not credit related. 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. Based on this qualitative analysis, we have determined that no credit impairment exists.

We periodically sell Private Education Loans through securitization transactions where we are required to retain a 5 percent vertical risk retention interest. We classify the non-residual vertical retention interests as available-for-sale investments. We have the intent and ability to hold each of these bonds for a period of time sufficient for the market price to recover to at least the adjusted amortized cost of the security. We expect to receive all contractual cash flows related to these investments and do not consider a credit impairment to exist.

As of June 30, 2021, 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
2021	\$ 31,146	\$ 31,239
2022	992,519	993,634
2023	198,664	198,857
2024	50,000	49,990
2026	199,563	199,910
2038	75	81
2039	1,192	1,304
2042	4,041	4,068
2043	6,655	6,923
2044	8,542	8,883
2045	7,934	8,202
2046	12,528	12,796
2047	16,253	16,533
2048	4,114	4,269
2049	28,654	29,706
2050	163,165	160,817
2051	128,241	127,049
2053	156,676	157,060
2054	60,388	60,988
Total	<u>\$ 2,070,350</u>	<u>\$ 2,072,309</u>

Some of our securities have been pledged to the Federal Reserve Bank (the "FRB") as collateral against any advances and accrued interest under the Primary Credit lending program sponsored by the FRB. We had \$825 million and \$815 million par value of securities pledged to this borrowing facility at June 30, 2021 and December 31, 2020, respectively, as discussed further in Notes to Consolidated Financial Statements, Note 8, "Borrowings."

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

2. Investments (Continued)

Other Investments

Investments in Non-Marketable Securities

We hold investments in non-marketable securities and account for these investments at cost, less impairment, plus or minus observable price changes of identical or similar securities of the same issuer. Changes in market value are recorded through earnings. Because these are non-marketable securities, we use observable price changes of identical or similar securities of the same issuer in determining any changes in the value of the securities. In the second quarter of 2021, 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 equity raise to adjust the valuation of our previous investments, and, as a result, recorded a gain of \$35 million on our earlier equity securities investments. This gain was recorded in "other income" in the consolidated statements of income for the three and six months ended June 30, 2021. As of June 30, 2021 and December 31, 2020, our total investment in these securities was \$69 million and \$26 million, respectively.

Low Income Housing Tax Credit Investments

We invest in affordable housing projects that qualify for the low-income housing tax credit ("LIHTC"), which is designed to promote private development of low-income housing. These investments generate a return mostly through realization of federal tax credits and tax benefits from net operating losses on the underlying properties. Total carrying value of the LIHTC investments was \$71 million at June 30, 2021 and \$54 million at December 31, 2020. We are periodically required to provide additional financial support during the investment period. Our liability for these unfunded commitments was \$33 million at June 30, 2021 and \$19 million at December 31, 2020.

Related to these investments, we recognized tax credits and other tax benefits through tax expense of \$1 million at June 30, 2021 and \$6 million at December 31, 2020. Tax credits and other tax benefits are recognized as part of our annual effective tax rate used to determine tax expense in a given quarter. Accordingly, the portion of a year's expected tax benefits recognized in any given quarter may differ from 25 percent.

3. Loans Held for Investment

Loans held for investment consist of Private Education Loans, FFELP Loans, Personal Loans, and Credit Cards. We use "Private Education Loans" to mean education loans to students or their families that are not made, insured, or guaranteed by any state or federal government. Private Education Loans do not include loans insured or guaranteed under the previously existing Federal Family Education Loan Program ("FFELP"). We use "Credit Cards" to refer to our suite of Credit Cards with bonus rewards. We use "Personal Loans" to mean those unsecured loans to individuals that may be used for non-educational purposes. In the third quarter of 2020, we sold our entire Personal Loan portfolio.

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, or SOFR, the Secured Overnight Financing Rate. As of June 30, 2021 and December 31, 2020, 54 percent and 55 percent, respectively, of all of our Private Education Loans were indexed to LIBOR or SOFR. We provide incentives for customers to include a cosigner on the loan, and the vast majority of Private Education Loans in our portfolio are cosigned. We also encourage customers to make payments while in school.

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

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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3. Loans Held for Investment (Continued)

disbursed after October 1, 1993, and before July 1, 2006, we receive 98 percent reimbursement on all qualifying claims. For loans disbursed prior to October 1, 1993, we receive 100 percent reimbursement on all qualifying claims.

In the first six months of 2021, we recognized a \$403 million gain from the sale of approximately \$3.19 billion of our Private Education Loans, including \$2.99 billion of principal and \$195 million in capitalized interest, to an unaffiliated third party. There were VIEs created in the execution of certain of these loan sales; however, based on our consolidation analysis, we are not the primary beneficiary of these VIEs. These transactions qualified for sale treatment and removed the balance of the loans from our balance sheet on the respective settlement dates. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales. For additional information, see Notes to Consolidated Financial Statements, Note 8, "Borrowings."

Loans held for investment are summarized as follows:

	June 30, 2021	December 31, 2020
Private Education Loans:		
Fixed-rate	\$ 9,442,904	\$ 8,950,216
Variable-rate	11,034,853	10,779,121
Total Private Education Loans, gross	20,477,757	19,729,337
Deferred origination costs and unamortized premium/(discount)	65,872	63,475
Allowance for credit losses	(1,154,540)	(1,355,844)
Total Private Education Loans, net	19,389,089	18,436,968
FFELP Loans	716,958	737,593
Deferred origination costs and unamortized premium/(discount)	1,913	1,993
Allowance for credit losses	(4,262)	(4,378)
Total FFELP Loans, net	714,609	735,208
Credit Cards (fixed-rate)	12,784	12,238
Deferred origination costs and unamortized premium/(discount)	104	230
Allowance for credit losses	(1,442)	(1,501)
Total Credit Cards, net	11,446	10,967
Loans held for investment, net	\$ 20,115,144	\$ 19,183,143

The estimated weighted average life of education loans in our portfolio was approximately 4.5 years and 5.4 years at June 30, 2021 and December 31, 2020, respectively.

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

3. Loans Held for Investment (Continued)

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

	Three Months Ended June 30,			
	2021		2020	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	\$ 20,654,285	8.22 %	\$ 21,590,905	8.33 %
FFELP Loans	723,391	3.41	761,469	3.82
Personal Loans	—	—	836,342	12.54
Credit Cards	11,694	6.64	9,364	(9.34)
Total portfolio	\$ 21,389,370		\$ 23,198,080	

	Six Months Ended June 30,			
	2021		2020	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	\$ 20,818,476	8.22 %	\$ 22,546,874	8.60 %
FFELP Loans	728,810	3.41	768,897	4.06
Personal Loans	—	—	905,007	12.31
Credit Cards	11,767	3.71	7,325	(7.67)
Total portfolio	\$ 21,559,053		\$ 24,228,103	

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 (except in the case of disaster forbearance, where the accrued interest is not capitalized when the loan re-enters payment status).

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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3. Loans Held for Investment (Continued)

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

Forbearance may be granted through our servicing centers to customers who are exiting their grace period, 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 almost all instances, we require one or more payments before granting forbearance to delinquent borrowers.

As a result of the negative impact on employment from COVID-19, our customers are experiencing higher levels of financial hardship, which led initially to higher levels of forbearance. We expect such higher levels of financial hardship to lead to higher levels of delinquencies and defaults in the future, as borrowers who had received disaster forbearance from us re-enter repayment status. Beginning in June 2021, we stopped granting disaster forbearance in response to the COVID-19 pandemic. As borrowers in the various delinquency buckets exit disaster forbearance and begin to enter repayment, we expect to see elevated levels of losses in the latter half of 2021. We expect that, left unabated, this deterioration in forbearance, delinquency, and default rates may persist until such time as the economy and employment return to pre-pandemic levels.

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

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

As previously announced, prior to full implementation of the credit administration practices changes described above, management will conduct a controlled testing program on randomly selected borrowers to measure the impact of the changes on our customers, our credit operations, and key credit metrics. The testing commenced in October 2019 for some of the planned

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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3. Loans Held for Investment (Continued)

changes on a very small percentage of our total portfolio and we originally expected to expand the number of borrowers in repayment who would be subject to the new credit administration practices. However, due to the COVID-19 pandemic, we postponed our efforts so that we could be more flexible in dealing with our customers' financial hardship. In October 2020, we began to roll out in a methodical approach the implementation of the credit administration practices changes and related testing. Management now expects to have completed implementation of the credit administration practices changes by the end of 2021. However, we may modify or delay the contemplated practices changes, the proposed timeline, or the method of implementation, as we learn more about the impacts of the program on our customers.

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 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 June 30, 2021 and December 31, 2020, 9.0 percent and 7.8 percent, respectively, of our loans then currently in full principal and interest repayment status were subject to interest rate reductions made under our rate modification program. We currently have no plans to change the basic elements of the rate and term modifications we offer to our customers experiencing more severe hardship.

While there are limitations to our estimate of the future impact of the credit administration practices changes described above, absent the effect of any mitigating measures, and based on an analysis of borrower behavior under our previous credit administration practices, which may not be indicative of how borrowers will behave under revised credit administration practices, we expect that the credit administration practices changes described above will accelerate defaults and could increase life of loan defaults in our Private Education Loan held for investment 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 Plan ("GRP") and rate modifications), and the introduction of a new program offering short-term payment reductions (permitting interest-only payments for up to six months) for certain early-stage delinquencies.

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

As discussed above, we will continue to monitor our credit administration practices and may modify them further from time to time based upon performance, industry conventions, and/or regulatory feedback.

4. Loans Held for Sale

We had no loans held for sale and \$2.9 billion in loans held for sale at June 30, 2021 and December 31, 2020, respectively. At December 31, 2020, we reversed \$206 million through the provisions for credit losses for the allowance related to those loans held for sale, when the loans were transferred from held for investment to held for sale.

During the first quarter of 2021, we sold \$3.16 billion of our Private Education Loans, including \$2.97 billion of principal and \$193 million in capitalized interest, to an unaffiliated third party. During the second quarter of 2021, we sold \$27 million of

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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our Private Education Loans, including \$25 million of principal and \$2 million in capitalized interest to an unaffiliated third party. The transactions qualified for sale treatment and removed the balance of the loans from our balance sheet on the respective settlement dates. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales. These sales resulted in our recognizing a gain of \$403 million in the first six months of 2021. For additional information, see Notes to Consolidated Financial Statements, Note 3, "Loans Held for Investment," and Note 8, "Borrowings."

5. Allowance for Credit Losses

Our provision for credit losses represents the periodic expense of maintaining an allowance sufficient to absorb lifetime expected credit losses in the held for investment loan portfolios. The evaluation of the allowance for credit losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. We believe the allowance for credit losses is appropriate to cover lifetime losses expected to be incurred in the loan portfolios. See Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies — Allowance for Credit Losses 2020 — Allowance for Private Education Loan Losses, — Allowance for FFELP Loan Losses, and — Allowance for Credit Card Loans" in our 2020 Form 10-K for a more detailed discussion.

Allowance for Credit Losses Metrics

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

5. Allowance for Credit Losses (Continued)

	Allowance for Credit Losses			
	Three Months Ended June 30, 2021			
	FFELP Loans	Private Education Loans	Credit Cards	Total
Allowance for Credit Losses				
Beginning balance	\$ 4,318	\$ 1,173,375	\$ 1,328	\$ 1,179,021
Transfer from unfunded commitment liability ⁽¹⁾	—	24,556	—	24,556
Provisions:				
Provision for current period	(2)	1,014	182	1,194
Loan sale reduction to provision	—	(1,477)	—	(1,477)
Total provisions ⁽²⁾	(2)	(463)	182	(283)
Net charge-offs:				
Charge-offs	(54)	(49,900)	(74)	(50,028)
Recoveries	—	6,972	6	6,978
Net charge-offs	(54)	(42,928)	(68)	(43,050)
Ending Balance	<u>\$ 4,262</u>	<u>\$ 1,154,540</u>	<u>\$ 1,442</u>	<u>\$ 1,160,244</u>
Allowance:				
Ending balance: individually evaluated for impairment	\$ —	\$ 80,495	\$ —	\$ 80,495
Ending balance: collectively evaluated for impairment	\$ 4,262	\$ 1,074,045	\$ 1,442	\$ 1,079,749
Loans:				
Ending balance: individually evaluated for impairment	\$ —	\$ 1,192,743	\$ —	\$ 1,192,743
Ending balance: collectively evaluated for impairment	\$ 716,958	\$ 19,285,014	\$ 12,784	\$ 20,014,756
Net charge-offs as a percentage of average loans in repayment (annualized) ⁽³⁾	0.04 %	1.16 %	2.29 %	
Allowance as a percentage of the ending total loan balance	0.59 %	5.64 %	11.28 %	
Allowance as a percentage of the ending loans in repayment ⁽³⁾	0.78 %	7.79 %	11.28 %	
Allowance coverage of net charge-offs (annualized)	19.73	6.72	5.30	
Ending total loans, gross	\$ 716,958	\$ 20,477,757	\$ 12,784	
Average loans in repayment ⁽³⁾	\$ 546,306	\$ 14,743,360	\$ 11,855	
Ending loans in repayment ⁽³⁾	\$ 548,488	\$ 14,825,375	\$ 12,784	

⁽¹⁾ See Note 6, "Unfunded Loan Commitments," for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

⁽²⁾ Below is a reconciliation of the provision for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

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

5. Allowance for Credit Losses (Continued)

Consolidated Statements of Income Provisions for Credit Losses Reconciliation		Three Months Ended June 30, 2021
Private Education Loan provisions for credit losses:		
Provisions for loan losses	\$	(463)
Provisions for unfunded loan commitments		69,960
Total Private Education Loan provisions for credit losses		69,497
Other impacts to the provisions for credit losses:		
FFELP Loans		(2)
Credit Cards		182
Total		180
Provisions for credit losses reported in consolidated statements of income	\$	69,677

⁽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.

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

5. Allowance for Credit Losses (Continued)

	Allowance for Credit Losses				
	Three Months Ended June 30, 2020				
	FFELP Loans	Private Education Loans	Personal Loans	Credit Cards	Total
Allowance for Credit Losses					
Beginning balance	\$ 4,296	\$ 1,515,781	\$ 152,673	\$ 574	\$ 1,673,324
Transfer from unfunded commitment liability ⁽¹⁾	—	37,010	—	—	37,010
Provisions:					
Provision for current period	173	234,015	23,929	509	258,626
Loan sale reduction to provision	—	—	—	—	—
Total provisions ⁽²⁾	173	234,015	23,929	509	258,626
Net charge-offs:					
Charge-offs	(84)	(31,779)	(14,601)	(41)	(46,505)
Recoveries	—	5,532	1,336	—	6,868
Net charge-offs	(84)	(26,247)	(13,265)	(41)	(39,637)
Ending Balance	<u>\$ 4,385</u>	<u>\$ 1,760,559</u>	<u>\$ 163,337</u>	<u>\$ 1,042</u>	<u>\$ 1,929,323</u>
Allowance:					
Ending balance: individually evaluated for impairment	\$ —	\$ 160,234	\$ —	\$ —	\$ 160,234
Ending balance: collectively evaluated for impairment	\$ 4,385	\$ 1,600,325	\$ 163,337	\$ 1,042	\$ 1,769,089
Loans:					
Ending balance: individually evaluated for impairment	\$ —	\$ 1,520,240	\$ —	\$ —	\$ 1,520,240
Ending balance: collectively evaluated for impairment	\$ 754,340	\$ 19,965,225	\$ 772,086	\$ 10,706	\$ 21,502,357
Net charge-offs as a percentage of average loans in repayment (annualized) ⁽³⁾	0.0%	0.7%	6.8%	1.7%	
Allowance as a percentage of the ending total loan balance	0.58%	8.1%	21.1%	9.7%	
Allowance as a percentage of the ending loans in repayment ⁽³⁾	0.9%	12.1%	22.4%	9.7%	
Allowance coverage of net charge-offs (annualized)	13.05	16.77	3.08	6.35	
Ending total loans, gross	\$ 754,340	\$ 21,485,465	\$ 772,086	\$ 10,706	
Average loans in repayment ⁽³⁾	\$ 513,418	\$ 14,011,841	\$ 772,137	\$ 9,265	
Ending loans in repayment ⁽³⁾	\$ 452,617	\$ 14,512,723	\$ 727,214	\$ 10,706	

⁽¹⁾ See Note 6, "Unfunded Loan Commitments," for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

⁽²⁾ Below is a reconciliation of the provisions for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded loan commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

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

5. Allowance for Credit Losses (Continued)

Consolidated Statements of Income Provisions for Credit Losses Reconciliation		Three Months Ended June 30, 2020
Private Education Loan provisions for credit losses:		
Provisions for loan losses	\$	234,015
Provisions for unfunded loan commitments		93,261
Total Private Education Loan provisions for credit losses		327,276
Other impacts to the provisions for credit losses:		
Personal Loans		23,929
FEELP Loans		173
Credit Cards		509
Total		24,611
Provisions for credit losses reported in consolidated statements of income	\$	351,887

⁽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.

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

5. Allowance for Credit Losses (Continued)

	Allowance for Credit Losses			
	Six Months Ended June 30, 2021			
	FFELP Loans	Private Education Loans	Credit Cards	Total
Allowance for Credit Losses				
Beginning balance	\$ 4,378	\$ 1,355,844	\$ 1,501	\$ 1,361,723
Transfer from unfunded commitment liability ⁽¹⁾	—	151,436	—	151,436
Provisions:				
Provision for current period	27	(253,928)	96	(253,805)
Loan sale reduction to provision	—	(10,335)	—	(10,335)
Loan transfer from held-for-sale	—	1,887	—	1,887
Total provisions ⁽²⁾	27	(262,376)	96	(262,253)
Net charge-offs:				
Charge-offs	(143)	(105,039)	(162)	(105,344)
Recoveries	—	14,675	7	14,682
Net charge-offs	(143)	(90,364)	(155)	(90,662)
Ending Balance	<u>\$ 4,262</u>	<u>\$ 1,154,540</u>	<u>\$ 1,442</u>	<u>\$ 1,160,244</u>
<i>Allowance:</i>				
Ending balance: individually evaluated for impairment	\$ —	\$ 80,495	\$ —	\$ 80,495
Ending balance: collectively evaluated for impairment	\$ 4,262	\$ 1,074,045	\$ 1,442	\$ 1,079,749
<i>Loans:</i>				
Ending balance: individually evaluated for impairment	\$ —	\$ 1,192,743	\$ —	\$ 1,192,743
Ending balance: collectively evaluated for impairment	\$ 716,958	\$ 19,285,014	\$ 12,784	\$ 20,014,756
Net charge-offs as a percentage of average loans in repayment (annualized) ⁽³⁾	0.05 %	1.23 %	2.59 %	
Allowance as a percentage of the ending total loan balance	0.59 %	5.64 %	11.28 %	
Allowance as a percentage of the ending loans in repayment ⁽³⁾	0.78 %	7.79 %	11.28 %	
Allowance coverage of net charge-offs (annualized)	14.90	6.39	4.65	
Ending total loans, gross	\$ 716,958	\$ 20,477,757	\$ 12,784	
Average loans in repayment ⁽³⁾	\$ 551,765	\$ 14,738,505	\$ 11,964	
Ending loans in repayment ⁽³⁾	\$ 548,488	\$ 14,825,375	\$ 12,784	

⁽¹⁾ See Note 6, "Unfunded Loan Commitments," for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

⁽²⁾ Below is a reconciliation of the provision for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

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

5. Allowance for Credit Losses (Continued)

Consolidated Statements of Income Provisions for Credit Losses Reconciliation		Six Months Ended June 30, 2021
Private Education Loan provisions for credit losses:		
Provisions for loan losses	\$	(262,376)
Provisions for unfunded loan commitments		106,163
Total Private Education Loan provisions for credit losses		(156,213)
Other impacts to the provisions for credit losses:		
FFELP Loans		27
Credit Cards		96
Total		123
Provisions for credit losses reported in consolidated statements of income	\$	(156,090)

⁽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.

