

# SLM CORPORATION

## Q3 2010 Investor Presentation



# FORWARD-LOOKING STATEMENTS

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This Presentation contains forward-looking statements and information based on management's current expectations as of the date of this presentation. Statements that are not historical facts, including statements about our beliefs or expectations and statements that assume or are dependent upon future events, are forward-looking statements. 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, increases in financing costs; limits on liquidity; any adverse outcomes in any significant litigation to which we are a party; our derivative counterparties terminating their positions with the Company if permitted by their contracts and the Company substantially incurring additional costs to replace any terminated positions; and changes in the terms of student loans and the educational credit marketplace (including changes resulting from new laws and the implementation of existing laws). The Company could be affected by: changes in or the termination of various liquidity programs implemented by the federal government; changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; changes in the composition of our Managed FFELP and Private Education Loan portfolios; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments, and in the securitization markets, which may increase the costs or limit the availability of financings necessary to initiate, purchase or carry education loans; changes in projections of losses from loan defaults; changes in general economic conditions; changes in prepayment rates and credit spreads; and changes in the demand for debt management services. The preparation of our consolidated financial statements also requires management 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 Presentation are qualified by these cautionary statements and are made only as of the date of this Presentation. The Company does not undertake any obligation to update or revise these forward-looking statements to conform the statement to actual results or changes in the Company's expectations.

# SLM CORPORATION OVERVIEW



# SLM CORPORATION

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- ▶ #1 saving and paying for college company with 40-years of leadership in the education lending market
- ▶ #1 servicer and collector of student loans in the U.S. currently servicing \$202 billion in education loans, \$27 billion for third parties, including \$22 billion for the Department of Education (ED)
- ▶ Fully independent private sector company with scale and a broad franchise, traded on the NYSE
- ▶ \$182 billion managed student loan portfolio, 80% of which is U.S. government guaranteed
- ▶ At quarter-end, 96% of managed student loans were funded with term liabilities

As of Sept 30, 2010

## LIFE STAGE CUSTOMER STRATEGY

- ▶ Sallie Mae offers an unmatched, integrated suite of Saving, Planning, and Paying for College <sup>SM</sup> products and services



## SLM CORPORATION UPDATE

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- ▶ Managed student loans outstanding increased to \$182 billion at 9/30/2010
  - Originated \$853 million in federal student loans in Q3 2010
  - Originated \$835 million private education loans in Q3 2010
- ▶ Announced an agreement to acquire \$28 billion of securitized FFELP loans from STU, a Citibank subsidiary
- ▶ Student loan legislation, Ensuring Continued Access to Student Loan Act
  - ED Loan Purchase Commitment Program
    - On Oct 11, sold \$20 billion of FFELP loans to ED, ending our participation in this program
  - ED Conduit – Straight A Funding, no new advances as of 6/30/2010, will expire 1/19/2014
    - Funding \$15.2 billion of loans at 9/30/10
- ▶ Completed \$760 million FFELP ABS and \$2.6 billion Private Credit ABS in Q3 2010
- ▶ “Core Earnings” net income for Q3 2010 of \$189 million including restructuring charges and debt repurchasing gains
- ▶ Upromise manages \$27 billion in 529 college savings plans
- ▶ Student Loan Reform (SAFRA) passed with Health Care Reform-Signed into Law 3/30/2010
  - US Government is now the sole originator of federal guaranteed student loans effective 7/1/2010

# A BRIEF CORPORATE HISTORY

SLM Corporate Debt Ratings			
	Moody's	S & P	Fitch
Long-Term	Ba1	BBB-	BBB-
Short-Term	Not-Prime	A-3	F3
Outlook	Neg.	Neg.	Stable

As 9/30/2010

Managed Loan Portfolio		
Loan Type	\$B	%
FFELP Loans	\$146.5	80%
Private Education	35.5	20%
Total Portfolio	\$ 182.0	100%

As of 9/30/2010

- 1965 • Congress creates the Guaranteed Student Loan Program<sup>1</sup>
- 1972 • Congress establishes, as a GSE, the Student Loan Marketing Association or "Sallie Mae"
- 1996 • Privatization of Sallie Mae approved by Congress, SLM Corporation holding company created
- 2004 • GSE dissolved... SLM Corporation becomes a fully independent, private sector corporation
- 2007 • SLM Corp. proposed transaction with J.C. Flowers
- 2008 • Challenging economy; Government support of Student Loan Market
- 2009 • SLM secures role servicing for US Dept Education
- 2010 • FFELP eliminated in legislative reform July 2010  
• SLM acquires Citi \$28 billion FFELP portfolio

<sup>1</sup> Currently known as the Federal Family Education Loan Program (FFELP).

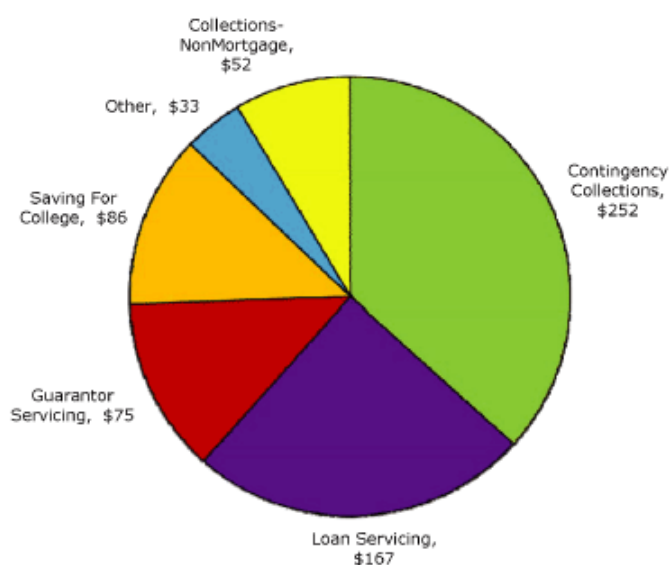
## Q310 “CORE EARNINGS” SUMMARY

(\$ millions), except per share amounts	Q310	Q210	Q309
EPS (Reported)	\$0.35	\$0.39	\$0.26
Economic Floor Income EPS not reported in "Core Earnings"	\$0.02	\$0.00	\$0.05
Net Income Attributable to SLM	\$189	\$209	\$164
Net Interest Income	\$756	\$759	\$690
Net Interest Margin	1.52%	1.54%	1.32%
Loan Loss Provision	\$358	\$382	\$448
Fee and Other Income - Excluding Debt Repurchase Gains	\$208	\$217	\$262
Debt Repurchase Gains	\$18	\$91	\$74
Operating Expenses	\$319	\$337	\$303
Tangible Capital Ratio	2.0%	1.9%	1.7%
Average Managed Student Loans	\$184,139	\$184,571	\$191,459



## SLM SERVICES FEE INCOME

**Nine Months Ended Sept 30, 2010**  
**\$665 Million**



- ▶ Loan Servicing including ED Servicing Contract
- ▶ Largest collector of defaulted FFELP loans
- ▶ Collecting on behalf of ED for close to ten years
- ▶ Largest administrator of 529 plans
- ▶ Guarantor Servicing for student loans
- ▶ Tuition payment plans and other processing services for colleges and universities