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

5. Allowance for Credit Losses (Continued)

	Allowance for Credit Losses				
	Six Months Ended June 30, 2020				
	FFELP Loans	Private Education Loans	Personal Loans	Credit Cards	Total
Allowance for Credit Losses					
Beginning balance	\$ 1,633	\$ 374,300	\$ 65,877	\$ 102	\$ 441,912
Day 1 adjustment for the adoption of CECL	2,852	1,060,830	79,183	188	1,143,053
Balance at January 1, 2020	4,485	1,435,130	145,060	290	1,584,965
Transfer from unfunded commitment liability ⁽¹⁾	—	179,085	—	—	179,085
Provisions:					
Provision for current period	210	377,877	49,247	800	428,134
Loan sale reduction to provision	—	(161,793)	—	—	(161,793)
Total provisions ⁽²⁾	210	216,084	49,247	800	266,341
Net charge-offs:					
Charge-offs	(310)	(83,248)	(33,848)	(48)	(117,454)
Recoveries	—	13,508	2,878	—	16,386
Net charge-offs	(310)	(69,740)	(30,970)	(48)	(101,068)
Ending Balance	<u>\$ 4,385</u>	<u>\$ 1,760,559</u>	<u>\$ 163,337</u>	<u>\$ 1,042</u>	<u>\$ 1,929,323</u>
<i>Allowance:</i>					
Ending balance: individually evaluated for impairment	\$ —	\$ 160,234	\$ —	\$ —	\$ 160,234
Ending balance: collectively evaluated for impairment	\$ 4,385	\$ 1,600,325	\$ 163,337	\$ 1,042	\$ 1,769,089
<i>Loans:</i>					
Ending balance: individually evaluated for impairment	\$ —	\$ 1,520,240	\$ —	\$ —	\$ 1,520,240
Ending balance: collectively evaluated for impairment	\$ 754,340	\$ 19,965,225	\$ 772,086	\$ 10,706	\$ 21,502,357
Net charge-offs as a percentage of average loans in repayment (annualized) ⁽³⁾	0.1%	0.9%	7.1%	1.3%	
Allowance as a percentage of the ending total loan balance	0.58%	8.1%	21.1%	9.7%	
Allowance as a percentage of the ending loans in repayment ⁽³⁾	0.9%	12.1%	22.4%	9.7%	
Allowance coverage of net charge-offs (annualized)	7.0%	12.6%	2.6%	10.8%	
Ending total loans, gross	\$ 754,340	\$ 21,485,465	\$ 772,086	\$ 10,706	
Average loans in repayment ⁽³⁾	\$ 553,402	\$ 15,206,349	\$ 869,133	\$ 7,326	
Ending loans in repayment ⁽³⁾	\$ 452,617	\$ 14,512,723	\$ 727,214	\$ 10,706	

⁽¹⁾ See Note 6, "Unfunded Loan Commitments," for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

⁽²⁾ Below is a reconciliation of the provisions for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded loan commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

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

5. Allowance for Credit Losses (Continued)

Consolidated Statements of Income Provisions for Credit Losses Reconciliation		Six Months Ended June 30, 2020
Private Education Loan provisions for credit losses:		
Provisions for loan losses	\$	216,084
Provisions for unfunded loan commitments		146,804
Total Private Education Loan provisions for credit losses		362,888
Other impacts to the provisions for credit losses:		
Personal Loans		49,247
FEELP Loans		210
Credit Cards		800
Total		50,257
Provisions for credit losses reported in consolidated statements of income	\$	413,145

⁽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.

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

5. Allowance for Credit Losses (Continued)

Allowance for Credit Losses - Forecast Assumptions

In determining the adequacy of the allowance for credit losses, we include forecasts of college graduate unemployment and the Consumer Price Index in our loss forecasting models. We obtain forecasts for these two inputs from Moody's Analytics. Moody's Analytics provides a range of forecasts for each of these inputs with various likelihoods of occurring. We determine which forecasts we will include in our estimation of allowance for credit losses and the associated weightings for each of these inputs. At both January 1, 2020 (the initial adoption date of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," or "CECL"), and June 30, 2021, we used the Base (50th percentile likelihood of occurring)/S1 (stronger near-term growth scenario with 10 percent likelihood of occurring)/S3 (downside scenario with 10 percent likelihood of occurring) scenarios and weighted them 40 percent, 30 percent and 30 percent, respectively. Management reviews both the scenarios and their respective weightings each quarter in determining the allowance for credit losses.

Provisions for credit losses in the first six months of 2021 decreased by \$569 million compared with the year-ago period. During the first six months of 2021, the provision for credit losses was primarily affected by improvements in the economic forecasts, faster prepayment speeds and a change in the economic scenarios used and their respective weightings, as compared to the year-ago period. In the second quarter of 2020, as a result of an increase in COVID-19 infections in the second half of June 2020, we switched to using Moody's Analytics Base and S-4 downturn scenarios, weighted 50 percent each, in determining the allowance for credit losses. We estimated that the worsening economic environment caused by the COVID-19 pandemic in 2020 increased the provisions for credit losses in the first half of 2020 by \$397 million. These factors were offset by additional provisions from the new loan commitments made during the first half of 2021.

During the first quarter of 2021, we increased our estimates of future prepayment speeds during both the two-year reasonable and supportable period as well as the remaining term of the underlying loans. These faster estimated prepayment speeds during the two-year reasonable and supportable period reflect the significant improvement in economic forecasts, as well as the implementation of an updated prepayment speed model. To address this fundamental change, we increased our long-term expectations of prepayment speeds. We experienced higher prepayments during the COVID-19 pandemic, when unemployment rates were elevated, than we would have expected based upon our experience during past financial crises.

Troubled Debt Restructurings ("TDRs")

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

When we give a borrower facing financial difficulty an interest rate reduction, we temporarily reduce the contractual interest rate on a loan to 4.0 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 June 30, 2021 and June 30, 2020, 9.0 percent and 8.9 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 both June 30, 2021 and December 31, 2020, approximately 47 percent of TDRs were classified as such due to their forbearance status. For additional information, see Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies —Allowance for Loan Losses 2020," and Note 7, "Allowance for Credit Losses" in our 2020 Form 10-K.

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

5. Allowance for Credit Losses (Continued)

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

At June 30, 2021 and December 31, 2020, all of our TDR loans had a related allowance recorded. The following table provides the recorded investment, unpaid principal balance and related allowance for our TDR loans.

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Allowance</u>
June 30, 2021			
TDR Loans	\$ 1,230,794	\$ 1,192,743	\$ 80,495
December 31, 2020			
TDR Loans	\$ 1,312,805	\$ 1,274,590	\$ 104,265

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

	Three Months Ended June 30,			
	2021		2020	
	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
TDR Loans	\$ 1,251,248	\$ 21,490	\$ 1,556,278	\$ 24,071

	Six Months Ended June 30,			
	2021		2020	
	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
TDR Loans	\$ 1,270,668	\$ 42,979	\$ 1,591,081	\$ 50,559

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

5. Allowance for Credit Losses (Continued)

The following table provides information regarding the loan status and aging of TDR loans. For the periods presented below, we updated our delinquency bucket periods to conform with the delinquency bucket periods defined by the Federal Financial Institutions Examination Council ("FFIEC").

	June 30, 2021		December 31, 2020	
	Balance	%	Balance	%
TDR loans in in-school/grace/deferment ⁽¹⁾	\$ 86,667		\$ 88,750	
TDR loans in forbearance ⁽²⁾	58,441		76,704	
TDR loans in repayment ⁽³⁾ and percentage of each status:				
Loans current	959,797	91.6 %	971,880	87.7 %
Loans delinquent 30-59 days ⁽⁴⁾	38,500	3.7	59,249	5.3
Loans delinquent 60-89 days ⁽⁴⁾	26,365	2.5	43,576	3.9
Loans 90 days or greater past due ⁽⁴⁾	22,973	2.2	34,431	3.1
Total TDR loans in repayment ⁽³⁾	1,047,635	100.0 %	1,109,136	100.0 %
Total TDR loans, gross	\$ 1,192,743		\$ 1,274,590	

⁽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 (but, for purposes of the table, do not include those loans while they are in forbearance).

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

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

5. Allowance for Credit Losses (Continued)

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

	Three Months Ended June 30,					
	2021			2020		
	Modified Loans ⁽¹⁾	Charge-offs	Payment- Default	Modified Loans ⁽¹⁾	Charge-offs	Payment- Default
TDR Loans	\$ 1,917	\$ 15,888	\$ 1,560	\$ 36,666	\$ 8,623	\$ 17,910

	Six Months Ended June 30,					
	2021			2020		
	Modified Loans ⁽¹⁾	Charge-offs	Payment- Default	Modified Loans ⁽¹⁾	Charge-offs	Payment- Default
TDR Loans	\$ 5,634	\$ 33,836	\$ 7,746	\$ 169,481	\$ 27,998	\$ 49,002

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

Private Education Loans Held for Investment - Key Credit Quality Indicators

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

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

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

5. Allowance for Credit Losses (Continued)

Private Education Loans Held for Investment - Credit Quality Indicators

Year of Origination	June 30, 2021						Total ⁽⁵⁾	% of Balance
	2021 ⁽¹⁾	2020 ⁽²⁾	2019 ⁽³⁾	2018 ⁽⁴⁾	2017 ⁽⁵⁾	2016 and Prior ⁽⁶⁾		
Cosigners:								
With cosigner	\$ 970,402	\$ 3,931,236	\$ 3,237,783	\$ 2,340,257	\$ 2,043,013	\$ 5,496,367	\$ 18,019,058	88 %
Without cosigner	211,824	618,647	505,024	341,619	247,444	534,141	2,458,699	12 %
Total	\$ 1,182,226	\$ 4,549,883	\$ 3,742,807	\$ 2,681,876	\$ 2,290,457	\$ 6,030,508	\$ 20,477,757	100 %
FICO at Origination⁽⁷⁾:								
Less than 670	\$ 72,850	\$ 253,187	\$ 280,455	\$ 213,139	\$ 183,920	\$ 483,561	\$ 1,487,112	7 %
670-699	160,561	605,523	563,313	410,869	374,958	1,011,060	3,126,284	15 %
700-749	382,823	1,466,071	1,225,698	887,632	766,167	2,029,007	6,757,398	33 %
Greater than or equal to 750	565,992	2,225,102	1,673,341	1,170,236	965,412	2,506,880	9,106,963	45 %
Total	\$ 1,182,226	\$ 4,549,883	\$ 3,742,807	\$ 2,681,876	\$ 2,290,457	\$ 6,030,508	\$ 20,477,757	100 %
FICO Refreshed⁽⁷⁾⁽⁸⁾:								
Less than 670	\$ 85,949	\$ 274,820	\$ 285,457	\$ 254,743	\$ 253,135	\$ 832,185	\$ 1,986,289	10 %
670-699	155,903	520,662	426,727	294,368	246,577	659,428	2,303,665	11 %
700-749	386,736	1,431,445	1,154,717	787,467	656,960	1,652,346	6,069,671	30 %
Greater than or equal to 750	553,638	2,322,956	1,875,906	1,345,298	1,133,785	2,886,549	10,118,132	49 %
Total	\$ 1,182,226	\$ 4,549,883	\$ 3,742,807	\$ 2,681,876	\$ 2,290,457	\$ 6,030,508	\$ 20,477,757	100 %
Seasoning⁽⁹⁾:								
1-12 payments	\$ 667,707	\$ 2,362,092	\$ 438,639	\$ 393,882	\$ 377,838	\$ 667,673	\$ 4,907,831	24 %
13-24 payments	—	460,402	1,879,307	223,055	219,685	572,401	3,354,850	16 %
25-36 payments	—	—	260,827	1,254,251	207,771	555,597	2,278,446	11 %
37-48 payments	—	—	—	169,088	933,712	553,180	1,655,980	8 %
More than 48 payments	—	—	—	—	112,835	2,968,608	3,081,443	15 %
Not yet in repayment	514,519	1,727,389	1,164,034	641,600	438,616	713,049	5,199,207	26 %
Total	\$ 1,182,226	\$ 4,549,883	\$ 3,742,807	\$ 2,681,876	\$ 2,290,457	\$ 6,030,508	\$ 20,477,757	100 %
2021 Current period⁽⁵⁾ gross charge-offs								
2021 Current period ⁽⁵⁾ recoveries	\$ (105)	\$ (2,381)	\$ (9,337)	\$ (15,085)	\$ (16,485)	\$ (61,646)	\$ (105,039)	
2021 Current period ⁽⁵⁾ net charge-offs	\$ (105)	\$ (2,257)	\$ (8,487)	\$ (13,363)	\$ (14,376)	\$ (51,776)	\$ (90,364)	
Total accrued interest by origination vintage	\$ 23,950	\$ 200,985	\$ 312,566	\$ 258,207	\$ 197,977	\$ 311,955	\$ 1,305,640	

⁽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 second-quarter 2021.

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

⁽⁵⁾ Current period refers to period from January 1, 2021 through June 30, 2021.

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

5. Allowance for Credit Losses (Continued)

Private Education Loans Held for Investment - Credit Quality Indicators

Year of Origination	December 31, 2020							% of Balance
	2020 ⁽¹⁾	2019 ⁽¹⁾	2018 ⁽¹⁾	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 and Prior ⁽¹⁾	Total ⁽¹⁾	
Cosigners:								
With cosigner	\$ 2,915,328	\$ 3,467,219	\$ 2,556,400	\$ 2,262,635	\$ 1,977,952	\$ 4,198,748	\$ 17,378,282	88 %
Without cosigner	527,437	559,629	384,111	277,159	211,270	391,449	2,351,055	12 %
Total	\$ 3,442,765	\$ 4,026,848	\$ 2,940,511	\$ 2,539,794	\$ 2,189,222	\$ 4,590,197	\$ 19,729,337	100 %
FICO at Origination⁽²⁾:								
Less than 670	\$ 195,214	\$ 290,711	\$ 225,276	\$ 197,948	\$ 162,413	\$ 369,609	\$ 1,441,171	7 %
670-699	464,785	594,950	441,357	407,394	351,303	771,477	3,031,266	16 %
700-749	1,111,373	1,310,390	967,802	846,983	740,028	1,533,517	6,510,093	33 %
Greater than or equal to 750	1,671,393	1,830,797	1,306,076	1,087,469	935,478	1,915,594	8,746,807	44 %
Total	\$ 3,442,765	\$ 4,026,848	\$ 2,940,511	\$ 2,539,794	\$ 2,189,222	\$ 4,590,197	\$ 19,729,337	100 %
FICO Refreshed⁽²⁾⁽³⁾:								
Less than 670	\$ 240,154	\$ 331,229	\$ 301,784	\$ 298,195	\$ 293,077	\$ 734,599	\$ 2,199,038	11 %
670-699	438,665	493,135	336,966	283,906	231,759	504,779	2,289,210	12 %
700-749	1,102,666	1,248,806	871,677	734,222	603,160	1,220,468	5,780,999	29 %
Greater than or equal to 750	1,661,280	1,953,678	1,430,084	1,223,471	1,061,226	2,130,351	9,460,090	48 %
Total	\$ 3,442,765	\$ 4,026,848	\$ 2,940,511	\$ 2,539,794	\$ 2,189,222	\$ 4,590,197	\$ 19,729,337	100 %
Seasoning⁽⁴⁾:								
1-12 payments	\$ 2,068,517	\$ 600,038	\$ 469,143	\$ 472,258	\$ 381,197	\$ 507,343	\$ 4,498,496	23 %
13-24 payments	163	2,096,635	383,977	223,332	217,379	425,345	3,346,831	17 %
25-36 payments	—	—	1,353,567	370,250	181,940	439,337	2,345,094	12 %
37-48 payments	—	—	—	965,476	351,433	402,552	1,719,461	9 %
More than 48 payments	—	—	—	—	729,510	2,310,905	3,040,415	15 %
Not yet in repayment	1,374,085	1,330,175	733,824	508,478	327,763	504,715	4,779,040	24 %
Total	\$ 3,442,765	\$ 4,026,848	\$ 2,940,511	\$ 2,539,794	\$ 2,189,222	\$ 4,590,197	\$ 19,729,337	100 %
2020 gross charge-offs⁽⁵⁾								
2020 recoveries ⁽⁵⁾	\$ (1,087)	\$ (10,940)	\$ (27,000)	\$ (35,851)	\$ (36,416)	\$ (94,032)	\$ (205,326)	
2020 net charge-offs ⁽⁵⁾	\$ (1,045)	\$ (10,304)	\$ (24,726)	\$ (32,266)	\$ (32,132)	\$ (80,832)	\$ (181,305)	
Total accrued interest by origination vintage	\$ 90,438	\$ 265,688	\$ 252,251	\$ 209,178	\$ 141,094	\$ 210,247	\$ 1,168,896	

⁽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 2020.

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

⁽⁵⁾ For period from January 1, 2020 through December 31, 2020.

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

5. Allowance for Credit Losses (Continued)

Delinquencies - Private Education Loans Held for Investment

The following tables provide information regarding the loan status of our Private Education Loans, held for investment, by year of origination. Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the following tables, do not include those loans while they are in forbearance). For the periods presented below, we updated our delinquency bucket periods to conform with the delinquency bucket periods defined by the FFIEC.

Private Education Loans Held for Investment Delinquencies by Origination Vintage

	June 30, 2021							Total
	2021	2020	2019	2018	2017	2016 and Prior		
Loans in-school/grace/deferment ⁽¹⁾⁽²⁾	\$ 514,519	\$ 1,727,389	\$ 1,164,034	\$ 641,600	\$ 438,616	\$ 713,049	\$ 5,199,207	
Loans in forbearance ⁽³⁾	1,394	21,742	68,121	71,584	78,989	211,345	453,175	
Loans in repayment ⁽¹⁾ :								
Loans current	664,057	2,787,235	2,478,940	1,927,727	1,724,384	4,932,316	14,514,659	
Loans delinquent 30-59 days ⁽⁴⁾	1,690	9,085	18,709	22,127	25,059	85,868	162,538	
Loans delinquent 60-89 days ⁽⁴⁾	390	3,380	8,479	10,918	13,229	49,055	85,451	
Loans 90 days or greater past due ⁽⁴⁾	176	1,052	4,524	7,920	10,180	38,875	62,727	
Total Private Education Loans in repayment	666,313	2,800,752	2,510,652	1,968,692	1,772,852	5,106,114	14,825,375	
Total Private Education Loans, gross	1,182,226	4,549,883	3,742,807	2,681,876	2,290,457	6,030,508	20,477,757	
Private Education Loans deferred origination costs and unamortized premium/(discount)	10,603	18,946	12,100	7,405	5,693	11,125	65,872	
Total Private Education Loans	1,192,829	4,568,829	3,754,907	2,689,281	2,296,150	6,041,633	20,543,629	
Private Education Loans allowance for losses	(80,501)	(253,285)	(227,307)	(155,165)	(126,301)	(311,981)	(1,154,540)	
Private Education Loans, net	\$ 1,112,328	\$ 4,315,544	\$ 3,527,600	\$ 2,534,116	\$ 2,169,849	\$ 5,729,652	\$ 19,389,089	
Percentage of Private Education Loans in repayment	56.4 %	61.6 %	67.1 %	73.4 %	77.4 %	84.7 %	72.4 %	
Delinquent Private Education Loans in repayment as a percentage of Private Education Loans in repayment	0.3 %	0.5 %	1.3 %	2.1 %	2.7 %	3.4 %	2.1 %	
Loans in forbearance as a percentage of loans in repayment and forbearance	0.2 %	0.8 %	2.6 %	3.5 %	4.3 %	4.0 %	3.0 %	

⁽¹⁾ For some students, going back to school in the fall was not an option because of the pandemic, or for other reasons. Therefore, some students are taking a "gap year" before returning to school. In 2020, for those students that had unexpectedly separated from school, we provided an extension of time through fall 2021 to re-enroll, before beginning their grace period that occurs prior to entering full principal and interest repayment status. At June 30, 2021, the loans in the "in-school/grace/deferment" category above include \$249 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received such extension of time from us to re-enroll before beginning their grace period. At June 30, 2021, the loans in the "in forbearance" category above include \$23 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received such extension of time from us to re-enroll before beginning their grace period. At June 30, 2021, the loans in the "in repayment" category above include \$479 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received such extension of time from us to re-enroll before beginning their grace period.

⁽²⁾ Deferral 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).

⁽³⁾ 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.