## LENDING SEGMENT EARNINGS DETAIL

(\$ millions)	<u>Q310</u>	<u>Q210</u>	<u>Q309</u>
FFELP Originations	\$853	\$3,110	\$6,940
Private Originations	\$835	\$219	\$893
Total Originations	\$1,688	\$3,329	\$7,833
Average Managed Student Loans	\$184,139	\$184,571	\$191,549
Net Interest Income after Provision - FFELP	\$320	\$333	\$281
Net Interest Income after Provision - Private	\$73	\$45	(\$37)
Net Student Loan Spread - Total	1.73%	1.75%	1.56%
Net Student Loan Spread - Private Education	4.74%	4.61%	4.45%
Net Student Loan Spread - FFELP	0.99%	1.04%	0.90%
Economic Floor Income not included in Net Student Loan Spread	0.04%	0.00%	0.07%
Operating Expenses	\$182	\$194	\$161
OpEx Annualized as a % Average Managed Student Loans	0.39%	0.42%	0.33%

# SLM CORPORATION

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## **Three Distinct Aspects of the Business Model**

### **FFELP Loan Portfolio and Guarantor Collection and Servicing**

- ▶ Existing portfolios generating substantial income and cash flow
- ▶ Servicing cash flows are super senior, residuals stable due to minimal credit risk
- ▶ Cash flow enhances the ability to service debt

### **Private Education Loan Originations and Portfolio**

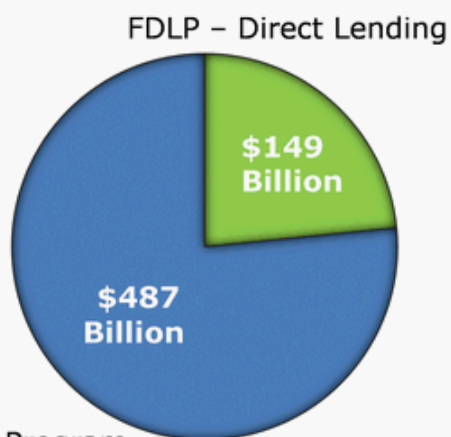
- ▶ Ongoing business with significant long term value
- ▶ Legacy portfolio quality vastly improved

### **Sallie Mae Services**

- ▶ Attractive fee business with little capital required & high return on equity
- ▶ Diverse portfolio of customers and services
- ▶ Opportunities exist to expand services provided including industry consolidation
- ▶ Efficient cost structure and top performer

# FEDERAL STUDENT LOAN MARKET

- ▶ Outstanding Government Student Loan Market Distribution FFYE 9/30/2009



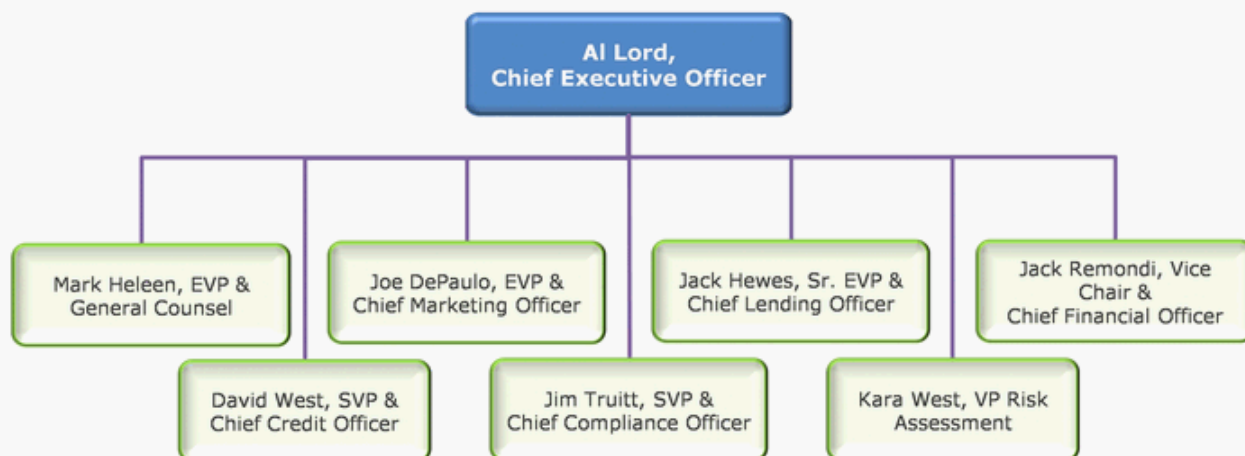
- ▶ Top 10 Holders of FFELP Loans FFYE 9/30/09

Lender Name	FY09	% Total
SLM CORPORATION	\$154,142	36.6%
CITIBANK, STUDENT LOAN CORP	\$32,474	7.7%
WELLS FARGO/ WACHOVIA	\$27,720	6.6%
NELNET	\$25,256	6.0%
BRAZOS GROUP	\$13,048	3.1%
PA HIGHER ED ASST AUTH (PHEAA)	\$11,126	2.6%
JPMORGAN CHASE BANK	\$11,100	2.6%
BANK OF AMERICA	\$10,067	2.4%
COLLEGE LOAN CORP	\$9,659	2.3%
<b>Top 10 Holders</b>	<b>295</b>	<b>69.9%</b>
<b>Remaining holders</b>	<b>127</b>	<b>30.1%</b>

Sources: US Department of Education Report 4/2010, Federal Budget Request 2011

## OFFICE OF THE CHIEF EXECUTIVE OFFICER

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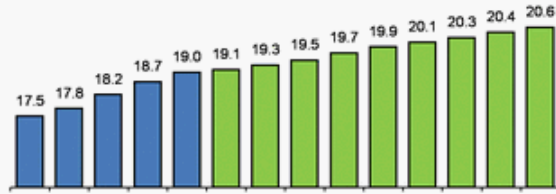
# THE U.S. STUDENT LOAN MARKET

SLM Corporation



# FAVORABLE STUDENT LOAN MARKET TRENDS

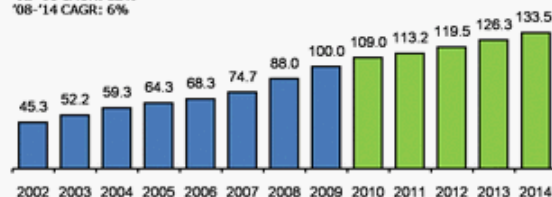
## Higher Education Enrollment (millions)



Source: National Center for Education Statistics  
Note: Total enrollment in all degree-granting institutions; middle alternative projections for 2010 onward

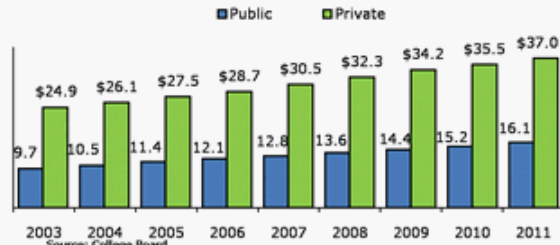
## Federal Student Loan Origination Volume (\$bn)

'02-'08 CAGR: 12%  
'08-'14 CAGR: 6%



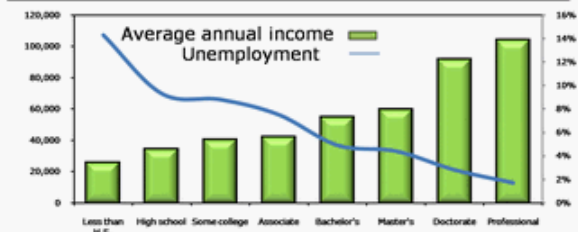
Source: President's 2011 Budget. Gross commitments by fiscal year  
Note: Excludes consolidation volume