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

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

5. Allowance for Credit Losses (Continued)

	Private Education Loans Held for Investment Delinquencies by Origination Vintage						
	December 31, 2020						
	2020	2019	2018	2017	2016	2015 and Prior	Total
Loans in-school/grace/deferment ⁽¹⁾⁽²⁾	\$ 1,374,085	\$ 1,330,175	\$ 733,824	\$ 508,478	\$ 327,763	\$ 504,715	\$ 4,779,040
Loans in forbearance ⁽³⁾⁽⁴⁾	16,159	92,677	110,319	118,946	109,073	198,302	645,476
Loans in repayment ⁽¹⁾ :							
Loans current	2,043,033	2,573,228	2,045,012	1,850,539	1,685,572	3,701,564	13,898,948
Loans delinquent 30-59 days ⁽⁴⁾	6,400	16,983	26,934	30,771	33,040	91,400	205,528
Loans delinquent 60-89 days ⁽⁴⁾	2,628	9,143	15,026	18,121	19,064	55,661	119,643
Loans 90 days or greater past due ⁽⁴⁾	460	4,642	9,396	12,939	14,710	38,555	80,702
Total Private Education Loans in repayment	2,052,521	2,603,996	2,096,368	1,912,370	1,752,386	3,887,180	14,304,821
Total Private Education Loans, gross	3,442,765	4,026,848	2,940,511	2,539,794	2,189,222	4,590,197	19,729,337
Private Education Loans deferred origination costs and unamortized premium (discount)	21,129	13,933	8,671	6,708	5,721	7,313	63,475
Total Private Education Loans	3,463,894	4,040,781	2,949,182	2,546,502	2,194,943	4,597,510	19,792,812
Private Education Loans allowance for losses	(210,875)	(298,776)	(218,136)	(184,265)	(150,150)	(293,642)	(1,355,844)
Private Education Loans, net	\$ 3,253,019	\$ 3,742,005	\$ 2,731,046	\$ 2,362,237	\$ 2,044,793	\$ 4,303,868	\$ 18,436,968
Percentage of Private Education Loans in repayment	59.6 %	64.7 %	71.3 %	75.3 %	80.0 %	84.7 %	72.5 %
Delinquent Private Education Loans in repayment as a percentage of Private Education Loans in repayment	0.5 %	1.2 %	2.4 %	3.2 %	3.8 %	4.8 %	2.8 %
Loans in forbearance as a percentage of loans in repayment and forbearance	0.8 %	3.4 %	5.0 %	5.9 %	5.9 %	4.9 %	4.3 %

⁽¹⁾ For some students, going back to school in the fall was not an option because of the pandemic, or for other reasons. Therefore, some students are taking a "gap year" before returning to school. In 2020, for those students that had unexpectedly separated from school, we provided an extension of time through fall 2021 to re-enroll, before beginning their grace period that occurs prior to entering full principal and interest repayment status. At December 31, 2020, the loans in the "in-school/grace/deferment" category above include \$401 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received such extension of time from us to re-enroll before beginning their grace period. At December 31, 2020, the loans in the "in forbearance" category above include \$30 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received such extension of time from us to re-enroll before beginning their grace period. At December 31, 2020, the loans in the "in repayment" category above include \$609 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received such extension of time from us to re-enroll before beginning their grace period.

⁽²⁾ 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).

⁽³⁾ 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.

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

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

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

	Private Education Loans Accrued Interest Receivable		
	Total Interest Receivable	90 Days and Greater Past Due	Allowance for Uncollectible Interest
June 30, 2021	\$ 1,305,640	\$ 3,469	\$ 4,104
December 31, 2020	\$ 1,168,895	\$ 4,354	\$ 4,467

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

6. Unfunded Loan Commitments

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of such approval, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). We estimate expected credit losses over the contractual period in which we are exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by us. See Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies - Allowance for Credit Losses 2020 — Off-Balance Sheet Exposure for Contractual Loan Commitments" in our 2020 Form 10-K for additional information.

At June 30, 2021, we had \$1.2 billion of outstanding contractual loan commitments that we expect to fund during the remainder of the 2021/2022 academic year. The tables below summarize the activity in the allowance recorded to cover lifetime expected credit losses on the unfunded commitments, which is recorded in "Other Liabilities" on the consolidated balance sheets, as well as the activity in the unfunded commitments balance.

	Three Months Ended June 30,			
	2021		2020	
	Allowance	Unfunded Commitments	Allowance	Unfunded Commitments
Beginning Balance	\$ 19,367	\$ 457,453	\$ 29,707	\$ 449,807
Provision/New commitments - net ⁽¹⁾	48,203	1,235,604	72,111	1,165,224
Other provision items	21,757	—	21,150	—
Transfer - funded loans ⁽²⁾	(24,555)	(531,361)	(37,010)	(495,989)
Ending Balance	<u>\$ 64,772</u>	<u>\$ 1,161,696</u>	<u>\$ 85,958</u>	<u>\$ 1,119,042</u>

	Six Months Ended June 30,			
	2021		2020	
	Allowance	Unfunded Commitments	Allowance	Unfunded Commitments
Beginning Balance	\$ 110,044	\$ 1,673,018	\$ 2,481	\$ 1,910,603
Day 1 adjustment for the adoption of CECL	—	—	115,758	—
Balance at January 1	110,044	1,673,018	118,239	1,910,603
Provision/New commitments - net ⁽¹⁾	88,400	2,078,765	121,672	2,000,170
Other provision items	17,763	—	25,132	—
Transfer - funded loans ⁽²⁾	(151,435)	(2,590,087)	(179,085)	(2,791,731)
Ending Balance	<u>\$ 64,772</u>	<u>\$ 1,161,696</u>	<u>\$ 85,958</u>	<u>\$ 1,119,042</u>

⁽¹⁾ Net of expirations of commitments unused.

⁽²⁾ When a loan commitment is funded, its related liability for credit losses (which originally was recorded as a provision for unfunded commitments) is transferred to the allowance for credit losses.

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

6. Unfunded Loan Commitments (Continued)

The unfunded commitments disclosed above represent the total amount of outstanding unfunded commitments at each period end. However, historically not all of these commitments are funded prior to the expiration of the commitments. We estimate the amount of commitments expected to be funded in calculating the reserve for unfunded commitments. The amount we expect to fund and use in our calculation of the reserve for unfunded commitments will change period to period based upon the loan characteristics of the underlying commitments.

7. Deposits

The following table summarizes total deposits at June 30, 2021 and December 31, 2020.

	June 30, 2021	December 31, 2020
Deposits - interest bearing	\$ 21,121,810	\$ 22,664,899
Deposits - non-interest bearing	2,566	1,140
Total deposits	<u>\$ 21,124,376</u>	<u>\$ 22,666,039</u>

Our total deposits of \$21.1 billion were comprised of \$11.5 billion in brokered deposits and \$9.6 billion in retail and other deposits at June 30, 2021, compared to total deposits of \$22.7 billion, which were comprised of \$11.9 billion in brokered deposits and \$10.8 billion in retail and other deposits, at December 31, 2020.

Interest bearing deposits as of June 30, 2021 and December 31, 2020 consisted of retail and brokered non-maturity savings deposits, retail and brokered non-maturity money market deposits ("MMDAs"), and retail and brokered certificates of deposit ("CDs"). Interest bearing deposits include deposits from Educational 529 and Health Savings plans that diversify our funding sources and additional deposits we consider to be core. These and other large omnibus accounts, aggregating the deposits of many individual depositors, represented \$7.9 billion and \$7.1 billion of our deposit total as of June 30, 2021 and December 31, 2020, respectively.

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 \$4 million and \$5 million in the three months ended June 30, 2021 and 2020, respectively, and placement fee expense of \$8 million and \$10 million in the six months ended June 30, 2021 and 2020, respectively. Fees paid to third-party brokers related to brokered CDs were \$1 million and \$1 million for the three months ended June 30, 2021 and 2020, respectively, and fees paid to third-party brokers related to brokered CDs were \$1 million and \$3 million for the six months ended June 30, 2021 and 2020, respectively.

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

7. Deposits (Continued)

Interest bearing deposits at June 30, 2021 and December 31, 2020 are summarized as follows:

	June 30, 2021		December 31, 2020	
	Amount	Qtr.-End Weighted Average Stated Rate ⁽¹⁾	Amount	Year-End Weighted Average Stated Rate ⁽¹⁾
Money market	\$ 10,910,755	0.67 %	\$ 10,159,657	0.83 %
Savings	958,052	0.42	907,976	0.55
Certificates of deposit	9,253,003	1.21	11,597,266	1.34
Deposits - interest bearing	<u>\$ 21,121,810</u>		<u>\$ 22,664,899</u>	

⁽¹⁾ Includes the effect of interest rate swaps in effective hedge relationships.

As of June 30, 2021, and December 31, 2020, there were \$587 million and \$571 million, respectively, of deposits exceeding Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accrued interest on deposits was \$41 million and \$50 million at June 30, 2021 and December 31, 2020, respectively.

8. Borrowings

Outstanding borrowings consist of unsecured debt and secured borrowings issued through our term asset-backed securitization ("ABS") program and our Private Education Loan multi-lender secured borrowing facility (the "Secured Borrowing Facility"). For additional information regarding our borrowings, see Notes to Consolidated Financial Statements, Note 11, "Borrowings" in our 2020 Form 10-K. The following table summarizes our borrowings at June 30, 2021 and December 31, 2020.

	June 30, 2021			December 31, 2020		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt (fixed-rate)	\$ 199,379	\$ 494,255	\$ 693,634	\$ —	\$ 692,879	\$ 692,879
Total unsecured borrowings	<u>199,379</u>	<u>494,255</u>	<u>693,634</u>	<u>—</u>	<u>692,879</u>	<u>692,879</u>
Secured borrowings:						
Private Education Loan term securitizations:						
Fixed-rate	—	3,477,121	3,477,121	—	3,261,233	3,261,233
Variable-rate	—	1,017,684	1,017,684	—	1,235,105	1,235,105
Total Private Education Loan term securitizations	<u>—</u>	<u>4,494,805</u>	<u>4,494,805</u>	<u>—</u>	<u>4,496,338</u>	<u>4,496,338</u>
Secured Borrowing Facility	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total secured borrowings	<u>—</u>	<u>4,494,805</u>	<u>4,494,805</u>	<u>—</u>	<u>4,496,338</u>	<u>4,496,338</u>
Total	<u>\$ 199,379</u>	<u>\$ 4,989,060</u>	<u>\$ 5,188,439</u>	<u>\$ —</u>	<u>\$ 5,189,217</u>	<u>\$ 5,189,217</u>

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

8. Borrowings (Continued)

Short-term Borrowings

Secured Borrowing Facility

On February 17, 2021, we amended our Secured Borrowing Facility to extend the maturity of the facility. The amount that can be borrowed under the facility is \$2 billion. We hold 100 percent of the residual interest in the Secured Borrowing Facility trust. Under the Secured Borrowing Facility, we incur financing costs on unused borrowing capacity and on outstanding advances. The amended Secured Borrowing Facility extended the revolving period, during which we may borrow, repay and reborrow funds, until February 16, 2022. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on February 16, 2023 (or earlier, if certain material adverse events occur). At both June 30, 2021 and December 31, 2020, there were no secured borrowings outstanding under the Secured Borrowing Facility.

Long-term Borrowings

Secured Financings

2021 Transaction

On May 19, 2021, we executed our \$531 million SMB Private Education Loan Trust 2021-B term ABS transaction, which was accounted for as a secured financing. We sold \$531 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately \$529 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 0.77 percent. At June 30, 2021, \$541 million of our Private Education Loans, including \$504 million of principal and \$37 million in capitalized interest, were encumbered because of this transaction.

Secured Financings at Issuance

The following summarizes our secured financings issued in 2020 and in 2021 through June 30, 2021:

Issue	Date Issued	Total Issued	Weighted Average Cost of Funds ⁽¹⁾	Weighted Average Life (in years)
Private Education:				
2020-A	February 2020	\$ 636,000	1-month LIBOR plus 0.88%	4.18
2020-B	August 2020	707,000	1-month LIBOR plus 1.30%	4.14
Total notes issued in 2020		<u>\$ 1,343,000</u>		
Total loan and accrued interest amount securitized at inception in 2020 ⁽²⁾		<u>\$ 1,463,230</u>		
2021-B	May 2021	\$ 531,000	1-month LIBOR plus 0.77%	4.26
Total notes issued in 2021		<u>\$ 531,000</u>		
Total loan and accrued interest amount securitized at inception in 2021		<u>\$ 549,516</u>		

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

⁽²⁾ At June 30, 2021, \$1.24 billion of our Private Education Loans, including \$1.15 billion of principal and \$85 million in capitalized interest, were encumbered related to these transactions.

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

8. 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.

	June 30, 2021						
	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	\$ —	\$ 4,494,805	\$ 4,494,805	\$ 5,585,834	\$ 163,955	\$ 378,123	\$ 6,127,912
Secured Borrowing Facility	—	—	—	—	—	1,783	1,783
Total	\$ —	\$ 4,494,805	\$ 4,494,805	\$ 5,585,834	\$ 163,955	\$ 379,906	\$ 6,129,695

(1) Other assets primarily represent accrued interest receivable.

	December 31, 2020						
	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	\$ —	\$ 4,496,338	\$ 4,496,338	\$ 5,661,123	\$ 154,417	\$ 356,967	\$ 6,172,507
Secured Borrowing Facility	—	—	—	—	—	436	436
Total	\$ —	\$ 4,496,338	\$ 4,496,338	\$ 5,661,123	\$ 154,417	\$ 357,403	\$ 6,172,943

(1) Other assets primarily represent accrued interest receivable.

Unconsolidated VIEs

Private Education Loan Securitizations

Our unconsolidated VIEs include variable interests that we hold in certain securitization trusts created by the sale of our Private Education Loans to unaffiliated third parties in the first quarter of 2020 and the first six months of 2021. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales, and we are also the administrator of these trusts. Additionally, we own 5 percent of the securities issued by the trusts to meet risk retention requirements.

2021-A Transaction

On February 9, 2021, we closed an SMB Private Education Loan Trust 2021-A term ABS transaction (the "2021-A Transaction"), in which the unaffiliated third-party sold to the trust approximately \$2.5 billion of Private Education Loans that the third-party seller previously purchased from us on January 8, 2021. In the 2021-A Transaction, we were the sponsor, servicer and administrator, and the seller of an additional \$130 million of Private Education Loans into the trust. The sale of such additional loans qualified for sale treatment and removed these loans from our balance sheet on the settlement date of the 2021-A Transaction and we recorded an \$18 million gain on sale associated with this transaction. In connection with the 2021-A Transaction settlement, we retained a 5 percent vertical risk retention interest (i.e., 5 percent of each class issued in the securitization). We classified those vertical risk retention interests related to the 2021-A Transaction as available-for-sale

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

8. Borrowings (Continued)

investments, except for the interest in the residual class, which we classified as a trading investment recorded at fair value with changes recorded through earnings.

2021-C Transaction

On May 27, 2021, we closed an SMB Private Education Loan Trust 2021-C term ABS transaction (the "2021-C Transaction"), in which the unaffiliated third-party sold to the trust approximately \$505 million of Private Education Loans that the third-party seller previously purchased from us on January 8, 2021. In the 2021-C Transaction, we were the sponsor, servicer and administrator, and the seller of an additional \$27 million of Private Education Loans into the trust. The sale of such additional loans qualified for sale treatment and removed these loans from our balance sheet on the settlement date of the 2021-C Transaction and we recorded an \$4 million gain on sale associated with this transaction. In connection with the 2021-C Transaction settlement, we retained a 5 percent vertical risk retention interest (i.e., 5 percent of each class issued in the securitization). We classified those vertical risk retention interests related to the 2021-C Transaction as available-for-sale investments, except for the interest in the residual class, which we classified as a trading investment recorded at fair value with changes recorded through earnings.

The table below provides a summary of our exposure related to our unconsolidated VIEs.

	June 30, 2021			December 31, 2020		
	Debt Interests ⁽¹⁾	Equity Interests ⁽²⁾	Total Exposure	Debt Interests ⁽¹⁾	Equity Interests ⁽²⁾	Total Exposure
Private Education Loan term securitizations	\$ 218,047	\$ 35,908	\$ 253,955	\$ 68,908	\$ 16,923	\$ 85,831

(1) Vertical risk retention interest classified as available-for-sale investment.
(2) Vertical risk retention interest classified as trading investment.

Other Borrowing Sources

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled \$125 million at June 30, 2021. 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 six months ended June 30, 2021 or in the year ended December 31, 2020.

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 June 30, 2021 and December 31, 2020, the value of our pledged collateral at the FRB totaled \$2.8 billion and \$3.8 billion, respectively. The interest rate charged to us is the discount rate set by the FRB. We did not utilize this facility in the six months ended June 30, 2021 or in the year ended December 31, 2020.

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

9. Derivative Financial Instruments

Risk Management Strategy

We maintain an overall interest rate risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate changes. Our goal is to manage interest rate sensitivity by modifying the repricing frequency and underlying index characteristics of certain balance sheet assets or liabilities so any adverse impacts related to movements in interest rates are managed within low to moderate limits. As a result of interest rate fluctuations, hedged balance sheet positions will appreciate or depreciate in market value or create variability in cash flows. Income or loss on the derivative instruments linked to the hedged item will generally offset the effect of this unrealized appreciation or depreciation or volatility in cash flows for the period the item is being hedged. We view this strategy as a prudent management of interest rate risk. Please refer to Notes to Consolidated Financial Statements, Note 12, "Derivative Financial Instruments" in our 2020 Form 10-K for a full discussion of our risk management strategy.

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") requires all standardized derivatives, including most interest rate swaps, to be submitted for clearing to central counterparties to reduce counterparty risk. Two of the central counterparties we use are the Chicago Mercantile Exchange ("CME") and the London Clearing House ("LCH"). All variation margin payments on derivatives cleared through the CME and LCH are accounted for as legal settlement. As of June 30, 2021, \$7.0 billion notional of our derivative contracts were cleared on the CME and \$0.3 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 95.1 percent and 4.9 percent, respectively, of our total notional derivative contracts of \$7.3 billion at June 30, 2021.

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 June 30, 2021 was \$(120) million and \$13 million for the CME and LCH, respectively. Changes in fair value for derivatives not designated as hedging instruments are presented as realized gains (losses).

Our exposure to the counterparty 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 June 30, 2021 and December 31, 2020, 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 \$18 million and \$43 million, respectively.

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments at June 30, 2021 and December 31, 2020, and their impact on earnings and other comprehensive income for the six months ended June 30, 2021 and June 30, 2020. Please refer to Notes to Consolidated Financial Statements, Note 12, "Derivative Financial Instruments" in our 2020 Form 10-K for a full discussion of cash flow hedges, fair value hedges, and trading activities.

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

9. Derivative Financial Instruments (Continued)

Impact of Derivatives on the Consolidated Balance Sheets

	Hedged Risk Exposure	Cash Flow Hedges		Fair Value Hedges		Trading		Total	
		June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
		Fair Values⁽¹⁾							
<i>Derivative Assets:⁽²⁾</i>									
Interest rate swaps	Interest rate	\$ —	\$ —	\$ 416	\$ 594	\$ 43	\$ 135	\$ 459	\$ 729
<i>Derivative Liabilities:⁽²⁾</i>									
Interest rate swaps	Interest rate	(360)	(287)	—	—	—	—	(360)	(287)
Total net derivatives		\$ (360)	\$ (287)	\$ 416	\$ 594	\$ 43	\$ 135	\$ 99	\$ 442

- (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	
		June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Gross position ⁽¹⁾	\$	\$459	\$729	\$(360)	\$(287)
Impact of master netting agreement		(321)	(176)	321	176
Derivative values with impact of master netting agreements (as carried on balance sheet)		138	553	(39)	(111)
Cash collateral pledged ⁽²⁾		18,115	42,874	—	—
Net position	\$	\$18,253	\$43,427	\$(39)	\$(111)

- (1) Gross position amounts include accrued interest and variation margin as legal settlement of the derivative contract.
- (2) Cash collateral pledged excludes amounts that represent legal settlement of the derivative contracts.