## Annual Cost of Education (\$ thousands)



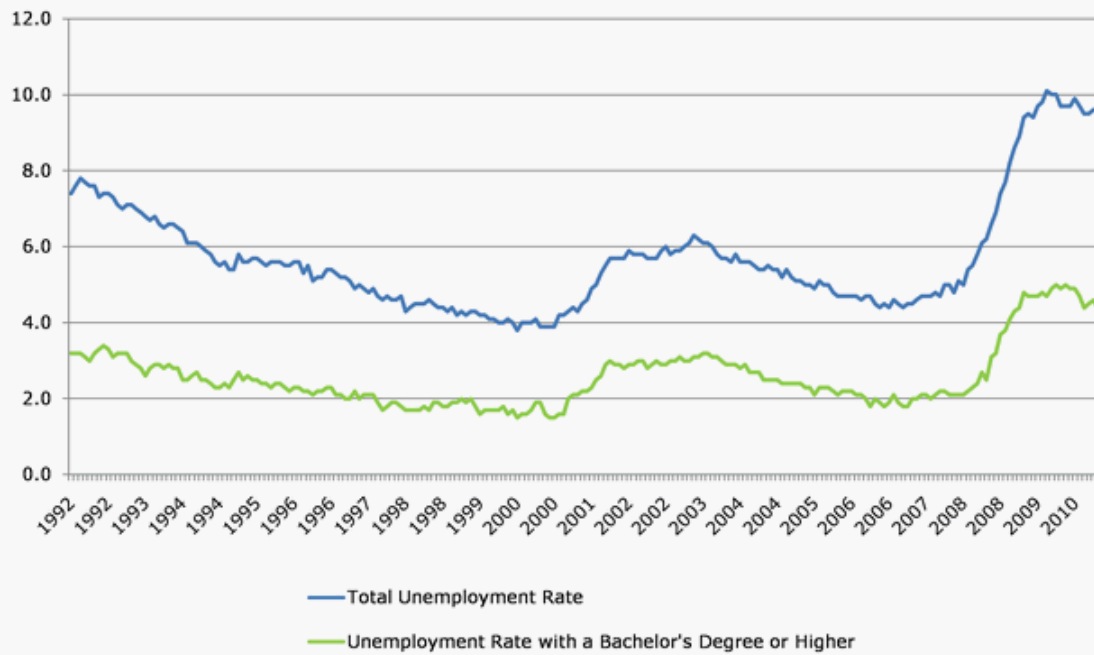
Source: College Board  
Note: Academic years, average published tuition, fees, room and board charges at four-year institutions; enrollment-weighted

## Relationship Between Higher Education, Income and Employment



Source: U.S. Census Bureau, Current Population Survey, 2010 Annual Social and Economic Supplement. Represents median earnings for a full time, year-round worker over age 25. Unemployment data as of Sep. 2010. Represents unemployment for civilian non-institutional population over age 25.

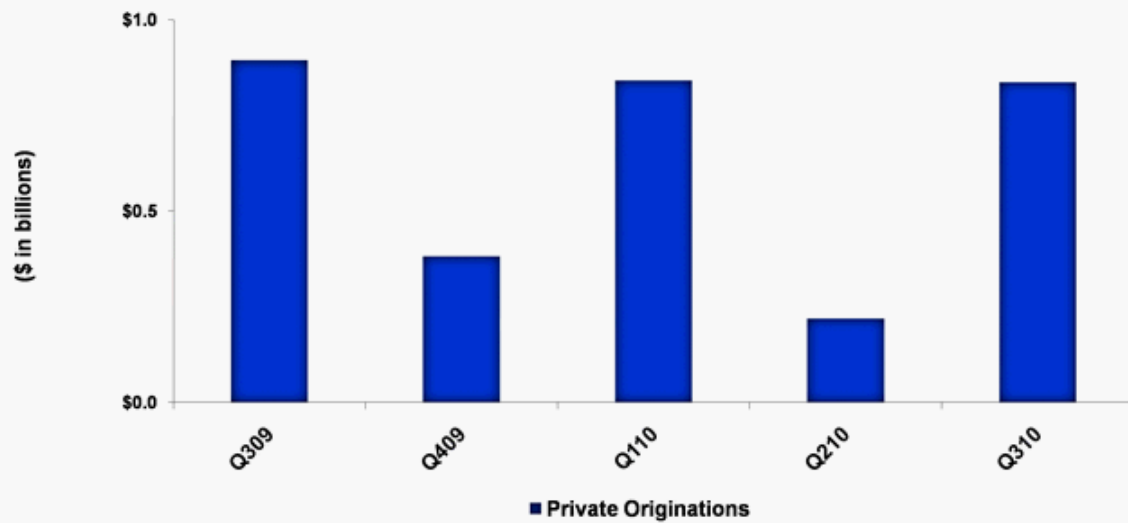
## COLLEGE GRADS EXPERIENCE LOWER LEVELS OF UNEMPLOYMENT



Source: U.S. Department of Labor, Bureau of Labor Statistics as of 9/30/2010



## PRIVATE EDUCATION LOAN ORIGINATIONS



Private Education Loans declined as result of an increase in federal student loan limits, an overall increase in the use of federal student loans as well as an increase in federal grants.

# THE PRIVATE EDUCATION LOAN MARKET

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## Private Education Loans

- ▶ Consumer loans made to students and parents specifically to fund the cost of undergraduate, graduate and other forms of post-secondary education
- ▶ Typically used to bridge the funding gap between grants, aid and FFELP loans, and the increasing cost of higher education
- ▶ Supplement U.S. Government guaranteed student loans, but not guaranteed by the U.S. Government
- ▶ Typically offered with floating interest rates, with loan margins set based on the credit quality of the borrower and/or cosigner
- ▶ Generally 5 to 15 years in maturity

## SLM's PRIVATE EDUCATION LOAN PORTFOLIO

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### ▶ Private Education Loan Portfolio Characteristics

- \$35.5 billion of managed outstandings at 9/30/2010
- 20% of SLM's managed student loan portfolio
- Risk-based pricing
- Approximately 59% of portfolio has a cosigner, typically a parent
- Higher education loans typically non-dischargeable in bankruptcy
- Integrated underwriting, servicing and collections

**Note:** All figures as of Sept 30, 2010.

## SLM's NEW PRIVATE EDUCATION LOAN PRODUCT

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- ▶ Smart Option Product - Launched 3/23/09
  - Requires interest only payment during in-school period with open option to pay P&I
  - In school payments reduce the average life from 9.5 years to 5.5 years, reducing total interest paid
  - Repayment term is driven by cumulative amount borrowed and grade level
  - Full communication with borrower during in-school period
  - Full collection activities employed at both the student and cosigner level
  - Develops habit and responsibility of payment
  - Limits propensity to accumulate additional debt given in-school payment requirement

## SLM's NEW PRIVATE EDUCATION LOAN PRODUCT

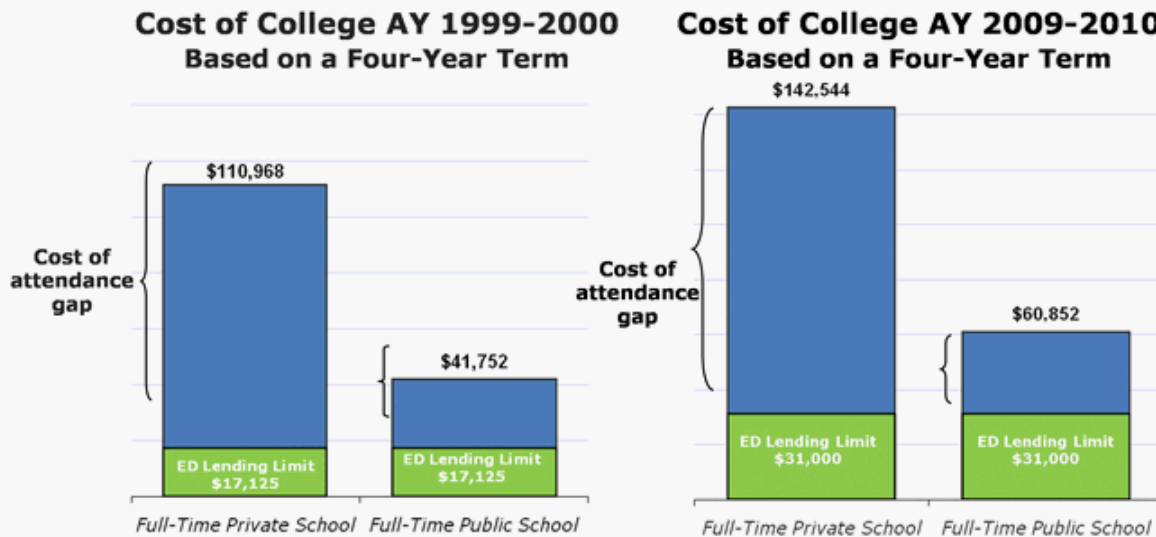
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### ► Fixed Pay Product - Launched 6/28/10

- Another option for students and families who understand the value of making in-school payments but want more budgeting flexibility
- Requires \$25.00 payments with the 1<sup>st</sup> payment beginning 30 days after disbursement
- Incentivizes responsible behavior- a 0.25% interest rate reduction while enrolled in automatic debit monthly payments and earn 2% back in rewards for on-time payments while in school
- Open option to pay P&I or interest-only payment
- Full communication with borrower during in-school period
- Full collection activities employed at both the student and cosigner level
- Develops habit, responsibility, and record of payment
- Limits propensity to accumulate additional debt given in-school payment requirement

## PRIVATE EDUCATION LOAN MARKET OPPORTUNITY

- ▶ Private education loans help bridge the gap between funding available through ED programs and the increasing cost of education
- ▶ Higher education annual enrollment is 19 million students with an estimated total cost of \$300 billion
  - A 4% increase in the cost of Higher Education creates a \$12 billion funding requirement for students and families

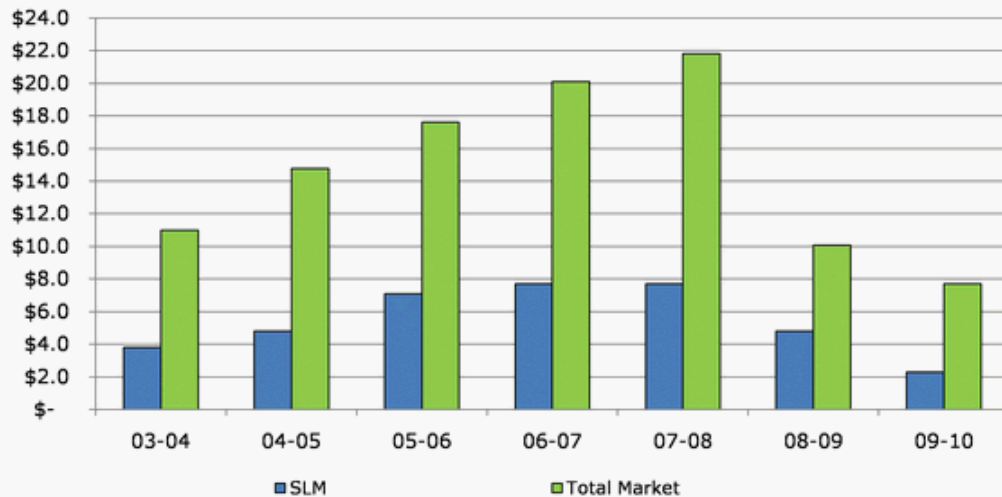


Source: College Board, *Trends in College Pricing*, U.S. Department of Education 2009

# PRIVATE CREDIT ORIGINATIONS

- ▶ 2009-10 academic year market share approximately 33%

## SLM vs. Industry Originations



Source: College Board, Trends in Higher Education Series (2010). 2009-2010 industry data is preliminary. Data reported by academic year, SLM quarterly data converted to academic year basis.