	Cash Flow		Fair Value		Trading		Total	
	June 30, 2021	December 31, 2020						
Notional Values								
Interest rate swaps	\$ 1,502,358	\$ 1,018,976	\$ 4,637,654	\$ 4,845,543	\$ 1,182,583	\$ 2,693,364	\$ 7,322,595	\$ 8,557,883

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

9. Derivative Financial Instruments (Continued)

As of June 30, 2021 and December 31, 2020, 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)	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
	Deposits	\$ (4,734,031)	\$ (4,992,867)	\$ (102,011)

Impact of Derivatives on the Consolidated Statements of Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Fair Value Hedges				
Interest rate swaps:				
Interest recognized on derivatives	\$ 22,857	\$ 19,433	\$ 45,467	\$ 24,056
Hedged items recorded in interest expense	20,948	2,296	52,224	(140,952)
Derivatives recorded in interest expense	(20,934)	(2,855)	(52,185)	141,328
Total	<u>\$ 22,871</u>	<u>\$ 18,874</u>	<u>\$ 45,506</u>	<u>\$ 24,432</u>
Cash Flow Hedges				
Interest rate swaps:				
Amount of gain (loss) reclassified from accumulated other comprehensive income into interest expense	\$ (5,294)	\$ (4,219)	\$ (10,563)	\$ (5,747)
Total	<u>\$ (5,294)</u>	<u>\$ (4,219)</u>	<u>\$ (10,563)</u>	<u>\$ (5,747)</u>
Trading				
Interest rate swaps:				
Change in fair value of future interest payments recorded in earnings	\$ (6,948)	\$ (7,853)	\$ (17,812)	\$ 34,459
Total	<u>(6,948)</u>	<u>(7,853)</u>	<u>(17,812)</u>	<u>34,459</u>
Total	<u>\$ 10,629</u>	<u>\$ 6,802</u>	<u>\$ 17,131</u>	<u>\$ 53,144</u>

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

9. Derivative Financial Instruments (Continued)

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Amount of gain (loss) recognized in other comprehensive income (loss)	\$ (4,438)	\$ (6,562)	\$ 13,716	\$ (53,784)
Less: amount of gain (loss) reclassified in interest expense	(5,294)	(4,219)	(10,563)	(5,747)
Total change in other comprehensive income (loss) for unrealized gains (losses) on derivatives, before income tax (expense) benefit	\$ 856	\$ (2,343)	\$ 24,279	\$ (48,037)

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate deposits. During the next 12 months, we estimate that \$19 million will be reclassified as an increase to interest expense.

Cash Collateral

As of June 30, 2021, 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 June 30, 2021 and December 31, 2020, respectively. Cash collateral pledged related to derivative exposure between us and our derivatives counterparties was \$18 million and \$43 million at June 30, 2021 and December 31, 2020, respectively. Collateral pledged is recorded in "Other interest-earning assets" on the consolidated balance sheets.

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

10. Stockholders' Equity

The following table summarizes our common share repurchases and issuances.

(Shares and per share amounts in actuals)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Common stock repurchased under repurchase programs ⁽¹⁾⁽²⁾⁽³⁾	22,806,841	—	71,509,671	47,736,847
Average purchase price per share ⁽⁴⁾	\$ 19.27	\$ —	\$ 16.87	\$ 9.66
Shares repurchased related to employee stock-based compensation plans ⁽⁵⁾	192,432	908	1,252,412	1,106,027
Average purchase price per share	\$ 18.80	\$ 7.77	\$ 14.32	\$ 10.98
Common shares issued ⁽⁶⁾	454,920	147,735	3,281,307	2,985,297

⁽¹⁾ Common shares purchased under our share repurchase programs. We have utilized all capacity under our 2020 Share Repurchase Program. There was \$295 million of capacity remaining under the 2021 Share Repurchase Program at June 30, 2021.

⁽²⁾ For the six months ended June 30, 2021 and 2020, the amount includes 13 million shares and 45 million shares, respectively, related to the accelerated share repurchase agreement described below.

⁽³⁾ For the six months ended June 30, 2021, the amount includes 28.5 million shares related to the settlement of our common stock tender offer described below.

⁽⁴⁾ Average purchase price per share includes purchase commission costs.

⁽⁵⁾ 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.

⁽⁶⁾ Common shares issued under our various compensation and benefit plans.

The closing price of our common stock on the NASDAQ Global Select Market on June 30, 2021 was \$20.94.

Dividend and Share Repurchases

In both June 2021 and June 2020, we paid a common stock dividend of \$0.03 per common share. In addition, we declared a common stock dividend of \$0.03 per common share in June 2020 for payment in the third quarter of 2020.

The January 22, 2020 share repurchase program (the "2020 Share Repurchase Program"), which was effective upon announcement and expires on January 21, 2022, permitted us to repurchase from time-to-time shares of common stock up to an aggregate repurchase price not to exceed \$600 million. Under the authority of the 2020 Share Repurchase Program, on March 10, 2020, we entered into an accelerated share repurchase agreement ("ASR") with a third-party financial institution under which we paid \$525 million for an upfront delivery of our common stock and a forward agreement. On March 11, 2020, the third-party financial institution delivered to us approximately 45 million shares. The final total actual number of shares of common stock delivered to us pursuant to the forward agreement was based generally upon a volume-weighted average price at which the shares of our common stock traded during the regular trading sessions on the NASDAQ Global Select Market during the term of the ASR. The transactions were accounted for as equity transactions and were included in treasury stock when the shares were received, at which time there was an immediate reduction in the weighted average common shares calculation for basic and diluted earnings per share. On January 26, 2021, we completed the ASR and upon final settlement on January 28, 2021, we received an additional 13 million shares. In total, we repurchased 58 million shares under the ASR at an average price per share of \$9.01. Under the 2020 Share Repurchase Program, we also repurchased an additional 4 million shares of common stock for \$75 million in the three months ended March 31, 2021. We have now utilized all capacity under the 2020 Share Repurchase Program.

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

10. Stockholders' Equity (Continued)

On January 27, 2021, we announced a share repurchase program (the "2021 Share Repurchase Program"), which was effective upon announcement and expires on January 26, 2023, and permits us to repurchase shares of our common stock from time to time up to an aggregate repurchase price not to exceed \$1.25 billion. Under the 2021 Share Repurchase Program, we repurchased 22.8 million shares of common stock for \$439 million in the three months ended June 30, 2021, and we repurchased 53.8 million shares of common stock for \$957 million in the six months ended June 30, 2021. (For the six months ended June 30, 2021, those amounts include the shares repurchased under the Tender Offer described below.) There was \$295 million of capacity remaining under the 2021 Share Repurchase Program at June 30, 2021.

Repurchases under our share repurchase programs may occur from time to time and through a variety of methods, including tender offers, open market repurchases, repurchases effected through Rule 10b5-1 trading plans, negotiated block purchases, accelerated share repurchase programs, or other similar transactions. The timing and volume of any repurchases under the 2021 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 its share repurchase programs or at all.

Common Stock Tender Offer

On February 2, 2021, we announced the commencement of a "modified Dutch Auction" tender offer (the "Tender Offer") to purchase up to \$1 billion in aggregate purchase price of our outstanding shares of common stock, par value \$0.20 per share. Pursuant to the Tender Offer, we repurchased 28.5 million shares at a price of \$16.50 per share. The purchase of shares settled on March 16, 2021, for an aggregate cost of approximately \$472 million, including fees and expenses related to the Tender Offer. We cancelled the 28.5 million shares purchased in connection with the Tender Offer. This cancellation decreased the balances of common stock by \$6 million and of additional paid-in capital by \$466 million, respectively.

Share Repurchases under our Rule 10b5-1 trading plan

During the three months ended June 30, 2021, we repurchased 22.8 million shares of our common stock at a total cost of \$439 million and during the six months ended June 30, 2021, we repurchased 29.6 million shares of our common stock at a total cost of \$560 million under a Rule 10b5-1 trading plan authorized under our share repurchase programs.

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

11. Earnings (Loss) per Common Share

Basic earnings (loss) 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.

<i>(In thousands, except per share data)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Numerator:				
Net income (loss)	\$ 140,201	\$ (85,211)	\$ 781,408	\$ 276,962
Preferred stock dividends	1,192	2,478	2,393	5,942
Net income (loss) attributable to SLM Corporation common stock	<u>\$ 139,009</u>	<u>\$ (87,689)</u>	<u>\$ 779,015</u>	<u>\$ 271,020</u>
Denominator:				
Weighted average shares used to compute basic EPS	312,183	375,009	336,478	392,397
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⁾	4,936	—	5,066	2,794
Weighted average shares used to compute diluted EPS	<u>317,119</u>	<u>375,009</u>	<u>341,544</u>	<u>395,191</u>
Basic earnings (loss) per common share attributable to SLM Corporation	<u>\$ 0.45</u>	<u>\$ (0.23)</u>	<u>\$ 2.32</u>	<u>\$ 0.69</u>
Diluted earnings (loss) per common share attributable to SLM Corporation	<u>\$ 0.44</u>	<u>\$ (0.23)</u>	<u>\$ 2.28</u>	<u>\$ 0.69</u>

⁽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 three months ended June 30, 2021 and 2020, securities covering approximately 1 million shares and 7 million shares, respectively, and for the six months ended June 30, 2021 and 2020, securities covering approximately 1 million shares and 3 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

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

12. Fair Value Measurements

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

We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. For additional information regarding our policies for determining fair value and the hierarchical framework, see Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies - Fair Value Measurement" in our 2020 Form 10-K.

During the six months ended June 30, 2021, there were no significant transfers of financial instruments between levels or changes in our methodology or assumptions used to value our financial instruments.

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

	Fair Value Measurements on a Recurring Basis							
	June 30, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Trading investments	\$ —	\$ —	\$ 35,908	\$ 35,908	\$ —	\$ —	\$ 16,923	\$ 16,923
Available-for-sale investments	—	2,072,309	—	2,072,309	—	1,996,634	—	1,996,634
Derivative instruments	—	459	—	459	—	729	—	729
Total	\$ —	\$ 2,072,768	\$ 35,908	\$ 2,108,676	\$ —	\$ 1,997,363	\$ 16,923	\$ 2,014,286
Liabilities								
Derivative instruments	\$ —	\$ (360)	\$ —	\$ (360)	\$ —	\$ (287)	\$ —	\$ (287)
Total	\$ —	\$ (360)	\$ —	\$ (360)	\$ —	\$ (287)	\$ —	\$ (287)

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

12. Fair Value Measurements (Continued)

The following table summarizes the fair values of our financial assets and liabilities, including derivative financial instruments.

	June 30, 2021			December 31, 2020		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets:						
Loans held for investment, net:						
Private Education Loans	\$ 22,528,229	\$ 19,389,089	\$ 3,139,140	\$ 22,124,171	\$ 18,436,968	\$ 3,687,203
FFELP Loans	727,713	714,609	13,104	748,657	735,208	13,449
Credit Cards	12,802	11,446	1,356	12,249	10,967	1,282
Loans held for sale	—	—	—	3,226,029	2,885,640	340,389
Cash and cash equivalents	4,497,310	4,497,310	—	4,455,292	4,455,292	—
Trading investments	35,908	35,908	—	16,923	16,923	—
Available-for-sale investments	2,072,309	2,072,309	—	1,996,634	1,996,634	—
Accrued interest receivable	1,433,379	1,323,448	109,931	1,527,816	1,387,305	140,511
Tax indemnification receivable	12,842	12,842	—	18,492	18,492	—
Derivative instruments	459	459	—	729	729	—
Total earning assets	\$ 31,320,951	\$ 28,057,420	\$ 3,263,531	\$ 34,126,992	\$ 29,944,158	\$ 4,182,834
Interest-bearing liabilities:						
Money-market and savings accounts	\$ 11,921,904	\$ 11,868,807	\$ (53,097)	\$ 11,136,560	\$ 11,067,633	\$ (68,927)
Certificates of deposit	9,377,702	9,253,003	(124,699)	11,799,223	11,597,266	(201,957)
Short-term borrowings	204,768	199,379	(5,389)	—	—	—
Long-term borrowings	5,162,367	4,989,060	(173,307)	5,398,309	5,189,217	(209,092)
Accrued interest payable	51,980	51,980	—	60,272	60,272	—
Derivative instruments	360	360	—	287	287	—
Total interest-bearing liabilities	\$ 26,719,081	\$ 26,362,589	\$ (356,492)	\$ 28,394,651	\$ 27,914,675	\$ (479,976)
Excess of net asset fair value over carrying value			\$ 2,907,039			\$ 3,702,858

Please refer to Notes to Consolidated Financial Statements, Note 16, "Fair Value Measurements" in our 2020 Form 10-K for a full discussion of the methods and assumptions used to estimate the fair value of each class of financial instruments.

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

13. Regulatory Capital

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

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, the Bank is subject to a Common Equity Tier 1 capital conservation buffer of greater than 2.5 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, 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.

On August 26, 2020, the FDIC and other federal banking agencies published a final rule that provides those banking organizations that adopted CECL during the 2020 calendar year with the option to delay for two years, and then phase in over the following three years, the effects on regulatory capital of CECL relative to the incurred loss methodology. We have elected to use this option. The final rule is substantially similar to an interim final rule issued on March 27, 2020. Under this final rule, because we have elected to use the deferral option, the regulatory capital impact of our transition adjustments recorded on January 1, 2020 from the adoption of CECL will be deferred for two years. In addition, from January 1, 2020 through the end of the two-year deferral period, 25 percent of the ongoing impact of CECL on our allowance for credit losses, retained earnings, and average total consolidated assets, each as reported for regulatory capital purposes, will be added to the deferred transition amounts ("adjusted transition amounts") and deferred for the two-year period. At the conclusion of the two-year period (i.e., beginning January 1, 2022), the adjusted transition amounts will be phased in for regulatory capital purposes at a rate of 25 percent per year, with the phased-in amounts included in regulatory capital at the beginning of each year. Our January 1, 2020 CECL transition amounts increased the allowance for credit losses by \$1.1 billion, increased the liability representing our off-balance sheet exposure for unfunded commitments by \$116 million, and increased our deferred tax asset by \$306 million, resulting in a cumulative effect adjustment that reduced retained earnings by \$953 million. This transition adjustment was inclusive of qualitative adjustments incorporated into our CECL allowance as necessary, to address any limitations in the models used.

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

13. 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 June 30, 2021:				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,190,257	13.7 %	\$ 1,636,018	≥ 7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,190,257	13.7 %	\$ 1,986,593	≥ 8.5 %
Total Capital (to Risk-Weighted Assets)	\$ 3,276,009	14.0 %	\$ 2,454,027	≥ 10.5 %
Tier 1 Capital (to Average Assets)	\$ 3,190,257	10.5 %	\$ 1,218,407	≥ 4.0 %
As of December 31, 2020:				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,579,005	14.0 %	\$ 1,794,780	≥ 7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,579,005	14.0 %	\$ 2,179,375	≥ 8.5 %
Total Capital (to Risk-Weighted Assets)	\$ 3,849,820	15.0 %	\$ 2,692,169	≥ 10.5 %
Tier 1 Capital (to Average Assets)	\$ 3,579,005	11.3 %	\$ 1,264,424	≥ 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 \$123 million in dividends and \$1.1 billion in dividends to the Company for the three and six months ended June 30, 2021, respectively, and \$27 million and \$568 million in dividends to the Company for the three and six months ended June 30, 2020, respectively, with the proceeds primarily used to fund the 2021 and 2020 Share Repurchase Programs and stock dividends. In the future, we expect that the Bank will pay dividends to the Company as may be necessary to enable the Company to pay any declared dividends on its Series B Preferred Stock and common stock and to consummate any common share repurchases by the Company under its share repurchase programs.

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

14. Commitments, Contingencies and Guarantees

Commitments

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of such approval, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). We estimate expected credit losses over the contractual period that we are exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by us. At June 30, 2021, we had \$1.2 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2021/2022 academic year. At June 30, 2021, we had a \$65 million reserve recorded in "Other Liabilities" to cover lifetime expected credit losses on these unfunded commitments. See Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies - Allowance for Credit Losses 2020 — Off-Balance Sheet Exposure for Contractual Loan Commitments" in our 2020 Form 10-K and Note 6, "Unfunded Loan Commitments" in this Form 10-Q for additional information.

Regulatory Matters

For additional information regarding our regulatory matters, see Notes to Consolidated Financial Statements, Note 20, "Commitments, Contingencies and Guarantees" in our 2020 Form 10-K.

Contingencies

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

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

The following information should be read in connection with SLM Corporation’s Annual Report on Form 10-K for the year ended December 31, 2020 (filed with the Securities and Exchange Commission (the “SEC”) on February 25, 2021) (the “2020 Form 10-K”), and subsequent reports filed with the SEC. Definitions for capitalized terms used in this report not defined herein can be found in the 2020 Form 10-K.

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

This report contains “forward-looking” statements and information based on management’s current expectations as of the date of this report. Statements that are not historical facts, including statements about our beliefs, opinions, or expectations and statements that assume or are dependent upon future events, are forward-looking statements. This includes, but is not limited to: statements regarding future developments surrounding COVID-19 or any other pandemic, including, without limitation, statements regarding the potential impact of COVID-19 or any other pandemic on the Company’s business, results of operations, financial condition, and/or cash flows; our expectation and ability to pay a quarterly cash dividend on our common stock in the future, subject to the determination by our Board of Directors, and based on an evaluation of our earnings, financial condition and requirements, business conditions, capital allocation determinations, and other factors, risks, and uncertainties; the Company’s 2021 guidance; the Company’s three-year horizon outlook; the Company’s expectation and ability to execute loan sales and share repurchases; the Company’s projections regarding originations, net charge-offs, non-interest expenses, earnings, balance sheet position, and other metrics; and any estimates related to accounting standard changes. Forward-looking statements are subject to risks, uncertainties, assumptions, and other factors that may cause actual results to be materially different from those reflected in such forward-looking statements. These factors include, among others, the risks and uncertainties set forth in Item 1A. “Risk Factors” and elsewhere in our 2020 Form 10-K and subsequent filings with the SEC; the societal, business, and legislative/regulatory impact of pandemics and other public health crises; increases in financing costs; limits on liquidity; increases in costs associated with compliance with laws and regulations; failure to comply with consumer protection, banking, and other laws; changes in accounting standards and the impact of related changes in significant accounting estimates, including any regarding the measurement of our allowance for credit losses and the related provision expense; any adverse outcomes in any significant litigation to which we are a party; credit risk associated with our exposure to third-parties, including counterparties to our derivative transactions; and changes in the terms of education loans and the educational credit marketplace (including changes resulting from new laws and the implementation of existing laws). We could also be affected by, among other things: changes in our funding costs and availability; reductions to our credit ratings; cybersecurity incidents, cyberattacks, and other failures or breaches of our operating systems or infrastructure, including those of third-party vendors; damage to our reputation; risks associated with restructuring initiatives, including failures to successfully implement cost-cutting programs and the adverse effects of such initiatives on our business; changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students, and their families; changes in law and regulations with respect to the student lending business and financial institutions generally; changes in banking rules and regulations, including increased capital requirements; increased competition from banks and other consumer lenders; the creditworthiness of our customers; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments and those of our earning assets versus our funding arrangements; rates of prepayment on the loans that we own; changes in general economic conditions and our ability to successfully effectuate any acquisitions; and other strategic initiatives. The preparation of our consolidated financial statements also requires us to make certain estimates and assumptions, including estimates and assumptions about future events. These estimates or assumptions may prove to be incorrect. All forward-looking statements contained in this quarterly report on Form 10-Q are qualified by these cautionary statements and are made only as of the date of this report. We do not undertake any obligation to update or revise these forward-looking statements to conform such statements to actual results or changes in our expectations.

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

Form 10-Q for the quarter ended June 30, 2021 for a further discussion and a complete reconciliation between GAAP net income and “Core Earnings.”

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

Impact of COVID-19 on Sallie Mae

During the first quarter of 2020, the outbreak of coronavirus 2019 or COVID-19 (“COVID-19”) began to spread worldwide and has caused significant disruptions to the U.S. and world economies. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. Beginning on March 15, 2020, many businesses closed or reduced hours throughout the U.S. to combat the spread of COVID-19. Throughout 2020, all 50 states reported cases of COVID-19 and each implemented various containment efforts, including lockdowns on non-essential businesses and work from home regimes. As a result of these measures, in early 2020 the unemployment rate increased dramatically. In response, we offered disaster forbearance to those customers who contacted us and were negatively affected by COVID-19. The second half of 2020 saw improvements in economic and consumer trends, but continued waves of new cases of COVID-19 created continued uncertainty in the economic environment. However, at the end of the fourth quarter of 2020 and into the first quarter of 2021, the rollout of new vaccines and the ratification of two additional stimulus laws have resulted in lower infection rates and significant improvement in the outlook of the economy. The improved outlook in the economy has contributed to faster prepayment rates and lower expected credit losses.

In the second quarter of 2021, we communicated our return to office plans to our team members. Based on the national and local guidelines, we developed a phased-in approach for returning to the office. Under this phased-in approach, we opened our offices in early July 2021 for employees who wanted to voluntarily come in, with a more substantial return to our campuses in early October. The return to our offices will include enhanced safety protocols and processes to provide the best working environment for our team members.

In the first half of 2021, the majority of colleges, universities, and trade schools across the country retained their hybrid model, which includes a mix of online, in-person classes and scaled back residential options. The remaining schools were executing a fully remote or on campus experience. As we head into the beginning of the 2021/2022 academic year, the majority of schools are expecting a mostly return to normal campus experience with some increased online options.

For further discussion of the impact of the COVID-19 pandemic on the Company, see Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae” in the 2020 Form 10-K.

The COVID-19 crisis is unprecedented and has had a significant impact on the economic environment globally and in the U.S. There is a significant amount of uncertainty as to the length and breadth of the impact to the U.S. economy and, consequently, on us. Economists expect the impact of COVID-19 on the U.S. economy to continue to be significant well into 2021. See Part I, Item 1A. “Risk Factors” in the 2020 Form 10-K for additional discussion regarding the risks associated with COVID-19.

Selected Financial Information and Ratios

(In thousands, except per share data and percentages)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss) attributable to SLM Corporation common stock	\$ 139,009	\$ (87,689)	\$ 779,015	\$ 271,020
Diluted earnings (loss) per common share attributable to SLM Corporation	\$ 0.44	\$ (0.23)	\$ 2.28	\$ 0.69
Weighted average shares used to compute diluted earnings per share	317,119	375,009	341,544	395,191
Return on assets ⁽¹⁾	1.9 %	(1.1)%	5.2 %	1.8 %
Other Operating Statistics (Held for Investment)				
Ending Private Education Loans, net	\$ 19,389,089	\$ 19,792,515	\$ 19,389,089	\$ 19,792,515
Ending FFELP Loans, net	714,609	752,021	714,609	752,021
Ending total education loans, net	\$ 20,103,698	\$ 20,544,536	\$ 20,103,698	\$ 20,544,536
Ending Personal Loans, net	\$ —	\$ 609,051	\$ —	\$ 609,051
Ending Credit Cards, net	\$ 11,446	\$ 10,344	\$ 11,446	\$ 10,344
Average education loans	\$ 21,377,676	\$ 22,352,374	\$ 21,547,286	\$ 23,315,771
Average Personal Loans	\$ —	\$ 836,342	\$ —	\$ 905,007
Average Credit Cards	\$ 11,694	\$ 9,364	\$ 11,767	\$ 7,325

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

Overview

The following discussion and analysis presents a review of our business and operations as of and for the three and six months ended June 30, 2021.

Key Financial Measures

Our operating results are primarily driven by net interest income from our Private Education Loan portfolio, gains and losses on loan sales, provision expense for credit losses, and operating expenses. The growth of our business and the strength of our financial condition are primarily driven by our ability to achieve our annual Private Education Loan origination goals while sustaining credit quality and maintaining cost-efficient funding sources to support our originations. A brief summary of our key financial measures (net interest income; loan sales and secured financings; allowance for credit losses; charge-offs and delinquencies; operating expenses; "Core Earnings;" Private Education Loan originations; and funding sources) can be found in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2020 Form 10-K.

LIBOR Transition

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. On December 4, 2020, the administrator of LIBOR, the ICE Benchmark Administration, published a consultation on its intention to extend the date on which the rates on most tenors of U.S. dollar LIBOR would cease being published from December 31, 2021 to June 30, 2023. Any publication beyond December 31, 2021 will need to comply with applicable regulations, including as to representativeness. U.S. banking regulators have encouraged banks to stop entering into new LIBOR-based contracts as soon as practicable and in any event by the end of 2021. In 2020, we launched 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.

The project team monitors developments, assesses impacts, proposes plans and, with the approval of an executive committee, implements changes. The project team reports status regularly to our Board of Directors. In 2020, we began issuing certain deposits based on SOFR. In the second quarter of 2021, we began to issue variable-rate Private Education Loans that use SOFR as a reference rate. We plan to significantly reduce the number of contracts that reference LIBOR, either through modification or replacement, by June 2023.

See Part I, Item 1A. "Risk Factors" in the 2020 Form 10-K for additional discussion regarding the risks associated with the transition from LIBOR.

Strategic Imperatives

In the third quarter of 2020, we introduced the following five strategic imperatives, which we believe will increase shareholder value:

- *Maximize the profitability and growth of our core business.*
- *Optimize the value of our brand and our attractive client base.*
- *Better inform the external narrative about student lending and Sallie Mae.*
- *Maintain a rigorous and predictable capital allocation and return program to create shareholder value.*
- *Drive a mission-led culture.*

A full description of these imperatives can be found in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2020 Form 10-K.

During the first six months of 2021, we made the following progress on the above corporate strategic imperatives.

New Servicing Call Center Platform and Rebranded Online Resource Tools

In late March 2021, we migrated our servicing call center to a new integrated platform that will further our goal to deliver exceptional customer experiences. This new platform will also allow us to streamline our processes and provide efficiencies, thereby creating more customer-centric capabilities for our team members. We also relaunched our online resource to provide a centralized and simplified site that provides information on tools and resources for school counselors as they assist students and families plan and pay for college. The Company is also creating a suite of confidence inspiring tools and resources as well as new, innovative partnerships that will provide significant value to our customers.

Introduced new www.SallieMakesSense.com website

We launched www.SallieMakesSense.com to help educate and inform policymakers, influencers, media, and others about who Sallie Mae is today and illustrate the important role we continue to play in helping students and families plan and pay for college. In addition to providing key statistics and information about the success of our customers, and the important role of private student lenders, the site also highlights the various tools and resources we provide families to make an informed decision about higher education. It also features content on the higher education landscape and our work in helping students complete their education.

2021 Loan Sales and 2021-A and 2021-C Transactions

During the first six months of 2021, we sold \$3.19 billion of our Private Education Loans, including \$2.99 billion in principal and \$195 million in capitalized interest, to an unaffiliated third party. The transaction qualified for sale treatment and removed the balance of the loans from our balance sheet on the respective settlement dates. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales. These sales resulted in our recognizing a gain of \$403 million during the first six months of 2021. For additional information regarding these transactions, see Notes to Consolidated Financial Statements, Note 4, "Loans Held for Sale" and Note 8, "Borrowings - Unconsolidated VIEs."

2021-B Securitization

On May 19, 2021, we executed our \$531 million SMB Private Education Loan Trust 2021-B term ABS transaction, which was accounted for as a secured financing. We sold \$531 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately \$529 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 0.77 percent.

Final Settlement of ASR

On January 26, 2021, we completed our ASR with a third-party financial institution and we received an additional 13 million shares. In total, we repurchased 58 million shares under the ASR at an average price per share of \$9.01. For additional information regarding this ASR, see Notes to Consolidated Financial Statements, Note 10, "Stockholders' Equity."

Common Stock Tender Offer

On February 2, 2021, we announced the commencement of a "modified Dutch Auction" tender offer to purchase up to \$1 billion in aggregate purchase price of our outstanding shares of common stock, par value \$0.20 per share. Pursuant to the Tender Offer, we repurchased 28.5 million shares at a price of \$16.50 per share. The purchase of shares settled on March 16, 2021, for an aggregate cost of approximately \$472 million, including fees and expenses related to the Tender Offer. We cancelled the 28.5 million shares purchased in connection with the Tender Offer.

Share Repurchases under our Rule 10b5-1 trading plan

During the six months ended June 30, 2021, we repurchased 29.6 million shares of our common stock at a total cost of \$560 million under a Rule 10b5-1 trading plan authorized under our share repurchase programs.

Secured Borrowing Facility

On February 17, 2021, we amended and extended the maturity of the Secured Borrowing Facility, discussed in Notes to Consolidated Financial Statements, Note 8, "Borrowings." The Secured Borrowing Facility is a \$2 billion secured borrowing facility, under which the full \$2 billion is available for us to draw. Under the amended Secured Borrowing Facility, we incur financing costs on unused borrowing capacity and on outstanding advances. The amended Secured Borrowing Facility extended the revolving period, during which we may borrow, repay and reborrow funds, until February 16, 2022. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on February 16, 2023 (or earlier, if certain material adverse events occur).

Results of Operations

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

GAAP Consolidated Statements of Income (Unaudited)

(In millions, except per share data)	Three Months Ended June 30,		Increase (Decrease)		Six Months Ended June 30,		Increase (Decrease)	
	2021	2020	\$	%	2021	2020	\$	%
Interest income:								
Loans	\$ 430	\$ 480	\$ (50)	(10) %	\$ 862	\$ 1,036	\$ (174)	(17) %
Investments	3	3	—	—	6	6	—	—
Cash and cash equivalents	2	2	—	—	3	18	(15)	(83)
Total interest income	435	485	(50)	(10)	871	1,060	(189)	(18)
Total interest expense	96	136	(40)	(29)	201	311	(110)	(35)
Net interest income	339	349	(10)	(3)	670	749	(79)	(11)
Less: provisions for credit losses	70	352	(282)	(80)	(156)	413	(569)	(138)
Net interest income (loss) after provisions for credit losses	269	(3)	272	9,067	826	336	490	146
Non-interest income:								
Gains on sales of loans, net	4	—	4	100	403	239	164	69
Gains on derivatives and hedging activities, net	—	4	(4)	(100)	—	49	(49)	(100)
Other income	48	25	23	92	63	33	30	91
Total non-interest income	52	29	23	79	466	321	145	45
Non-interest expenses:								
Total operating expenses	128	142	(14)	(10)	253	289	(36)	(12)
Restructuring expenses	—	—	—	—	1	—	1	100
Total non-interest expenses	128	142	(14)	(10)	254	289	(35)	(12)
Income (loss) before income tax expense (benefit)	193	(116)	309	266	1,038	368	670	182
Income tax expense (benefit)	53	(31)	84	271	257	91	166	182
Net income (loss)	140	(85)	225	265	781	277	504	182
Preferred stock dividends	1	3	(2)	(67)	2	6	(4)	(67)
Net income (loss) attributable to SLM Corporation common stock	\$ 139	\$ (88)	\$ 227	258 %	\$ 779	\$ 271	\$ 508	187 %
Basic earnings (loss) per common share attributable to SLM Corporation	\$ 0.45	\$ (0.23)	\$ 0.68	296 %	\$ 2.32	\$ 0.69	\$ 1.63	236 %
Diluted earnings (loss) per common share attributable to SLM Corporation	\$ 0.44	\$ (0.23)	\$ 0.67	291 %	\$ 2.28	\$ 0.69	\$ 1.59	230 %
Declared dividends per common share attributable to SLM Corporation	\$ 0.03	\$ 0.06	\$ (0.03)	(50) %	\$ 0.06	\$ 0.09	\$ (0.03)	(33) %

GAAP Consolidated Earnings Summary

Three Months Ended June 30, 2021 Compared with Three Months Ended June 30, 2020

For the three months ended June 30, 2021, net income was \$140 million, or \$0.44 diluted earnings per common share, compared with net loss of \$85 million, or \$0.23 loss per common share, for the three months ended June 30, 2020.

The primary drivers of changes in net income (loss) for the current quarter compared with the year-ago quarter are as follows:

- Net interest income decreased by \$10 million in the current quarter compared with the year-ago quarter primarily due to a \$1.8 billion reduction in average loans outstanding. The decline in average loans outstanding was due to the sale of our Personal Loan portfolio that occurred in the third quarter of 2020 and the sale of \$3.19 billion of Private Education Loans in the first six months of 2021. Offsetting the lower average loans outstanding was a 15 basis point increase in our net interest margin. Our net interest margin increased as a result of the cost of our interest-bearing liabilities decreasing by more than the decline in the yield on our interest-earning assets. When rates declined significantly during the first half of 2020, as a result of the COVID-19 pandemic, our variable-rate assets repriced more quickly than our interest-bearing liabilities. As a result, these interest-bearing liabilities continued to reprice downward during the latter half of 2020 and first half of 2021 to reflect the lower interest rate environment.
- Provisions for credit losses in the current quarter decreased by \$282 million compared with the year-ago quarter. During the second quarter of 2021, the provision for credit losses was primarily affected by improvements in the economic forecasts, and a change in the economic scenarios used and their respective weightings, as compared to the year-ago quarter. In the second quarter of 2020, as a result of an increase in COVID-19 infections in the second half of June 2020, we switched to using Moody's Analytics Base and S-4 downturn scenarios, weighted 50 percent each, in determining the allowance for credit losses. We estimate that the worsening economic environment in the second quarter of 2020 increased the provisions for credit losses in that quarter by \$243 million. Also contributing to the change in provisions for credit losses for the second quarter of 2021 compared with the year-ago quarter were additional provisions from the new loan commitments made during the second quarter of 2021, adoption of a new default model, and slower prepayment speeds, which were offset by lower expected future defaults.
- Gains on sales of loans in the second quarter of 2021 were \$4 million, as a result of \$27 million in additional loan sales in the quarter. There were no loan sales in the year-ago quarter.
- Gains on derivatives and hedging activities, net, were de minimis in the second quarter of 2021, compared with a net gain of \$4 million in the year-ago quarter. The year-ago quarter was favorably impacted by a significant decrease in interest rates caused by the economic fallout from the COVID-19 pandemic, which made our receive fixed/pay variable interest rate swaps that are not designated as accounting hedges, but are economic hedges, to increase in value.
- Other income was \$48 million in the second quarter of 2021, compared with \$25 million in the year-ago quarter. The increase in other income compared with the year-ago period was primarily the result of a \$35 million gain related to changes in the valuation of certain non-marketable securities, and a \$5 million increase in third-party servicing fees, offset by an \$11 million gain from the sale of our Upromise subsidiary recognized in the year-ago quarter and \$2 million in lower revenue related to our Upromise subsidiary. In addition, the second quarter of 2021 was negatively affected by a \$3 million reduction in the tax indemnification receivable related to uncertain tax positions. Third-party servicing fees increased because we sold a total of \$6 billion in loans in the first quarters of 2020 and 2021 where we retained servicing rights.
- Second-quarter 2021 total operating expenses were \$128 million, compared with \$142 million in the year-ago quarter. The decrease in total operating expenses was primarily driven by lower personnel costs as a result of the corporate reorganization that occurred in the second half of 2020, the divestiture of our Upromise subsidiary, the sale of the Personal Loan portfolio, and lower initiative spending.
- Second-quarter 2021 income tax expense was \$53 million, compared with an income tax benefit of \$31 million in the year-ago quarter. Our effective income tax rate increased to 27.5 percent in the second quarter of 2021 from 26.5 percent in the year-ago quarter. The increase in the effective tax rate in the second quarter of 2021 was primarily due to an increase in current year reserves for uncertain tax positions.

Six Months Ended June 30, 2021 Compared with Six Months Ended June 30, 2020

For the six months ended June 30, 2021, net income was \$781 million, or \$2.28 diluted earnings per common share, compared with net income of \$277 million, or \$0.69 diluted earnings per common share, for the six months ended June 30, 2020.

The primary drivers of changes in net income for the first six months of 2021 compared with the year-ago period are as follows:

- Net interest income decreased by \$79 million in the first six months of 2021 compared with the year-ago period primarily due to a \$2.7 billion reduction in average loans outstanding and a 27 basis point decrease in the net interest margin. The decline in average loans outstanding was due to the sale of our Personal Loan portfolio that occurred in the third quarter of 2020, and the sale of \$3.19 billion of Private Education Loans in the first six months of 2021. Our average cash and other short-term investments and average taxable securities in the first six months of 2021 increased by \$96 million and \$1 billion, respectively, compared with the year-ago period. The lower yields on these investments, which declined significantly from the year-ago period, coupled with their larger balances, were the primary cause of the decline in the net interest margin. Yields on cash and other short-term investments and taxable securities are much lower than yields on consumer loans. This reduces the weighted average yield on our interest-earning assets and our net interest margin.

- Provisions for credit losses decreased by \$569 million in the first six months of 2021 compared with the year-ago period. During the first six months of 2021, the provision for credit losses was primarily affected by improvements in the economic forecasts, faster prepayment speeds and a change in the economic scenarios used and their respective weightings, as compared to the year-ago period. In the second quarter of 2020, as a result of an increase in COVID-19 infections in the second half of June 2020, we switched to using Moody's Analytics Base and S-4 downturn scenarios, weighted 50 percent each, in determining the allowance for credit losses. We estimated that the worsening economic environment caused by the COVID-19 pandemic in 2020 increased the provisions for credit losses in the first half of 2020 by \$397 million. These factors were offset by additional provisions from the new loan commitments made during the first half of 2021. During the first quarter of 2021, we increased our estimates of future prepayment speeds during both the two-year reasonable and supportable period as well as the remaining term of the underlying loans. These faster estimated prepayment speeds during the two-year reasonable and supportable period reflect the significant improvement in economic forecasts, as well as the implementation of an updated prepayment speed model. To address this fundamental change, we increased our long-term expectations of prepayment speeds. We experienced higher prepayments during the COVID-19 pandemic, when unemployment rates were elevated, than we would have expected based upon our experience during past financial crises.

- Gains on sales of loans were \$403 million in the first six months of 2021, compared with \$239 million in the year-ago period. The increase in gains on sales of loans was primarily the result of improved pricing on the sale of loans in the first six months of 2021 compared with the year-ago period, and, to a lesser extent, \$157 million in additional loan sales in the first six months of 2021 when compared with the year-ago period.

- Gains on derivatives and hedging activities, net, were de minimis in the first six months of 2021, compared with a net gain of \$49 million in the year-ago period. The year-ago period was favorably impacted by a significant decrease in interest rates caused by the economic fallout from the COVID-19 pandemic, which made our receive fixed/pay variable interest rate swaps that are not designated as accounting hedges, but are economic hedges, to increase in value.

- Other income was \$63 million in the first six months of 2021, compared with \$33 million in the year-ago period. The increase in other income compared with the year-ago period was primarily the result of a \$35 million gain related to changes in the valuation of certain non-marketable securities, and a \$17 million increase in third-party servicing fees, offset by an \$11 million gain from the sale of our Upromise subsidiary recognized in the year-ago period and \$6 million in lower revenue related to our Upromise subsidiary. In addition, the first six months of 2021 was negatively affected by a \$6 million reduction in the tax indemnification receivable related to uncertain tax positions. Third-party servicing fees increased because we sold a total of \$6 billion in loans in the first quarters of 2020 and 2021 where we retained servicing rights.

- First-half 2021 total operating expenses were \$253 million, compared with \$289 million in the year-ago period. The decrease in total operating expenses was primarily driven by lower personnel costs as a result of the corporate reorganization that occurred in the second half of 2020, the divestiture of our Upromise subsidiary, the sale of the Personal Loan portfolio, and lower initiative spending.

- First-half 2021 income tax expense was \$257 million, compared with \$91 million in the year-ago period. Our effective income tax rate remained unchanged at 24.7 percent in the first six months of both 2021 and 2020.

“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 derivative contracts recognized in GAAP, but not in “Core Earnings.”

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

The adjustments required to reconcile from our “Core Earnings” results to our GAAP results of operations, net of tax, relate to differing treatments for those derivative instruments used to hedge our economic risks that do not qualify for hedge accounting treatment. The amount recorded in “Gains (losses) on derivatives and hedging activities, net” includes (i) the accrual of the current payment on the interest rate swaps that do not qualify for hedge accounting treatment and (ii) 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.

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Unrealized gains (losses) on instruments not in a hedging relationship	\$ (6,949)	\$ (7,853)	\$ (17,812)	\$ 34,459
Interest reclassification	7,038	11,604	17,929	14,964
Gains on derivatives and hedging activities, net	\$ 89	\$ 3,751	\$ 117	\$ 49,423

The following table reflects adjustments associated with our derivative activities.