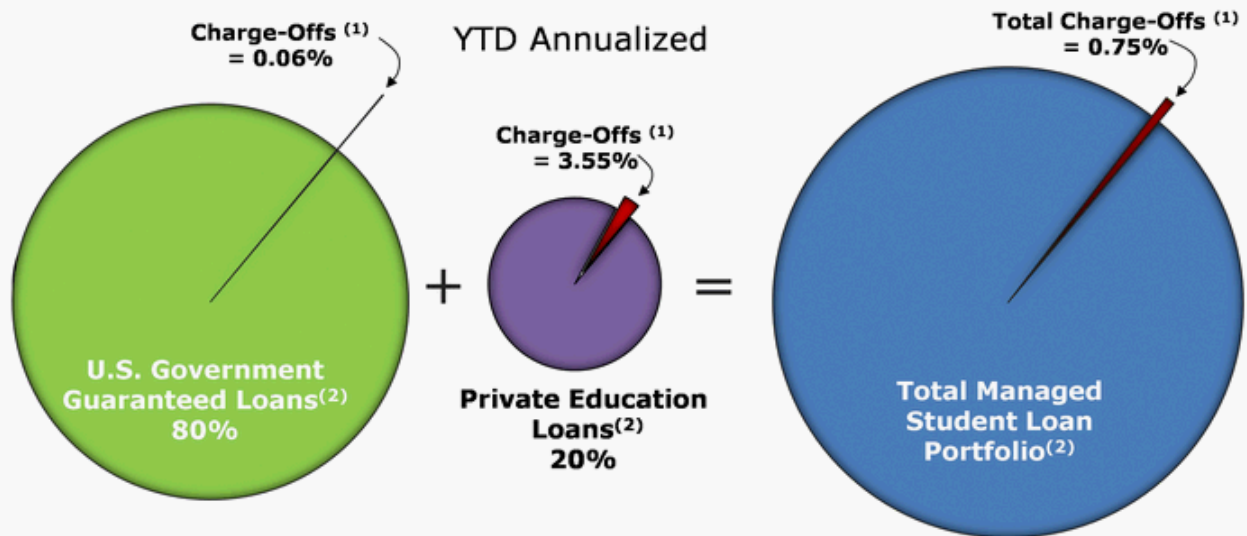
# CREDIT QUALITY

SLM Corporation





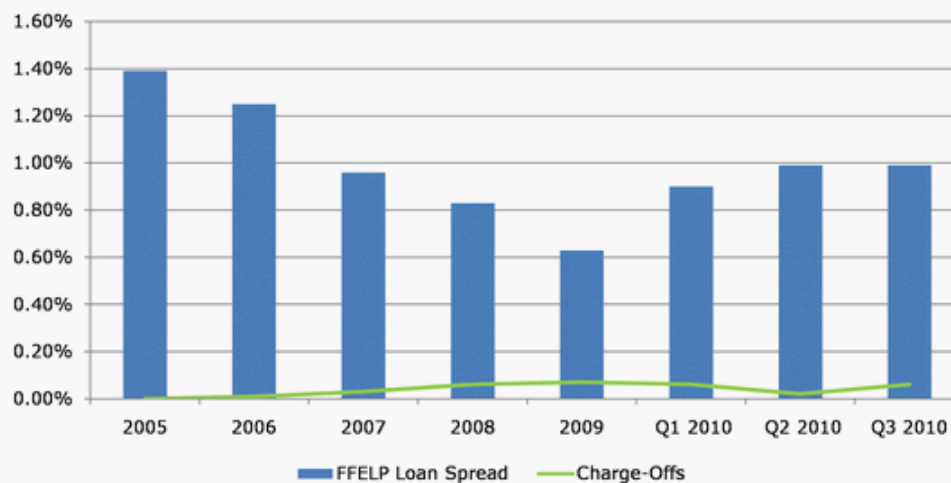
## LOAN LOSSES



- (1) All data as of September 30, 2010. Annualized Managed FFELP charge-offs as a percentage of average Managed FFELP assets. Annualized Managed Private Education Loan charge-offs as a percentage of average Managed Private Education Loan assets. Annualized Total charge-offs as a percentage of average Managed FFELP and Private Education Loan assets.
- (2) Percentages of Total Managed student loan portfolio based upon average portfolio balances

## FFELP EDUCATION LOAN PORTFOLIO

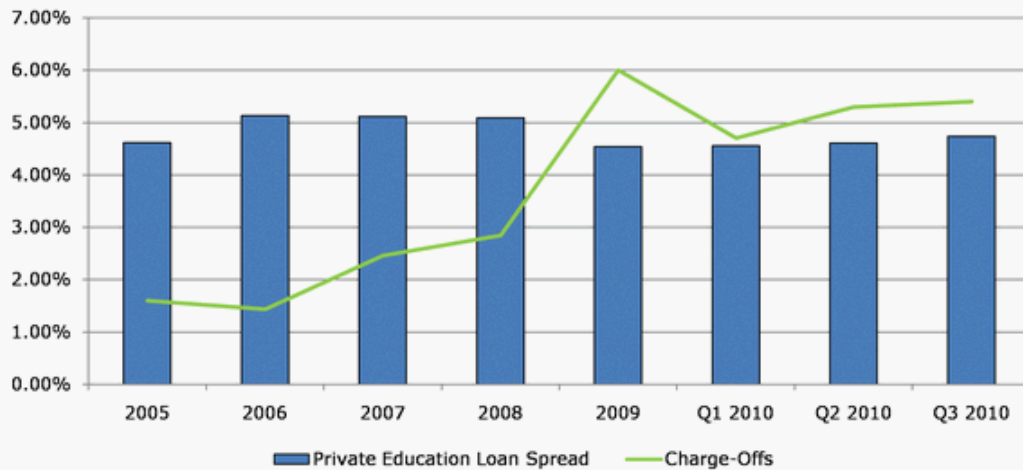
### "Core Earnings" FFELP Loan Spread vs. Charge-Offs



(1) "Core Earnings" FFELP Loan spread, before provision. Charge-offs as a percentage of average Managed FFELP Loans.

## PRIVATE EDUCATION LOAN PORTFOLIO

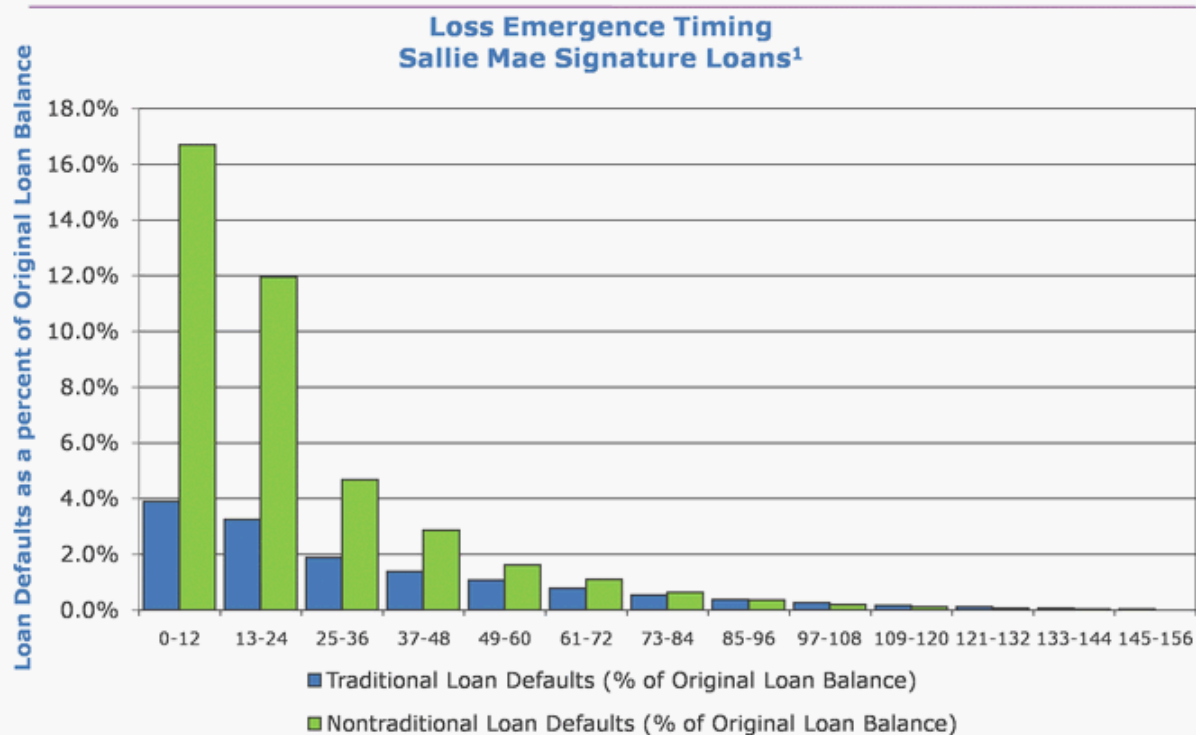
### "Core Earnings" Private Education Loan Spread vs. Charge-Offs <sup>(1)</sup>



(1) "Core Earnings" Private Education Loan spread, before provision. Charge-offs as a percentage of average Managed Private Education Loans in repayment.