(Dollars in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
“Core Earnings” adjustments to GAAP:				
GAAP net income (loss)	\$ 140,201	\$ (85,211)	\$ 781,408	\$ 276,962
Preferred stock dividends	1,192	2,478	2,393	5,942
GAAP net income (loss) attributable to SLM Corporation common stock	\$ 139,009	\$ (87,689)	\$ 779,015	\$ 271,020
Adjustments:				
Net impact of derivative accounting ⁽¹⁾	6,949	7,853	17,812	(34,459)
Net tax expense (benefit) ⁽²⁾	1,681	1,918	4,308	(8,412)
Total “Core Earnings” adjustments to GAAP	5,268	5,935	13,504	(26,047)
“Core Earnings” (loss) attributable to SLM Corporation common stock	\$ 144,277	\$ (81,754)	\$ 792,519	\$ 244,973
GAAP diluted earnings (loss) per common share	\$ 0.44	\$ (0.23)	\$ 2.28	\$ 0.69
Derivative adjustments, net of tax	0.01	0.01	0.04	(0.07)
“Core Earnings” diluted earnings (loss) per common share	\$ 0.45	\$ (0.22)	\$ 2.32	\$ 0.62

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

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

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

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Provisions for credit losses	\$ 69,677	\$ 351,887	\$ (156,090)	\$ 413,145
Total portfolio net charge-offs	\$ (43,050)	\$ (39,637)	\$ (90,662)	\$ (101,068)

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

Financial Condition

Average Balance Sheets

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

(Dollars in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate
Average Assets								
Private Education	\$ 20,654,285	8.22 %	\$ 21,590,905	8.33 %	\$ 20,818,476	8.22 %	\$ 22,546,874	8.60 %
Loans								
FFELP Loans	723,391	3.41	761,469	3.82	728,810	3.41	768,897	4.06
Personal Loans	—	—	836,342	12.54	—	—	905,007	12.31
Credit Cards	11,694	6.64	9,364	(9.34)	11,767	3.71	7,325	(7.67)
Taxable securities	2,021,321	0.63	1,479,811	0.80	1,996,749	0.60	993,347	1.12
Cash and other short-term investments	5,481,741	0.12	6,156,629	0.13	6,131,914	0.11	6,035,572	0.64
Total interest-earning assets	28,892,432	6.03 %	30,834,520	6.33 %	29,687,716	5.92 %	31,257,022	6.82 %
Non-interest-earning assets	554,588		(17,541)		656,900		137,035	
Total assets	\$ 29,447,020		\$ 30,816,979		\$ 30,344,616		\$ 31,394,057	
Average Liabilities and Equity								
Brokered deposits	\$ 11,252,705	1.36 %	\$ 13,041,724	1.81 %	\$ 11,574,397	1.44 %	\$ 13,375,496	2.07 %
deposits								
Retail and other	10,542,913	0.70	10,761,037	1.55	10,612,877	0.76	10,696,545	1.83
Other interest-bearing liabilities ⁽¹⁾	5,143,011	3.06	4,793,262	3.00	5,165,647	3.05	4,835,062	3.14
Total interest-bearing liabilities	26,938,629	1.43 %	28,596,023	1.91 %	27,352,921	1.48 %	28,907,103	2.16 %
Non-interest-bearing liabilities	143,663		138,654		406,449		175,745	
Equity	2,364,728		2,082,302		2,585,246		2,311,209	
Total liabilities and equity	\$ 29,447,020		\$ 30,816,979		\$ 30,344,616		\$ 31,394,057	
Net interest margin		4.70 %		4.55 %		4.55 %		4.82 %

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

Rate/Volume Analysis

The following rate/volume analysis shows the relative contribution of changes in interest rates and asset volumes to changes in interest income, interest expense, and net interest income.

(Dollars in thousands)	Decrease	Change Due To ⁽¹⁾	
		Rate	Volume
Three Months Ended June 30, 2021 vs. 2020			
Interest income	\$ (50,105)	\$ (21,754)	\$ (28,351)
Interest expense	(40,114)	(32,782)	(7,332)
Net interest income	<u>\$ (9,991)</u>	<u>\$ 11,399</u>	<u>\$ (21,390)</u>
Six Months Ended June 30, 2021 vs. 2020			
Interest income	\$ (188,880)	\$ (134,774)	\$ (54,106)
Interest expense	(109,887)	(92,941)	(16,946)
Net interest income	<u>\$ (78,993)</u>	<u>\$ (40,531)</u>	<u>\$ (38,462)</u>

⁽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 Loans Held for Investment Portfolio

Ending Loans Held for Investment Balances, net

(Dollars in thousands)	June 30, 2021			
	Private Education Loans	FFELP Loans	Credit Cards	Total Loans Held for Investment
Total loan portfolio:				
In-school ⁽¹⁾	\$ 3,195,802	\$ 90	\$ —	\$ 3,195,892
Grace, repayment and other ⁽²⁾⁽³⁾	17,281,955	716,868	12,784	18,011,607
Total, gross	20,477,757	716,958	12,784	21,207,499
Deferred origination costs and unamortized premium/(discount)	65,872	1,913	104	67,889
Allowance for credit losses	(1,154,540)	(4,262)	(1,442)	(1,160,244)
Total loans held for investment portfolio, net	<u>\$ 19,389,089</u>	<u>\$ 714,609</u>	<u>\$ 11,446</u>	<u>\$ 20,115,144</u>
% of total	96 %	4 %	— %	100 %

⁽¹⁾ Loans for customers still attending school and who are not yet required to make payments on the loans. At June 30, 2021, the loans in the "in-school" category include \$144 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 because of the pandemic, or other reasons, and who received an extension of time from us to re-enroll before beginning their grace period and, therefore, currently are not required to make any payments. For further discussion, see Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae — Financial Results" in the 2020 Form 10-K.

⁽²⁾ At June 30, 2021, the loans in the "grace, repayment and other" category include (a) \$105 million of Private Education Loans whose borrowers are in a grace or deferred status and who did not return to school in the fall of 2020, who received an extension of time from us to re-enroll before beginning their grace period and, therefore, currently are not required to make any payments, and (b) \$502 million of Private Education Loans whose borrowers are in a forbearance or repayment status and who did not return to school in the fall of 2020 and who received an extension of time from us to re-enroll before beginning their grace period. For further discussion, see Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae — Financial Results" in the 2020 Form 10-K.

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

	December 31, 2020			
(Dollars in thousands)	Private Education Loans	FFELP Loans	Credit Cards	Total Loans Held for Investment
Total loan portfolio:				
In-school ⁽¹⁾	\$ 3,582,394	8	—	3,582,475
Grace, repayment and other ⁽²⁾⁽³⁾	16,146,943	737,512	12,238	16,896,693
Total, gross	19,729,337	737,593	12,238	20,479,168
Deferred origination costs and unamortized premium/(discount)	63,475	1,993	230	65,698
Allowance for credit losses	(1,355,844)	(4,378)	(1,501)	(1,361,723)
Total loans held for investment portfolio, net	\$ 18,436,968	735,208	10,967	19,183,143
% of total	9%	%	—%	10%

⁽¹⁾Loans for customers still attending school and who are not yet required to make payments on the loans. At December 31, 2020, the loans in the "in-school" category include \$254 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 because of the pandemic, or other reasons, and who received an extension of time from us to re-enroll before beginning their grace period and, therefore, were not then required to make any payments. For further discussion, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae — Financial Results" in the 2020 Form 10-K.

⁽²⁾At December 31, 2020, the loans in the "grace, repayment and other" category include (a) \$147 million of Private Education Loans whose borrowers were in a grace or deferred status and who did not return to school in the fall of 2020, who received an extension of time from us to re-enroll before beginning their grace period and, therefore, were not then required to make any payments, and (b) \$639 million of Private Education Loans whose borrowers were in a forbearance or repayment status and who did not return to school in the fall of 2020 and who received an extension of time from us to re-enroll before beginning their grace period. For further discussion, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae — Financial Results" in the 2020 Form 10-K.

⁽³⁾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 Loans Held for Investment Balances (net of unamortized premium/discount)

(Dollars in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Private Education Loans	\$ 20,654,285	97 %	\$ 21,590,905	93 %	\$ 20,818,476	97 %	\$ 22,546,874	93 %
FFELP Loans	723,391	3	761,469	3	728,810	3	768,897	3
Personal Loans	—	—	836,342	4	—	—	905,007	4
Credit Cards	11,694	—	9,364	—	11,767	—	7,325	—
Total portfolio	\$ 21,389,370	100 %	\$ 23,198,080	100 %	\$ 21,559,053	100 %	\$ 24,228,103	100 %

Loans Held for Investment, Net Activity

	Three Months Ended June 30, 2021			
(Dollars in thousands)	Private Education Loans	FFELP Loans	Credit Cards	Total Loans Held for Investment, net
Beginning balance	\$ 19,632,933	\$ 725,300	\$ 10,054	\$ 20,368,287
Acquisitions and originations:				
Fixed-rate	301,072	—	—	301,072
Variable-rate	237,951	—	12,398	250,349
Total acquisitions and originations	539,023	—	12,398	551,421
Capitalized interest and deferred origination cost premium amortization	115,294	6,500	(23)	121,771
Sales	(25,136)	—	—	(25,136)
Loan consolidations to third-parties	(337,518)	(7,209)	—	(344,727)
Allowance	18,835	56	(114)	18,777
Repayments and other	(554,342)	(10,038)	(10,869)	(575,249)
Ending balance	\$ 19,389,089	\$ 714,609	\$ 11,446	\$ 20,115,144

	Three Months Ended June 30, 2020				
(Dollars in thousands)	Private Education Loans ⁽¹⁾	FFELP Loans	Personal Loans	Credit Cards	Total Loans Held for Investment, net ⁽¹⁾
Beginning balance	\$ 20,176,233	\$ 764,771	\$ 747,444	\$ 7,403	\$ 21,695,851
Acquisitions and originations:					
Fixed-rate	254,576	—	—	—	254,576
Variable-rate	250,037	—	—	10,064	260,101
Total acquisitions and originations	504,613	—	—	10,064	514,677
Capitalized interest and deferred origination cost premium amortization	109,289	4,160	(103)	(244)	113,102
Loan consolidations to third-parties ⁽¹⁾	(239,771)	(5,998)	—	—	(245,769)
Allowance	(244,777)	(89)	(10,665)	(468)	(255,999)
Repayments and other ⁽¹⁾	(513,072)	(10,823)	(127,625)	(6,411)	(657,931)
Ending balance	\$ 19,792,515	\$ 752,021	\$ 609,051	\$ 10,344	\$ 21,163,931

(1) In our Form 10-Qs for the first three fiscal quarters of 2020: (i) the "loan consolidations to third-parties" line item incorrectly included consolidation activity for loans we serviced but did not own, and (ii) the "repayments and other" line item did not correctly reflect the total of all scheduled repayments and voluntary prepayments made on loans in repayment that we owned and held for investment. The "ending balance" line item, which includes the effects of those two line items, was reflected correctly in the Form 10-Qs. The "loan consolidations to third-parties" line item was overstated in the Form 10-Q for the three months ended June 30, 2020 by \$45 million. The "repayments and other" line item was understated in the Form 10-Q for the three months ended June 30, 2020 by \$45 million. In order to correctly reflect the activity that occurred in the second quarter of 2020 regarding those line items for loans we owned and held for investment, the "loan consolidations to third-parties" line item above reflects a reduction of \$45 million to the line item amount to reflect the aggregate overstatement for the second quarter of 2020, and the "repayments and other" line item above reflects an increase of \$45 million to the line item amount to reflect the aggregate understatement for the second quarter of 2020.

Six Months Ended June 30, 2021

(Dollars in thousands)	Private Education Loans	FFELP Loans	Credit Cards	Total Loans Held for Investment, net
Beginning balance	\$ 18,436,968	\$ 735,208	\$ 10,967	\$ 19,183,143
Acquisitions and originations:				
Fixed-rate	1,316,859	—	—	1,316,859
Variable-rate	1,290,039	—	21,158	1,311,197
Total acquisitions and originations	2,606,898	—	21,158	2,628,056
Capitalized interest and deferred origination cost premium amortization	200,764	14,129	(208)	214,685
Sales	(150,928)	—	—	(150,928)
Transfer from loans held for sale	25,040	—	—	25,040
Loan consolidations to third-parties	(726,727)	(13,879)	—	(740,606)
Allowance	201,304	116	59	201,479
Repayments and other	(1,204,230)	(20,965)	(20,530)	(1,245,725)
Ending balance	<u>\$ 19,389,089</u>	<u>\$ 714,609</u>	<u>\$ 11,446</u>	<u>\$ 20,115,144</u>

Six Months Ended June 30, 2020

(Dollars in thousands)	Private Education Loans ⁽¹⁾	FFELP Loans	Personal Loans	Credit Cards	Total Loans Held for Investment, net ⁽¹⁾
Beginning balance	\$ 22,896,515	\$ 783,816	\$ 983,643	\$ 3,818	\$ 24,667,792
Day 1 CECL Adjustment to Allowance	(1,060,830)	(2,852)	(79,183)	(188)	(1,143,053)
Balance at January 1, 2020	21,835,685	780,964	904,460	3,630	23,524,739
Acquisitions and originations:					
Fixed-rate	1,723,274	—	41	—	1,723,315
Variable-rate	1,083,709	—	—	17,826	1,101,535
Total acquisitions and originations	2,806,983	—	41	17,826	2,824,850
Capitalized interest and deferred origination cost premium amortization	227,166	11,571	(203)	(315)	238,219
Sales	(2,925,478)	—	—	—	(2,925,478)
Loan consolidations to third-parties ⁽¹⁾	(691,977)	(11,707)	—	—	(703,684)
Allowance	(325,429)	100	(18,277)	(752)	(344,358)
Repayments and other ⁽¹⁾	(1,134,435)	(28,907)	(276,970)	(10,045)	(1,450,357)
Ending balance	<u>\$ 19,792,515</u>	<u>\$ 752,021</u>	<u>\$ 609,051</u>	<u>\$ 10,344</u>	<u>\$ 21,163,931</u>

(1) In our Form 10-Qs for the first three fiscal quarters of 2020: (i) the "loan consolidations to third-parties" line item incorrectly included consolidation activity for loans we serviced but did not own, and (ii) the "repayments and other" line item did not correctly reflect the total of all scheduled repayments and voluntary prepayments made on loans in repayment that we owned and held for investment. The "ending balance" line item, which includes the effects of those two line items, was reflected correctly in the Form 10-Qs. The "loan consolidations to third-parties" line item was overstated in the Form 10-Q for the six months ended June 30, 2020 by \$58 million. The "repayments and other" line item was understated in the Form 10-Q for the six months ended June 30, 2020 by \$58 million. In order to correctly reflect the activity that occurred in the first six months of 2020 regarding those line items for loans we owned and held for investment, the "loan consolidations to third-parties" line item above reflects a reduction of \$58 million to the line item amount to reflect the aggregate overstatement for the first six months of 2020, and the "repayments and other" line item above reflects an increase of \$58 million to the line item amount to reflect the aggregate understatement for the first six months of 2020.

“Loan consolidations to third-parties” and “Repayments and other” are both significantly affected by the volume of loans in our held for investment portfolio in full principal and interest repayment status. Loans in full principal and interest repayment status in our Private Education Loans held for investment portfolio at June 30, 2021 decreased by 5 percent compared with June 30, 2020, and now total 39 percent of our Private Education Loans held for investment portfolio at June 30, 2021.

“Loan consolidations to third-parties” for the three months ended June 30, 2021 total 4.5 percent of our Private Education Loans held for investment portfolio in full principal and interest repayment status at June 30, 2021, or 1.7 percent of our total Private Education Loans held for investment portfolio at June 30, 2021, compared with the year-ago period of 3.0 percent of our Private Education Loans held for investment portfolio in full principal and interest repayment status, or 1.2 percent of our total Private Education Loans held for investment portfolio, respectively. The increase in consolidations is attributable to consolidators having ready access to funding for the latter part of 2020 and for early 2021 in spite of the COVID-19 pandemic impact on the economy. 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.

Historically, voluntary prepayments and loan consolidations decrease when unemployment increases as borrowers and lenders look to conserve liquidity.

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.

(Dollars in thousands)	Three Months Ended June 30,			
	2021	%	2020	%
Smart Option - interest only ⁽¹⁾	\$ 99,944	19 %	\$ 102,881	21 %
Smart Option - fixed pay ⁽¹⁾	160,860	30	127,150	26
Smart Option - deferred ⁽¹⁾	171,443	32	153,929	31
Smart Option - principal and interest	2,057	—	1,581	—
Graduate Loan	93,456	18	106,052	21
Parent Loan	5,044	1	5,618	1
Total Private Education Loan originations	\$ 532,804	100 %	\$ 497,211	100 %
Percentage of loans with a cosigner	75.7 %		73.6 %	
Average FICO at approval ⁽²⁾	750		747	

(Dollars in thousands)	Six Months Ended June 30,			
	2021	%	2020	%
Smart Option - interest only ⁽¹⁾	\$ 573,330	22 %	\$ 625,313	22 %
Smart Option - fixed pay ⁽¹⁾	774,185	30	783,744	28
Smart Option - deferred ⁽¹⁾	945,145	36	1,034,510	37
Smart Option - principal and interest	5,561	—	4,826	—
Graduate Loan	255,939	10	294,872	11
Parent Loan	43,557	2	54,846	2
Total Private Education Loan originations	\$ 2,597,717	100 %	\$ 2,798,111	100 %
Percentage of loans with a cosigner	85.9 %		85.5 %	
Average FICO at approval ⁽²⁾	751		746	

⁽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" in the 2020 Form 10-K for a further discussion.

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

Allowance for Credit Losses

Allowance for Credit Losses Activity

(Dollars in thousands)	Three Months Ended June 30,									
	2021				2020					
	Private Education Loans	FFELP Loans	Credit Cards	Total Portfolio	Private Education Loans	FFELP Loans	Personal Loans	Credit Cards	Total Portfolio	
Beginning balance	\$ 1,173,375	\$ 4,318	\$ 1,328	\$ 1,179,021	\$ 1,515,781	\$ 4,296	\$ 152,673	\$ 574	\$ 1,673,324	
Transfer from unfunded commitment liability ⁽¹⁾	24,556	—	—	24,556	37,010	—	—	—	37,010	
Less:										
Charge-offs	(49,900)	(54)	(74)	(50,028)	(31,779)	(84)	(14,601)	(41)	(46,505)	
Plus:										
Recoveries	6,972	—	6	6,978	5,532	—	1,336	—	6,868	
Provision for loan losses:										
Provision, current period	1,014	(2)	182	1,194	234,015	173	23,929	509	258,626	
Loan sale reduction to provision	(1,477)	—	—	(1,477)	—	—	—	—	—	
Total provisions for credit losses ⁽²⁾	(463)	(2)	182	(283)	234,015	173	23,929	509	258,626	
Ending balance	\$ 1,154,540	\$ 4,262	\$ 1,442	\$ 1,160,244	\$ 1,760,559	\$ 4,385	\$ 163,337	\$ 1,042	\$ 1,929,323	
Troubled debt restructurings ⁽³⁾	\$ 1,192,743	\$ —	\$ —	\$ 1,192,743	\$ 1,520,240	\$ —	\$ —	\$ —	\$ 1,520,240	

⁽¹⁾ See Note 6, "Unfunded Loan Commitments," in this Form 10-Q for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

⁽²⁾ Below is a reconciliation of the provision for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

(Dollars in thousands)	Consolidated Statements of Income Provisions for Credit Losses Reconciliation			
	2021		2020	
Private Education Loan provisions for credit losses:				
Provisions for loan losses	\$	(463)	\$	234,015
Provisions for unfunded loan commitments		69,960		93,261
Total Private Education Loan provisions for credit losses		69,497		327,276
Other impacts to the provisions for credit losses:				
Personal Loans		—		23,929
FFELP Loans		(2)		173
Credit Cards		182		509
Total		180		24,611
Provisions for credit losses reported in consolidated statements of income	\$	69,677	\$	351,887

⁽³⁾ Represents the unpaid principal balance of loans classified as troubled debt restructurings.

Six Months Ended June 30,

(Dollars in thousands)	2021				2020				
	Private Education Loans	FFELP Loans	Credit Cards	Total Portfolio	Private Education Loans	FFELP Loans	Personal Loans	Credit Cards	Total Portfolio
Beginning balance	\$ 1,355,844	\$ 4,378	\$ 1,501	\$ 1,361,723	\$ 374,300	\$ 1,633	\$ 65,877	\$ 102	\$ 441,912
Day 1 adjustment for adoption of CECL	—	—	—	—	1,060,830	2,852	79,183	188	1,143,053
Balance at January 1	1,355,844	4,378	1,501	1,361,723	1,435,130	4,485	145,060	290	1,584,965
Transfer from unfunded commitment liability ⁽¹⁾	151,436	—	—	151,436	179,085	—	—	—	179,085
Less:									
Charge-offs	(105,039)	(143)	(162)	(105,344)	(83,248)	(310)	(33,848)	(48)	(117,454)
Plus:									
Recoveries	14,675	—	7	14,682	13,508	—	2,878	—	16,386
Provision for loan losses:									
Provision, current period	(253,928)	27	96	(253,805)	377,877	210	49,247	800	428,134
Loan sale reduction to provision	(10,335)	—	—	(10,335)	(161,793)	—	—	—	(161,793)
Loans transferred from held-for-sale	1,887	—	—	1,887	—	—	—	—	—
Total provisions for credit losses ⁽²⁾	(262,376)	27	96	(262,253)	216,084	210	49,247	800	266,341
Ending balance	\$ 1,154,540	\$ 4,262	\$ 1,442	\$ 1,160,244	\$ 1,760,559	\$ 4,385	\$ 163,337	\$ 1,042	\$ 1,929,323
Troubled debt restructurings ⁽³⁾	\$ 1,192,743	\$ —	\$ —	\$ 1,192,743	\$ 1,520,240	\$ —	\$ —	\$ —	\$ 1,520,240

⁽¹⁾ See Note 6, "Unfunded Loan Commitments," in this Form 10-Q for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

⁽²⁾ Below is a reconciliation of the provision for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

(Dollars in thousands)	Six Months Ended June 30,	
	2021	2020
Consolidated Statements of Income Provisions for Credit Losses Reconciliation		
Private Education Loan provisions for credit losses:		
Provisions for loan losses	\$ (262,376)	\$ 216,084
Provisions for unfunded loan commitments	106,163	146,804
Total Private Education Loan provisions for credit losses	(156,213)	362,888
Other impacts to the provisions for credit losses:		
Personal Loans	—	49,247
FFELP Loans	27	210
Credit Cards	96	800
Total	123	50,257
Provisions for credit losses reported in consolidated statements of income	\$ (156,090)	\$ 413,145

⁽³⁾ Represents the unpaid principal balance of loans classified as troubled debt restructurings.

Private Education Loan Allowance for Credit Losses

In establishing the allowance for Private Education Loan losses as of June 30, 2021, we considered several factors with respect to our Private Education Loan portfolio, in particular, credit quality and delinquency, forbearance, and charge-off trends.

Private Education Loans held for investment in full principal and interest repayment status were 39 percent of our total Private Education Loans held for investment portfolio at June 30, 2021, compared with 47 percent at June 30, 2020.

For a more detailed discussion of our policy for determining the collectability of Private Education Loans and maintaining our allowance for Private Education Loans, see “—Allowance for Credit Losses” and Notes to Consolidated Financial Statements, Note 3, “Loans Held for Investment — Certain Collection Tools - Private Education Loans” in this Form 10-Q and Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Allowance for Credit Losses” and Notes to Consolidated Financial Statements, Note 5, “Loans Held for Investment — Certain Collection Tools - Private Education Loans” in the 2020 Form 10-K.

The table below presents our Private Education Loans held for investment portfolio delinquency trends. Loans in repayment include loans making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the following table, do not include those loans while they are in forbearance). For the periods presented below, we updated our delinquency bucket periods to conform with the delinquency bucket periods defined by the FFIEC.

	Private Education Loans Held for Investment			
	June 30,			
	2021		2020	
	Balance	%	Balance	%
(Dollars in thousands)				
Loans in-school/grace/deferment ⁽¹⁾⁽²⁾	\$ 5,199,207		\$ 5,480,047	
Loans in forbearance ⁽¹⁾ and percentage of each status:				
Loans in forbearance - current ⁽³⁾	453,175	100.0 %	1,420,585	95.2 %
Loans in forbearance - loans delinquent 30-59 days ⁽²⁾⁽³⁾	—	—	40,455	2.7
Loans in forbearance - loans delinquent 60-89 days ⁽²⁾⁽³⁾	—	—	21,286	1.4
Loans in forbearance - loans 90 days or greater past due ⁽²⁾⁽³⁾	—	—	10,369	0.7
Total Private Education Loans in forbearance ⁽²⁾	453,175	100.0 %	1,492,695	100.0 %
Loans in repayment ⁽¹⁾ and percentage of each status:				
Loans current	14,514,659	97.9 %	14,190,329	97.8 %
Loans delinquent 30-59 days ⁽⁴⁾	162,538	1.1	166,584	1.1
Loans delinquent 60-89 days ⁽⁴⁾	85,451	0.6	99,653	0.7
Loans 90 days or greater past due ⁽⁴⁾	62,727	0.4	56,157	0.4
Total Private Education Loans in repayment	14,825,375	100.0 %	14,512,723	100.0 %
Total Private Education Loans, gross	20,477,757		21,485,465	
Private Education Loans deferred origination costs and unamortized premium/(discount)	65,872		67,609	
Total Private Education Loans	20,543,629		21,553,074	
Private Education Loans allowance for losses	(1,154,540)		(1,760,559)	
Private Education Loans, net	\$ 19,389,089		\$ 19,792,515	
Percentage of Private Education Loans in repayment		72.4 %		67.5 %
Delinquent Private Education Loans in repayment as a percentage of Private Education Loans in repayment		2.1 %		2.2 %
Delinquencies as a percentage of Private Education Loans in repayment and delinquent forbearance loans		2.1 %		2.7 %
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance		3.0 %		9.3 %

⁽¹⁾ At June 30, 2021, the loans in the "in-school/grace/deferment" category above include \$249 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 because of the pandemic, or for other reasons, and who received an extension of time from us to re-enroll before beginning their grace period. At June 30, 2021, the loans in the "in forbearance" category above include \$23 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received an extension of time from us to re-enroll before beginning their grace period. At June 30, 2021, the loans in the "in repayment" category above include \$479 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received an extension of time from us to re-enroll before beginning their grace period. For further discussion, Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae — Financial Results" in the 2020 Form 10-K.

⁽²⁾ 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).

⁽³⁾ 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.

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

Delinquencies as a percentage of Private Education Loans (held for investment) in repayment and delinquent forbearance loans decreased to 2.1 percent at June 30, 2021 from 2.7 percent at June 30, 2020, and the forbearance rate decreased to 3.0 percent at June 30, 2021 from 9.3 percent at June 30, 2020. The delinquency rate on June 30, 2021 was lower than the year-ago quarter due to several factors, including the suspension of payments on federal loans which reduced the payment burden by our borrowers, multiple stimulus packages signed into law during 2020 and the first quarter of 2021, and to a lesser extent, the disaster forbearance program we invoked to assist our customers. The first wave of disaster forbearance was granted primarily in 90-day increments. When those disaster forbearances expired in June and July 2020, the loans were no longer considered in forbearance until the borrowers requested, and were granted, an additional forbearance. Many of those borrowers went back into repayment status at the end of their original three-month disaster forbearance. Other borrowers asked for additional forbearance and we began granting those in one-month increments. We stopped providing COVID-19 related disaster forbearances in June 2021. In the latter half of 2020, we saw our forbearance rate decline from the high levels we experienced in the second of quarter 2020, as borrowers exited disaster forbearance. See additional discussion related to collections activity and the COVID-19 pandemic in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae — Customers and Credit Performance" in the 2020 Form 10-K.

Changes in Allowance for Private Education Loan Losses

The following table summarizes changes in the allowance for Private Education Loan (held for investment) losses.

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Beginning balance	\$ 1,173,375	\$ 1,515,781	\$ 1,355,844	\$ 374,300
Day 1 adjustment for adoption of CECL	—	—	—	1,060,830
Adjusted beginning balance	1,173,375	1,515,781	1,355,844	1,435,130
Transfer from unfunded commitment liability ⁽¹⁾	24,556	37,010	151,436	179,085
Provisions for credit losses:				
Provision, current period	1,014	234,015	(253,928)	377,877
Loan sale reduction to provision	(1,477)	—	(10,335)	(161,793)
Loans transferred from held-for-sale	—	—	1,887	—
Total provision	(463)	234,015	(262,376)	216,084
Net charge-offs:				
Charge-offs	(49,900)	(31,779)	(105,039)	(83,248)
Recoveries	6,972	5,532	14,675	13,508
Net charge-offs	(42,928)	(26,247)	(90,364)	(69,740)
Ending balance	\$ 1,154,540	\$ 1,760,559	\$ 1,154,540	\$ 1,760,559
Allowance as a percentage of the ending total loan balance	5.64 %	8.19 %	5.64 %	8.19 %
Allowance as a percentage of the ending loans in repayment ⁽²⁾	7.79 %	12.13 %	7.79 %	12.13 %
Allowance coverage of net charge-offs (annualized)	6.72	16.77	6.39	12.62
Net charge-offs as a percentage of average loans in repayment (annualized) ⁽²⁾	1.16 %	0.75 %	1.23 %	0.91 %
Delinquent loans in repayment as a percentage of ending loans in repayment ⁽²⁾	2.10 %	2.22 %	2.10 %	2.22 %
Delinquencies as a percentage of ending loans in repayment and delinquent forbearance loans ⁽²⁾	2.10 %	2.70 %	2.10 %	2.70 %
Loans in forbearance as a percentage of ending loans in repayment and forbearance ⁽²⁾	2.97 %	9.33 %	2.97 %	9.33 %
Ending total loans, gross	\$ 20,477,757	\$ 21,485,465	\$ 20,477,757	\$ 21,485,465
Average loans in repayment ⁽²⁾	\$ 14,743,360	\$ 14,011,841	\$ 14,738,505	\$ 15,306,349
Ending loans in repayment ⁽²⁾	\$ 14,825,375	\$ 14,512,723	\$ 14,825,375	\$ 14,512,723

⁽¹⁾ See Note 6, "Unfunded Loan Commitments," in this Form 10-Q for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

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

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

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

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

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

Forbearance may be granted through our servicing centers to customers who are exiting their grace period 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 almost all instances, we require one or more payments before granting forbearance to delinquent borrowers.

As a result of the negative impact on employment from COVID-19, our customers are experiencing higher levels of financial hardship, which led initially to higher levels of forbearance. We expect such higher levels of financial hardship to lead to higher levels of delinquencies and defaults in the future, as borrowers who had received disaster forbearance from us re-enter repayment status. Beginning in June 2021, we stopped granting disaster forbearance in response to the COVID-19 pandemic. As borrowers in the various delinquency buckets exit disaster forbearance and begin to enter repayment, we expect to see elevated levels of losses in the latter half of 2021. We expect that, left unabated, this deterioration in forbearance, delinquency, and default rates may persist until such time as the economy and employment return to pre-pandemic levels.

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

Specifically, we previously announced that we plan to revise our credit administration practices limiting the number of forbearance months granted consecutively and the number of times certain extended or reduced repayment alternatives may be granted. For example, under previous credit administration practices we granted forbearance to borrowers without requiring any period of prior principal and interest payments, meaning that, if a borrower satisfied all eligibility requirements, forbearance

increments could be granted consecutively. We previously announced that, beginning in the second quarter of 2020, we would phase in a required six-month period between successive grants of forbearance and between forbearance grants and certain other repayment alternatives. We announced this required period would not apply, however, to forbearances granted during the first six months following a borrower's grace period and would not be required for a borrower to receive a contractual interest rate reduction. In addition, we announced we would limit the participation of delinquent borrowers in certain short-term extended or interest-only repayment alternatives to once in 12 months and twice in five years.

As previously announced, prior to full implementation of the credit administration practices changes described above, management will conduct a controlled testing program on randomly selected borrowers to measure the impact of the changes on our customers, our credit operations, and key credit metrics. The testing commenced in October 2019 for some of the planned changes on a very small percentage of our total portfolio and we originally expected to expand the number of borrowers in repayment who would be subject to the new credit administration practices. However, due to the COVID-19 pandemic, we postponed our efforts so that we could be more flexible in dealing with our customers' financial hardship. In October 2020, we began to roll out in a methodical approach the implementation of the credit administration practices changes and related testing. Management now expects to have completed implementation of the credit administration practices changes by the end of 2021. However, we may modify or delay the contemplated practices changes, the proposed timeline, or the method of implementation, as we learn more about the impacts of the program on our customers.

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 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 June 30, 2021 and December 31, 2020, 9.0 percent and 7.8 percent, respectively, of our Private Education Loans held for investment then currently in full principal and interest repayment status were subject to interest rate reductions made under our rate modification program. We currently have no plans to change the basic elements of the rate and term modifications we offer to our customers experiencing more severe hardship.

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

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

As discussed above, we will continue to monitor our credit administration practices and may modify them further from time to time based upon performance, industry conventions, and/or regulatory feedback.

The tables below show the composition and status of the Private Education Loan portfolio held for investment 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 June 30, 2021, loans in

forbearance status as a percentage of total loans in repayment and forbearance were 2.1 percent for Private Education Loans (held for investment) that have been in active repayment status for fewer than 25 months. Approximately 69 percent of our Private Education Loans (held for investment) in forbearance status have been in active repayment status fewer than 25 months.

Private Education Loans Held for Investment Monthly Scheduled Payments Due							
(Dollars in millions) June 30, 2021	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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,199	\$ 5,199
Loans in forbearance	246	68	48	35	56	—	453
Loans in repayment - current	4,537	3,230	2,188	1,589	2,971	—	14,515
Loans in repayment - delinquent 30-59 days	63	30	22	18	30	—	163
Loans in repayment - delinquent 60-89 days	36	16	11	8	14	—	85
Loans in repayment - 90 days and greater past due	26	11	9	6	11	—	63
Total	\$ 4,908	\$ 3,355	\$ 2,278	\$ 1,656	\$ 3,082	\$ 5,199	20,478
Deferred origination costs and unamortized premium/(discount)							66
Allowance for credit losses							(1,155)
Total Private Education Loans, net							\$ 19,389
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	1.61 %	0.45 %	0.31 %	0.23 %	0.37 %	— %	2.97 %

Private Education Loans Held for Investment Monthly Scheduled Payments Due							
(Dollars in millions) June 30, 2020	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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,480	\$ 5,480
Loans in forbearance	643	263	204	156	227	—	1,493
Loans in repayment - current	4,832	2,996	2,199	1,645	2,518	—	14,190
Loans in repayment - delinquent 30-59 days	65	30	25	18	28	—	166
Loans in repayment - delinquent 60-89 days	49	16	12	10	13	—	100
Loans in repayment - 90 days or greater past due	26	9	8	5	8	—	56
Total	\$ 5,615	\$ 3,314	\$ 2,448	\$ 1,834	\$ 2,794	\$ 5,480	21,485
Deferred origination costs and unamortized premium/(discount)							68
Allowance for credit losses							(1,760)
Total Private Education Loans, net							\$ 19,793
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	4.02 %	1.64 %	1.27 %	0.98 %	1.42 %	— %	9.33 %

Private Education Loans Held for Investment Types

The following table provides information regarding the loans in repayment balance and total loan balance by Private Education Loan held for investment product type at June 30, 2021 and December 31, 2020.

June 30, 2021						
(Dollars in thousands)	Signature and Other	Parent Loan	Smart Option	Career Training	Graduate Loan	Total
\$ in repayment ⁽¹⁾	\$ 232,632	\$ 291,728	\$ 13,539,544	\$ 11,004	\$ 750,467	\$ 14,825,375
\$ in total	\$ 330,985	\$ 294,828	\$ 18,684,076	\$ 11,339	\$ 1,156,529	\$ 20,477,757

December 31, 2020						
(Dollars in thousands)	Signature and Other	Parent Loan	Smart Option	Career Training	Graduate Loan	Total
\$ in repayment ⁽¹⁾	\$ 215,439	\$ 285,323	\$ 13,130,229	\$ 12,250	\$ 661,580	\$ 14,304,821
\$ in total	\$ 330,979	\$ 289,572	\$ 18,067,491	\$ 12,797	\$ 1,028,498	\$ 19,729,337

⁽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 held for investment. 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.

(Dollars in thousands)	Private Education Loans Accrued Interest Receivable		
	Total Interest Receivable	90 Days and Greater Past Due	Allowance for Uncollectible Interest
June 30, 2021	\$ 1,305,640	\$ 3,469	\$ 4,104
December 31, 2020	\$ 1,168,895	\$ 4,354	\$ 4,467
June 30, 2020	\$ 1,366,172	\$ 3,478	\$ 5,012

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 our ability to meet any outflows of our Bank deposits. To achieve these objectives, we analyze and monitor our liquidity needs, maintain excess liquidity and access to diverse funding sources, such as deposits at the Bank, issuance of secured debt primarily through asset-backed securitizations, and other financing facilities, and loan sales. It is our policy to manage operations so liquidity needs are fully satisfied through normal operations to avoid unplanned loan sales under all but the most dire 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 asset and liability 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. By early 2020 we held a significant liquidity buffer of cash and securities, which we expect to maintain through 2021. 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

<i>(Dollars in thousands)</i>	June 30, 2021	December 31, 2020
Sources of primary liquidity:		
Unrestricted cash and liquid investments:		
Holding Company and other non-bank subsidiaries	\$ 7,808	\$ 1,117
Sallie Mae Bank ⁽¹⁾	4,489,502	4,454,175
Available-for-sale investments	1,854,261	1,927,726
Total unrestricted cash and liquid investments	\$ 6,351,571	\$ 6,383,018

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

Average Balances

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Sources of primary liquidity:				
Unrestricted cash and liquid investments:				
Holding Company and other non-bank subsidiaries	\$ 4,361	\$ 34,864	\$ 4,050	\$ 33,358
Sallie Mae Bank ⁽¹⁾	5,283,623	5,889,807	5,929,576	5,761,849
Available-for-sale investments	1,813,325	1,461,691	1,825,277	974,544
Total unrestricted cash and liquid investments	<u>\$ 7,101,309</u>	<u>\$ 7,386,362</u>	<u>\$ 7,758,903</u>	<u>\$ 6,769,751</u>

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

Deposits

The following table summarizes total deposits.

(Dollars in thousands)	June 30, 2021	December 31, 2020
Deposits - interest bearing	\$ 21,121,810	\$ 22,664,899
Deposits - non-interest bearing	2,566	1,140
Total deposits	<u>\$ 21,124,376</u>	<u>\$ 22,666,039</u>

Our total deposits of \$21.1 billion were comprised of \$11.5 billion in brokered deposits and \$9.6 billion in retail and other deposits at June 30, 2021, compared to total deposits of \$22.7 billion, which were comprised of \$11.9 billion in brokered deposits and \$10.8 billion in retail and other deposits, at December 31, 2020.

Interest bearing deposits as of June 30, 2021 and December 31, 2020 consisted of retail and brokered non-maturity savings deposits, retail and brokered non-maturity MMDAs and retail and brokered CDs. Interest bearing deposits include deposits from Educational 529 and Health Savings plans that diversify our funding sources and additional deposits we consider to be core. These and other large omnibus accounts, aggregating the deposits of many individual depositors, represented \$7.9 billion and \$7.1 billion of our deposit total as of June 30, 2021 and December 31, 2020, respectively.

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 \$4 million and \$5 million in the three months ended June 30, 2021 and 2020, respectively, and placement fee expense of \$8 million and \$10 million in the six months ended June 30, 2021 and 2020, respectively. Fees paid to third-party brokers related to brokered CDs were \$1 million and \$1 million for the three months ended June 30, 2021 and 2020, respectively, and fees paid to third-party brokers related to brokered CDs were \$1 million and \$3 million for the six months ended June 30, 2021 and 2020, respectively.

Interest bearing deposits at June 30, 2021 and December 31, 2020 are summarized as follows:

(Dollars in thousands)	June 30, 2021		December 31, 2020	
	Amount	Qtr.-End Weighted Average Stated Rate ⁽¹⁾	Amount	Year-End Weighted Average Stated Rate ⁽¹⁾
Money market	\$ 10,910,755	0.67 %	\$ 10,159,657	0.83 %
Savings	958,052	0.42	907,976	0.55
Certificates of deposit	9,253,003	1.21	11,597,266	1.34
Deposits - interest bearing	<u>\$ 21,121,810</u>		<u>\$ 22,664,899</u>	

⁽¹⁾ Includes the effect of interest rate swaps in effective hedge relationships.