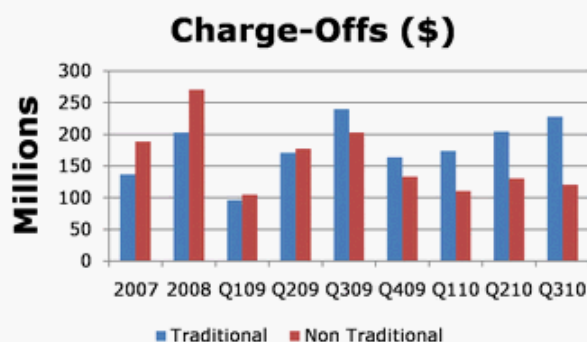
# SLM PRIVATE CREDIT DEFAULT EMERGENCE PROFILE

## PAYMENTS MADE

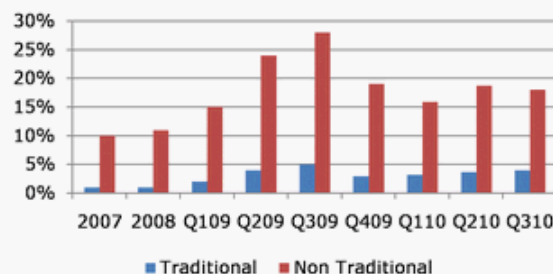


# CHARGE-OFF TRENDS

## MIX OF TRADITIONAL VS. NON-TRADITIONAL



### Charge-off Rate as a % of Repay Balance



- ▶ Charge-offs driven by Non-Traditional loans
- ▶ Non-Traditional loans represent approximately 11% of the Private Education Loan portfolio but nearly 35% of charge-offs

## MANAGED PRIVATE EDUCATION LOAN PORTFOLIO PERFORMANCE

<b><u>Traditional Loans with a Cosigner</u></b>	<b><u>Q310</u></b>	<b><u>Q210</u></b>	<b><u>Q110</u></b>	<b><u>Q409</u></b>	<b><u>Q309</u></b>
Outstanding Balance as a % of Total	56%	55%	55%	54%	53%
90+ Delinquency as a % of Repayment	3.3%	3.4%	3.7%	3.5%	3.6%
Forbearance as a % of Repayment & Forbearance	3.8%	4.7%	4.5%	4.9%	5.1%
Charge-Offs as a % of Repayment <sup>(1)</sup>	2.4%	2.3%	2.0%	2.4%	3.4%
<b><u>Traditional Loans without a Cosigner</u></b>	<b><u>Q310</u></b>	<b><u>Q210</u></b>	<b><u>Q110</u></b>	<b><u>Q409</u></b>	<b><u>Q309</u></b>
Outstanding Balance as a % of Total	33%	34%	34%	34%	35%
90+ Delinquency as a % of Repayment	6.3%	6.4%	6.8%	6.0%	5.9%
Forbearance as a % of Repayment & Forbearance	4.5%	5.4%	5.4%	5.6%	5.7%
Charge-Offs as a % of Repayment <sup>(1)</sup>	6.3%	5.7%	5.0%	5.2%	7.7%
<b><u>Non-Traditional Loans with a Cosigner</u></b>	<b><u>Q310</u></b>	<b><u>Q210</u></b>	<b><u>Q110</u></b>	<b><u>Q409</u></b>	<b><u>Q309</u></b>
Outstanding Balance as a % of Total	3%	3%	3%	3%	3%
90+ Delinquency as a % of Repayment	13.3%	13.3%	14.7%	14.7%	14.8%
Forbearance as a % of Repayment & Forbearance	7.2%	8.1%	8.0%	8.1%	9.1%
Charge-Offs as a % of Repayment <sup>(1)</sup>	11.5%	12.0%	10.6%	13.0%	17.8%
<b><u>Non-Traditional Loans without a Cosigner</u></b>	<b><u>Q310</u></b>	<b><u>Q210</u></b>	<b><u>Q110</u></b>	<b><u>Q409</u></b>	<b><u>Q309</u></b>
Outstanding Balance as a % of Total	8%	8%	8%	9%	9%
90+ Delinquency as a % of Repayment	17.1%	17.2%	19.4%	18.5%	19.0%
Forbearance as a % of Repayment & Forbearance	5.6%	6.8%	6.6%	6.7%	7.6%
Charge-Offs as a % of Repayment <sup>(1)</sup>	18.9%	20.6%	17.9%	20.8%	31.8%

(1) Charge-offs as a percentage of average loans in repayment annualized for the quarters presented

## MANAGED PRIVATE EDUCATION LOAN PORTFOLIO PERFORMANCE

	<u>Q310</u>	<u>Q210</u>	<u>Q110</u>	<u>Q409</u>	<u>Q309</u>
Charge-offs - Traditional Portfolio <sup>(1)</sup>	3.9%	3.7%	3.2%	3.2%	5.1%
Charge-offs - Non-Traditional Portfolio <sup>(1)</sup>	17.6%	18.7%	15.9%	18.6%	28.5%
90+ Day Delinq as a % of Repay - Traditional Portfolio	4.4%	4.6%	4.9%	4.6%	4.6%
90+ Day Delinq as a % of Repay - Non-Traditional Portfolio	16.0%	16.1%	18.1%	17.5%	17.8%
Forb as a % of Forb & Repay - Traditional Portfolio	4.1%	5.1%	4.9%	5.3%	5.4%
Forb as a % of Forb & Repay - Non-Traditional Portfolio	6.1%	7.2%	7.0%	7.1%	8.1%
Allowance as a % of Loans in Repay - Traditional Portfolio	5.1%	5.1%	5.1%	4.9%	5.3%
Allowance as a % of Loans in Repay - Non-Traditional Portfolio	31.4%	31.0%	31.7%	31.3%	32.9%

(1) Charge-offs as a percentage of average loans in repayment annualized for the quarters presented

## IMPROVING PORTFOLIO QUALITY

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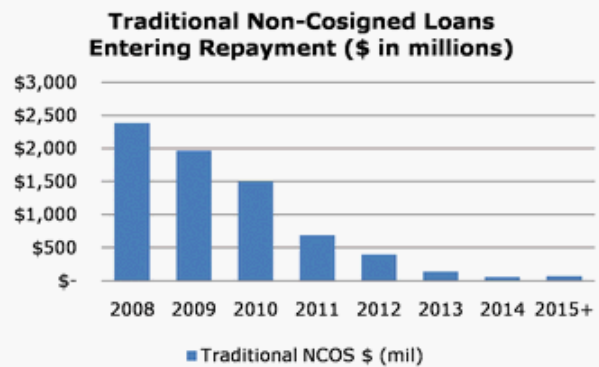
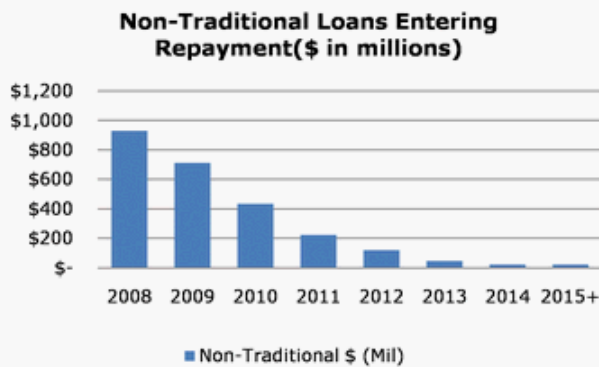
- ▶ Higher quality loans entering repayment
  - ▶ Loans with higher FICO scores and cosigners continue to represent a growing % of loans in repayment
  - ▶ % of traditional loans entering repayment continues to increase

Year Entering Repayment	% Traditional	% Cosigned	Avg FICO Score at Origination
2006	83%	51%	709
2007	84%	54%	712
2008	86%	55%	711
2009	90%	65%	722
2010*	93%	69%	724

\* Projected



## PORTFOLIO QUALITY IMPROVING



Amounts shown above represent the dollar amount of loans that will enter repayment

- ▶ Non-Traditional charge-off rate is 4-5x greater than Traditional
- ▶ 92% of Q310 loan originations had cosigners, up from 88% in Q309.
- ▶ Non-cosigned loans charge off at more than twice the rate of cosigned loans