As of June 30, 2021, and December 31, 2020, there were \$587 million and \$571 million, respectively, of deposits exceeding FDIC insurance limits. Accrued interest on deposits was \$41 million and \$50 million at June 30, 2021 and December 31, 2020, 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 to the counterparty 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 June 30, 2021, \$7.0 billion notional of our derivative contracts were cleared on the CME and \$0.3 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 95.1 percent and 4.9 percent, respectively, of our total notional derivative contracts of \$7.3 billion at June 30, 2021.

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 June 30, 2021 was \$(120) million and \$13 million for the CME and LCH, respectively. Changes in fair value for derivatives not designated as hedging instruments are presented as realized gains (losses).

Our exposure to the counterparty 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 June 30, 2021 and December 31, 2020, 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 \$18 million and \$43 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 June 30, 2021.

<u>(Dollars in thousands)</u>	<u>SLM Corporation and Sallie Mae Bank Contracts</u>	
Total exposure, net of collateral	\$	18,214
Exposure to counterparties with credit ratings, net of collateral	\$	18,214
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.

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 Deposit Insurance Fund (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 credit 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 2021. As of June 30, 2021, 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, the Bank is subject to a Common Equity Tier 1 capital conservation buffer of greater than 2.5 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, 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.

On August 26, 2020, the FDIC and other federal banking agencies published a final rule that provides those banking organizations that adopted CECL during the 2020 calendar year with the option to delay for two years, and then phase in over the following three years, the effects on regulatory capital of CECL relative to the incurred loss methodology. We have elected to use this option. The final rule is substantially similar to an interim final rule issued on March 27, 2020. Under this final rule, because we have elected to use the deferral option, the regulatory capital impact of our transition adjustments recorded on January 1, 2020 from the adoption of CECL will be deferred for two years. In addition, from January 1, 2020 through the end of the two-year deferral period, 25 percent of the ongoing impact of CECL on our allowance for credit losses, retained earnings, and average total consolidated assets, each as reported for regulatory capital purposes, will be added to the deferred transition amounts ("adjusted transition amounts") and deferred for the two-year period. At the conclusion of the two-year period (i.e., beginning January 1, 2022), the adjusted transition amounts will be phased in for regulatory capital purposes at a rate of 25 percent per year, with the phased-in amounts included in regulatory capital at the beginning of each year. Our January 1, 2020 CECL transition amounts increased the allowance for credit losses by \$1.1 billion, increased the liability representing our off-balance sheet exposure for unfunded commitments by \$116 million, and increased our deferred tax asset by \$306 million, resulting in a cumulative effect adjustment that reduced retained earnings by \$953 million. This transition adjustment was inclusive of qualitative adjustments incorporated into our CECL allowance as necessary, to address any limitations in the models used.

At June 30, 2021, the adjusted transition amounts, subject to changes over the two-year phase-in period, that will be deferred for regulatory capital purposes are as follows:

<u>(Dollars in thousands)</u>	<u>Transition Amounts January 1, 2020</u>	<u>Adjustments for the Year Ended December 31, 2020</u>	<u>Adjustments for the Six Months Ended June 30, 2021</u>	<u>Adjusted Transition Amounts June 30, 2021</u>
Retained earnings	\$ 952,639	\$ (57,859)	\$ (61,687)	\$ 833,093
Allowance for credit losses	1,143,053	(55,811)	(50,370)	1,036,872
Liability for unfunded commitments	115,758	(2,048)	(11,318)	102,392
Deferred tax asset	306,171	—	—	306,171

The Bank's required and actual regulatory capital amounts and ratios under U.S. Basel III are shown in the following table. 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 June 30, 2021:								
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$	3,190,257	13.7	%	\$	1,636,018	≥	7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	\$	3,190,257	13.7	%	\$	1,986,593	≥	8.5 %
Total Capital (to Risk-Weighted Assets)	\$	3,276,009	14.0	%	\$	2,454,027	≥	10.5 %
Tier 1 Capital (to Average Assets)	\$	3,190,257	10.5	%	\$	1,218,407	≥	4.0 %
As of December 31, 2020:								
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$	3,579,005	14.0	%	\$	1,794,780	≥	7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	\$	3,579,005	14.0	%	\$	2,179,375	≥	8.5 %
Total Capital (to Risk-Weighted Assets)	\$	3,849,820	15.0	%	\$	2,692,169	≥	10.5 %
Tier 1 Capital (to Average Assets)	\$	3,579,005	11.3	%	\$	1,264,424	≥	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.

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 \$123 million in dividends and \$1.1 billion in dividends to the Company for the three and six months ended June 30, 2021, respectively, and \$27 million and \$568 million in dividends to the Company for the three and six months ended June 30, 2020, respectively, with the proceeds primarily used to fund the 2021 and 2020 Share Repurchase Programs and stock dividends. In the future, we expect that the Bank will pay dividends to the Company as may be necessary to enable the Company to pay any declared dividends on its Series B Preferred Stock and common stock and to consummate any common share repurchases by the Company under its share repurchase programs.

Borrowings

Outstanding borrowings consist of unsecured debt and secured borrowings issued through our term ABS program and our Secured Borrowing Facility. The issuing entities for those secured borrowings are VIEs and are consolidated for accounting purposes. The following table summarizes our borrowings at June 30, 2021 and December 31, 2020, respectively. For additional information, see Notes to Consolidated Financial Statements, Note 8, "Borrowings."

(Dollars in thousands)	June 30, 2021			December 31, 2020		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt (fixed-rate)	\$ 199,379	\$ 494,255	\$ 693,634	\$ —	\$ 692,879	\$ 692,879
Total unsecured borrowings	199,379	494,255	693,634	—	692,879	692,879
Secured borrowings:						
Private Education Loan term securitizations:						
Fixed-rate	—	3,477,121	3,477,121	—	3,261,233	3,261,233
Variable-rate	—	1,017,684	1,017,684	—	1,235,105	1,235,105
Total Private Education Loan term securitizations	—	4,494,805	4,494,805	—	4,496,338	4,496,338
Secured Borrowing Facility	—	—	—	—	—	—
Total secured borrowings	—	4,494,805	4,494,805	—	4,496,338	4,496,338
Total	\$ 199,379	\$ 4,989,060	\$ 5,188,439	\$ —	\$ 5,189,217	\$ 5,189,217

Short-term borrowings

On February 17, 2021, we amended our Secured Borrowing Facility to extend the maturity of the facility. The amount that can be borrowed under the facility is \$2 billion. 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 outstanding advances. The amended Secured Borrowing Facility extended the revolving period, during which we may borrow, repay and reborrow funds, until February 16, 2022. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on February 16, 2023 (or earlier, if certain material adverse events occur). At both June 30, 2021 and December 31, 2020, there were no secured borrowings outstanding under the Secured Borrowing Facility.

Other Borrowing Sources

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled \$125 million at June 30, 2021. 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 six months ended June 30, 2021 or in the year ended December 31, 2020.

We established an account at the FRB to meet eligibility requirements for access to the Primary Credit borrowing facility at the FRB's Window. The Primary Credit borrowing facility is a lending program available to depository institutions that are in generally sound financial condition. All borrowings at the Window must be fully collateralized. We can pledge asset-backed and mortgage-backed securities, as well as FFELP Loans and Private Education Loans, to the FRB as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At June 30, 2021 and December 31, 2020, the value of our pledged collateral at the FRB totaled \$2.8 billion and \$3.8 billion, respectively. The interest rate charged to us is the discount rate set by the FRB. We did not utilize this facility in the six months ended June 30, 2021 or in the year ended December 31, 2020.

Contractual Loan Commitments

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of such approval, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). We estimate expected credit losses over the contractual period in which we are exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by us. At June 30, 2021, we had \$1.2 billion of outstanding contractual loan commitments that we expect to fund during the remainder of the 2021/2022 academic year. At June 30, 2021, we had a \$65 million reserve recorded in "Other Liabilities" to cover lifetime expected credit losses on these unfunded commitments. See Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies - Allowance for Credit Losses 2020 — Off-Balance Sheet Exposure for Contractual Loan Commitments" in our 2020 Form 10-K and Note 6, "Unfunded Loan Commitments" in this Form 10-Q for additional information.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with GAAP. A discussion of our critical accounting policies, which include allowance for credit losses and derivative accounting, can be found in our 2020 Form 10-K. There were no significant changes to our critical accounting policies during the three months ended June 30, 2021.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity Analysis

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

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

A number of potential interest rate scenarios are simulated using our asset liability management system. The Bank is the primary source of interest rate risk within the Company. At present, a significant portion of the Bank’s earning assets and a large balance of deposits are indexed to 1-month LIBOR. Therefore, 1-month LIBOR is considered a core rate in our interest rate risk analysis. 1-month LIBOR and other rates are shocked in parallel for shock scenarios unless otherwise indicated. In addition, key rates are modeled with a floor, which indicates how low each specific rate is likely to move in practice. On April 1, 2021, we began offering variable-rate Private Education Loans based on the 30-day average SOFR, replacing 1-month LIBOR. As SOFR related exposure grows, SOFR will become a core rate for analysis as well. 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 June 30, 2021 and 2020, based upon a sensitivity analysis performed by management assuming hypothetical increases in market interest rates of 100 and 300 basis points while credit and funding spreads remain constant. EAR analysis assumes a static balance sheet, with maturities of each product replaced with assumed issuance of new products of the same type. The EVE sensitivity is applied only to financial assets and liabilities, including hedging instruments, that existed at the balance sheet date, and does not reflect any impact of new assets, liabilities, commitments, or hedging instruments that may arise in the future.

With current interest rates very low, a 100 or 300-basis point downward rate shock does not provide a meaningful indication of interest rate sensitivity, so results for those scenarios have not been presented. At June 30, 2021, the full impact of a 100-basis point downward rate shock cannot be modeled for some instruments on our balance sheet, due to the precipitous fall in many short-term rates since February 2020. The EAR results for June 30, 2021 indicate a market risk profile of low sensitivity to rate changes, based on static balance sheet assumptions over the next two years. This position has changed slightly from one year ago. Similarly, the EVE metrics have changed slightly from one year ago, showing more negative valuation in the base market value of equity in response to higher discount rates. In terms of the risk profile in place at June 30, 2021, long-term rate sensitivity has decreased slightly since one year ago.

	June 30,					
	2021			2020		
	+300 Basis Points	+100 Basis Points	-100 Basis Points	+300 Basis Points	+100 Basis Points	-100 Basis Points
EAR - Shock	2.44%	0.88%	N/A	-1.20%	-0.29%	N/A
EAR - Ramp	2.39%	0.84%	N/A	-0.43%	-0.08%	N/A
EVE	-14.6%	-5.2%	N/A	-17.0%	-5.6%	N/A

In the preceding tables, the interest rate sensitivity analysis reflects the balance sheet mix of fully variable LIBOR, SOFR, and Prime-based loans, and fully variable funding, including brokered CDs that have been converted to LIBOR through derivative transactions. The analysis assumes that retail MMDAs and retail savings balances, while relatively sensitive to interest rate changes, will not correlate 100 percent to the full interest rate shocks or ramps. Also considered is the impact of FFELP Loans, which receive floor income in low interest rate environments and will therefore not reprice fully with interest rate shocks.

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 June 30, 2021. 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	\$ —	\$ 1,128.8	\$ (1,128.8)
SOFR	monthly	112.7	175.7	(63.0)
3-month Treasury bill	weekly	107.0	—	107.0
Prime	monthly	13.9	—	13.9
3-month LIBOR	quarterly	—	251.1	(251.1)
1-month LIBOR	monthly	11,004.5	8,659.7	2,344.8
1-month LIBOR	daily	609.9	527.5	82.4
Non-Discrete reset ⁽²⁾	daily/weekly	4,697.2	4,042.0	655.2
Fixed-Rate ⁽³⁾		12,380.0	14,140.4	(1,760.4)
Total		\$ 28,925.2	\$ 28,925.2	\$ —

⁽¹⁾ Funding (by index) includes the impact of 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 Fed Funds Effective, 1-Month LIBOR monthly, Non-Discrete reset and fixed-rate categories. Changes in the Fed Funds Effective Rate, 3-month LIBOR and 1-Month LIBOR daily categories are generally quite highly correlated and the rates should offset each other relatively effectively. The funding in the fixed-rate bucket includes \$2.1 billion of equity and \$0.4 billion of non-interest bearing liabilities. We consider the overall repricing risk to be moderate, which is supported by other analyses of interest rate sensitivity.

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 (some currently impacting today's market) 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 June 30, 2021.

(Averages in Years)	Weighted Average Life
Earning assets	
Education loans	4.53
Cash and investments	0.85
Total earning assets	<u>3.64</u>
Deposits	
Short-term deposits	0.52
Long-term deposits	2.11
Total deposits	<u>0.80</u>
Borrowings	
Short-term borrowings	0.76
Long-term borrowings	3.60
Total borrowings	<u>3.49</u>

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of June 30, 2021. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2021, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (b) accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended June 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

For additional information regarding our legal proceedings, see Part I, Item 3. "Legal Proceedings" in our 2020 Form 10-K.

Item 1A. Risk Factors

Our business activities involve a variety of risks. Readers should carefully consider the risk factors disclosed in Part I, Item 1A. "Risk Factors" of our 2020 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Share Repurchases**

The following table provides information relating to our purchase of shares of our common stock in the three months ended June 30, 2021.

(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⁾⁽³⁾	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs ⁽²⁾
Period:				
April 1 - April 30, 2021	16,358	\$ 18.98	16,167	\$ 428,000
May 1 - May 31, 2021	3,179	\$ 19.85	3,179	\$ 365,000
June 1 - June 30, 2021	3,462	\$ 20.09	3,461	\$ 295,000
Total second-quarter 2021	<u>22,999</u>	<u>\$ 19.27</u>	<u>22,807</u>	

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

⁽²⁾ On January 22, 2020, our Board of Directors authorized us to repurchase shares of our common stock up to an aggregate repurchase price not to exceed \$600 million under the 2020 Share Repurchase Program. In the first quarter of 2021 we utilized all remaining capacity under the 2020 Share Repurchase Program. On January 27, 2021, our Board of Directors authorized us to repurchase shares of our common stock up to an aggregate repurchase price not to exceed \$1.25 billion under the 2021 Share Repurchase Program. There was \$295 million of capacity remaining under the 2021 Share Repurchase Program at June 30, 2021.

⁽³⁾ In the second quarter of 2021, we repurchased 22.8 million shares under our 10b5-1 trading plans. See Note 10, "Stockholders' Equity" to our consolidated financial statements in this Form 10-Q for further discussion.

The closing price of our common stock on the NASDAQ Global Select Market on June 30, 2021 was \$20.94.

Item 3. Defaults Upon Senior Securities

Nothing to report.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Nothing to report.

Item 6. Exhibits

The following exhibits are furnished or filed, as applicable:

- 10.1 [Form of SLM Corporation 2012 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement - 2021.](#)
- 10.2 [SLM Corporation 2021 Omnibus Incentive Plan \(incorporated herein by reference to Exhibit 99.1 of the Company's Registration Statement on Form S-8 filed with the SEC on June 9, 2021\).](#)
- 31.1 [Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

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

SLM CORPORATION
(Registrant)

By: _____ /s/ STEVEN J. MCGARRY

Steven J. McGarry
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: July 21, 2021

SLM Corporation 2012 Omnibus Incentive Plan
2021 Independent Director Restricted Stock Agreement

Pursuant to the terms and conditions of the SLM Corporation 2012 Omnibus Incentive Plan (the "Plan"), SLM Corporation (the "Corporation") hereby grants to _____ (the "Grantee") _____ shares of common stock of the Corporation, par value \$0.20 (the "Restricted Stock"), on June 8, 2021 (the "Grant Date") subject to the terms and conditions below. All capitalized terms used herein that are not defined shall have the meanings as set forth in the Plan.

100 percent of the Restricted Stock is subject to a risk of forfeiture and is non-transferable on the Grant Date.

Upon the Corporation's 2022 annual meeting of stockholders (the "Vesting Event"), 100 percent of the Restricted Stock will vest and become transferable unless vested earlier as set forth below.

The Restricted Stock will vest and become transferable prior to the Vesting Event upon any of the following events: (i) the Grantee's death or Disability or (ii) upon a Change in Control.

100 percent of the Restricted Stock will be forfeited if the Grantee ceases to be a director of the Corporation's Board of Directors prior to the Vesting Event for any reason other than death, Disability (as defined below) or a Change in Control.

The Restricted Stock will be held in an account in the Grantee's name at the Corporation's transfer agent, currently Computershare. The Grantee is entitled to vote the shares of Restricted Stock.

Dividends declared on unvested shares of Restricted Stock will not be paid in cash currently except in the case of fractional shares as set forth below. Instead, an account established on behalf of the Grantee will be credited with an amount equal to such dividends, which amount shall be reinvested in additional shares of the Corporation's common stock ("Dividend Equivalent"). The value of the Dividend Equivalents will be calculated in the same manner as dividends paid to holders of common stock. Such Dividend Equivalents will be subject to the same vesting schedule to which the Restricted Stock is subject. Upon vesting of any portion of the Restricted Stock, the amount of Dividend Equivalents allocable to such Restricted Stock (and any fractional share amount) will also vest and will be converted into shares of the Corporation's common stock (provided that any fractional share amount shall be paid in cash). Dividend Equivalents declared on unvested shares of Restricted Stock are not subject to income tax until vesting, at which time they are taxed as ordinary income.

The Corporation may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any transfer or sale by the Grantee of any

shares of Common Stock, including without limitation (a) restrictions under an insider trading policy and (b) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the shares of the Corporation's common stock. The sale of the shares must also comply with other applicable laws and regulations governing the sale of such shares.

As an essential term of this award, the Grantee consents to the collection, use and transfer, in electronic or other form, of personal data as described herein for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan. By accepting this award, the Grantee acknowledges that the Corporation holds certain personal information about the Grantee, including, but not limited to, name, home address and telephone number, date of birth, social security number or other identification number, salary, tax rates and amounts, nationality, job title, any shares of stock held in the Corporation, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding, for the purpose of implementing, administering and managing the Plan ("Data"). The Grantee acknowledges that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in jurisdictions that may have different data privacy laws and protections, and the Grantee authorizes the recipients to receive, possess, use, retain and transfer Data, in electronic or other form, for the purposes of implementing, administering and managing the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Grantee or the Corporation may elect to deposit any shares of the Corporation's common stock. The Grantee acknowledges that Data may be held to implement, administer and manage the Grantee's participation in the Plan as determined by the Corporation, and that the Grantee may request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, provided however, that refusing or withdrawing the Grantee's consent may adversely affect the Grantee's ability to participate in the Plan.

The Corporation may, in its sole discretion, decide to deliver any documents related to any awards granted under the Plan by electronic means or to request Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation, and such consent shall remain in effect throughout Grantee's term of service with the Corporation and thereafter until withdrawn in writing by Grantee.

"Disability" means the absence of the Grantee from the Corporation's Board of Directors duties for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Corporation or its insurers and reasonably acceptable to the Grantee or the Grantee's legal representative.

The Grantee is deemed to accept this award of Restricted Stock under this Agreement and to agree that such award is subject to the terms and conditions set forth in this Agreement and the Plan unless the Grantee provides the Corporation written notification of the

Grantee's rejection of this award of Restricted Stock not later than 30 days after the Grantee's receipt of notice of the posting of this Agreement on-line or through electronic means (in which case such award will be forfeited and the Grantee shall have no further right or interest therein as of such date).

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jonathan W. Witter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JONATHAN W. WITTER

Jonathan W. Witter
Chief Executive Officer
(Principal Executive Officer)
July 21, 2021

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Steven J. McGarry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEVEN J. MCGARRY

Steven J. McGarry
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
July 21, 2021

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SLM Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan W. Witter, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ JONATHAN W. WITTER

Jonathan W. Witter
Chief Executive Officer
(Principal Executive Officer)
July 21, 2021

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SLM Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2021, 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)
July 21, 2021