Note: Amounts in years 2011-2015+ are projected

## PRIVATE LOAN REPAYMENT CYCLE



- Major Repayment Wave occurs in the fourth quarter
- Early stage delinquencies follow in Q1 and decline in Q2 and Q3
- Mid stage delinquencies follow in Q2
- Seasonally, charge-offs peak in Q3

## LOAN SEASONING

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- The following tables demonstrate improved borrower performance as loans season
- 80% of loans that charge off make fewer than 12 payments
- "At risk" segment of portfolio is represented by severely delinquent segment of portfolio in 1-12 scheduled payment status
- Significant improvement demonstrated in both traditional and non-traditional portfolios

# QUARTERLY LOAN SEASONING

TOTAL MANAGED PORTFOLIO (\$'s in millions)  
Quarterly Loan Seasoning Report- 10Q balances  
September 30, 2010  
Traditional Portfolio

Loan Status	Monthly Scheduled Payments Due									
	1-12 payments		13-24 payments		25-36 payments		37-48 payments		More than 48 payments	
Not Yet in Repayment										To
Loans in Forbearance	604	7.0%	172	3.1%	100	2.6%	54	2.2%	64	1.8%
Loans in Repayment- Current	6,963	80.6%	4,808	87.6%	3,454	91.0%	2,337	93.0%	3,406	94.2%
Loans in Repayment- Delinq 31-60 days	355	4.1%	161	2.9%	88	2.3%	46	1.8%	59	1.6%
Loans in Repayment- Delinq 61-90 days	204	2.4%	73	1.3%	38	1.0%	20	0.8%	25	0.7%
Loans in Repayment- Delinq 90+ days	513	5.9%	277	5.0%	117	3.1%	57	2.3%	61	1.7%
<b>Total Loans in Repayment</b>	<b>\$ 8,639</b>	<b>100%</b>	<b>\$ 5,491</b>	<b>100%</b>	<b>\$ 3,797</b>	<b>100%</b>	<b>\$ 2,514</b>	<b>100%</b>	<b>\$ 3,615</b>	<b>100%</b>
<b>Charge-offs as a % of loans in repayment</b>	<b>6.4%</b>		<b>4.1%</b>		<b>1.9%</b>		<b>1.4%</b>		<b>1.1%</b>	<b>3.9%</b>

## Non-Traditional Portfolio

Loan Status	Monthly Scheduled Payments Due									
	1-12 payments		13-24 payments		25-36 payments		37-48 payments		More than 48 payments	
Not Yet in Repayment										To
Loans in Forbearance	102	8.6%	\$ 31	4.6%	17	4.6%	10	4.1%	16	3.8%
Loans in Repayment- Current	697	58.3%	\$ 440	66.7%	287	75.9%	192	80.6%	342	80.1%
Loans in Repayment- Delinq 31-60 days	102	8.5%	\$ 44	6.6%	21	5.6%	11	4.6%	20	4.8%
Loans in Repayment- Delinq 61-90 days	73	6.1%	\$ 25	3.9%	12	3.2%	7	2.8%	12	2.8%
Loans in Repayment- Delinq 90+ days	222	18.6%	\$ 119	18.1%	40	10.7%	19	7.9%	37	8.7%
<b>Total Loans in Repayment</b>	<b>\$ 1,196</b>	<b>100%</b>	<b>\$ 659</b>	<b>100%</b>	<b>\$ 377</b>	<b>100%</b>	<b>\$ 239</b>	<b>100%</b>	<b>\$ 427</b>	<b>100%</b>
<b>Charge-offs as a % of loans in repayment</b>	<b>27.1%</b>		<b>17.1%</b>		<b>8.1%</b>		<b>6.3%</b>		<b>5.1%</b>	<b>17.6%</b>

## Total Managed

Loan Status	Monthly Scheduled Payments Due									
	1-12 payments		13-24 payments		25-36 payments		37-48 payments		More than 48 payments	
Not Yet in Repayment										To
Loans in Forbearance	706	7.2%	203	3.3%	117	2.8%	64	2.3%	80	2.0%
Loans in Repayment- Current	7,660	77.9%	5,248	85.3%	3,741	89.6%	2,529	91.9%	3,748	92.7%
Loans in Repayment- Delinq 31-60 days	457	4.7%	205	3.3%	109	2.6%	57	2.1%	79	2.0%
Loans in Repayment- Delinq 61-90 days	277	2.8%	98	1.6%	50	1.2%	27	1.0%	37	0.9%
Loans in Repayment- Delinq 90+ days	735	7.5%	396	6.4%	157	3.8%	76	2.7%	98	2.4%
<b>Total Loans in Repayment</b>	<b>\$ 9,835</b>	<b>100%</b>	<b>\$ 6,150</b>	<b>100%</b>	<b>\$ 4,174</b>	<b>100%</b>	<b>\$ 2,753</b>	<b>100%</b>	<b>\$ 4,042</b>	<b>100%</b>
<b>Charge-offs as a % of loans in repayment</b>	<b>9.0%</b>		<b>5.5%</b>		<b>2.4%</b>		<b>1.9%</b>		<b>1.6%</b>	<b>5.4%</b>

# QUARTERLY LOAN SEASONING

TOTAL MANAGED PORTFOLIO (\$'s in millions)  
 Quarterly Loan Seasoning Report- 10Q balances  
 June 30, 2010  
 Traditional Portfolio

Loan Status	Monthly Scheduled Payments Due										To
	1-12 payments		13-24 payments		25-36 payments		37-48 payments		More than 48 payments		
Not Yet in Repayment	836	8.6%	185	3.6%	93	2.6%	49	2.1%	55	1.7%	8,959
Loans in Forbearance	7,666	78.6%	4,429	86.5%	3,314	91.4%	2,180	93.1%	3,091	94.4%	1,218
Loans in Repayment- Current	398	4.1%	156	3.1%	81	2.2%	45	1.9%	53	1.6%	20,683
Loans in Repayment- Delinq 31-60 days	260	2.7%	92	1.8%	42	1.1%	21	0.9%	24	0.7%	733
Loans in Repayment- Delinq 61-90 days	596	6.1%	256	5.0%	95	2.6%	46	2.0%	52	1.6%	439
Loans in Repayment- Delinq 90+ days											1,046
Total Loans in Repayment	\$ 9,756	100%	\$ 5,118	100%	\$ 3,625	100%	\$ 2,341	100%	\$ 3,275	100%	\$ 24,120
Charge-offs as a % of loans in repayment	5.5%		4.3%		2.0%		1.4%		1.2%		3.7%

## Non-Traditional Portfolio

Loan Status	Monthly Scheduled Payments Due										To
	1-12 payments		13-24 payments		25-36 payments		37-48 payments		More than 48 payments		
Not Yet in Repayment	143	10.2%	\$ 34	5.1%	16	4.5%	9	4.1%	17	4.2%	1,092
Loans in Forbearance	771	55.2%	\$ 437	66.8%	275	76.3%	179	81.0%	327	79.6%	219
Loans in Repayment- Current	121	8.6%	\$ 44	6.7%	20	5.7%	10	4.4%	20	4.9%	1,991
Loans in Repayment- Delinq 31-60 days	101	7.3%	\$ 32	4.9%	13	3.6%	7	3.0%	12	3.0%	215
Loans in Repayment- Delinq 61-90 days	261	18.7%	\$ 108	16.5%	36	9.9%	17	7.5%	34	8.4%	165
Loans in Repayment- Delinq 90+ days											456
Total Loans in Repayment	\$ 1,397	100%	\$ 655	100%	\$ 360	100%	\$ 221	100%	\$ 411	100%	\$ 3,047
Charge-offs as a % of loans in repayment	27.8%		17.2%		8.6%		6.9%		5.5%		18.7%

## Total Managed

Loan Status	Monthly Scheduled Payments Due										To
	1-12 payments		13-24 payments		25-36 payments		37-48 payments		More than 48 payments		
Not Yet in Repayment											10,051
Loans in Forbearance	979	8.8%	219	3.8%	109	2.7%	58	2.3%	72	2.0%	1,437
Loans in Repayment- Current	8,437	75.6%	4,866	84.3%	3,589	90.0%	2,359	92.0%	3,418	92.7%	22,669
Loans in Repayment- Delinq 31-60 days	519	4.7%	200	3.5%	102	2.5%	54	2.1%	73	2.0%	948
Loans in Repayment- Delinq 61-90 days	361	3.2%	124	2.2%	55	1.4%	28	1.1%	36	1.0%	604
Loans in Repayment- Delinq 90+ days	857	7.7%	364	6.3%	131	3.3%	63	2.5%	86	2.3%	1,501
Total Loans in Repayment	\$ 11,153	100%	\$ 5,773	100%	\$ 3,986	100%	\$ 2,563	100%	\$ 3,686	100%	\$ 27,167
Charge-offs as a % of loans in repayment	8.3%		5.6%		2.6%		1.9%		1.6%		5.3%

# QUARTERLY LOAN SEASONING

TOTAL MANAGED PORTFOLIO (\$'s in millions)  
Quarterly Loan Seasoning Report- 10Q balances  
September 30, 2009  
Traditional Portfolio

Loan Status	Monthly Scheduled Payments Due									
	1-12 payments		13-24 payments		25-36 payments		37-48 payments		More than 48 payments	
Not Yet in Repayment										To
Loans in Forbearance	779	9.4%	150	3.3%	75	2.5%	36	2.1%	41	1.6%
Loans in Repayment- Current	6,361	76.9%	4,001	88.6%	2,724	91.9%	1,592	93.0%	2,403	94.7%
Loans in Repayment- Delinq 31-60 days	387	4.7%	118	2.6%	58	2.0%	30	1.8%	36	1.4%
Loans in Repayment- Delinq 61-90 days	227	2.7%	57	1.3%	30	1.0%	16	1.0%	18	0.7%
Loans in Repayment- Delinq 90+ days	519	6.3%	190	4.2%	78	2.6%	37	2.2%	40	1.6%
<b>Total Loans in Repayment</b>	<b>\$ 8,273</b>	<b>100%</b>	<b>\$ 4,516</b>	<b>100%</b>	<b>\$ 2,965</b>	<b>100%</b>	<b>\$ 1,711</b>	<b>100%</b>	<b>\$ 2,538</b>	<b>100%</b>
<b>Charge-offs as a % of loans in repayment</b>	<b>8.6%</b>		<b>4.0%</b>		<b>2.1%</b>		<b>1.8%</b>		<b>1.1%</b>	<b>5.1%</b>

## Non-Traditional Portfolio

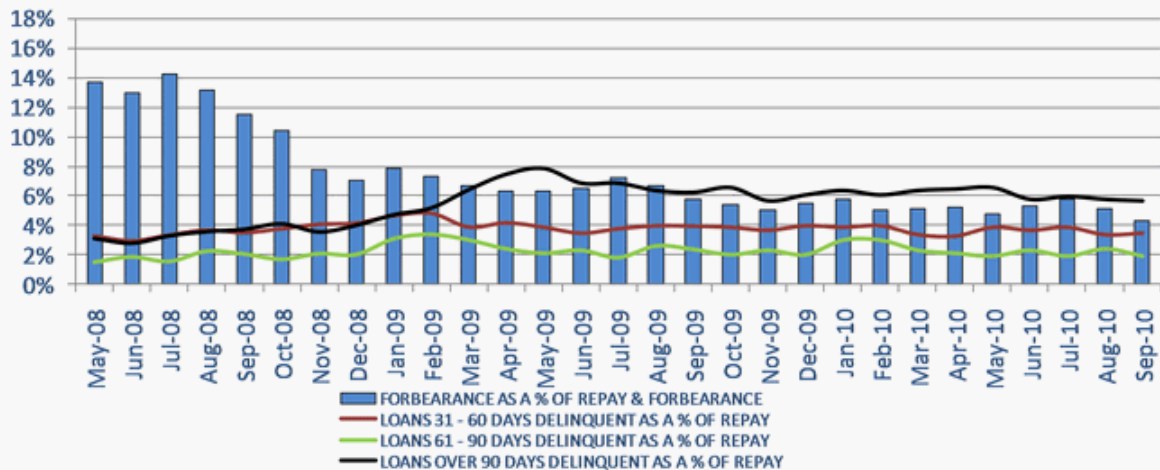
Loan Status	Monthly Scheduled Payments Due									
	1-12 payments		13-24 payments		25-36 payments		37-48 payments		More than 48 payments	
Not Yet in Repayment										To
Loans in Forbearance	175	10.7%	31	5.6%	15	4.8%	7	4.4%	16	4.4%
Loans in Repayment- Current	865	53.0%	367	66.8%	237	75.9%	132	78.8%	292	78.5%
Loans in Repayment- Delinq 31-60 days	156	9.5%	35	6.4%	17	5.4%	8	4.7%	18	4.9%
Loans in Repayment- Delinq 61-90 days	116	7.1%	22	4.0%	11	3.6%	6	3.3%	11	3.0%
Loans in Repayment- Delinq 90+ days	321	19.7%	94	17.2%	32	10.1%	15	8.9%	35	9.4%
<b>Total Loans in Repayment</b>	<b>\$ 1,633</b>	<b>100%</b>	<b>\$ 549</b>	<b>100%</b>	<b>\$ 312</b>	<b>100%</b>	<b>\$ 168</b>	<b>100%</b>	<b>\$ 372</b>	<b>100%</b>
<b>Charge-offs as a % of loans in repayment</b>	<b>40.1%</b>		<b>21.8%</b>		<b>11.4%</b>		<b>9.1%</b>		<b>7.2%</b>	<b>28.5%</b>

## Total Managed

Loan Status	Monthly Scheduled Payments Due									
	1-12 payments		13-24 payments		25-36 payments		37-48 payments		More than 48 payments	
Not Yet in Repayment										To
Loans in Forbearance	954	9.6%	181	3.6%	90	2.7%	43	2.3%	57	2.0%
Loans in Repayment- Current	7,226	72.9%	4,368	86.2%	2,961	90.4%	1,724	91.7%	2,695	92.6%
Loans in Repayment- Delinq 31-60 days	543	5.5%	153	3.0%	75	2.3%	38	2.0%	54	1.8%
Loans in Repayment- Delinq 61-90 days	343	3.5%	79	1.6%	41	1.3%	22	1.2%	29	1.0%
Loans in Repayment- Delinq 90+ days	840	8.5%	284	5.6%	110	3.3%	52	2.8%	75	2.6%
<b>Total Loans in Repayment</b>	<b>\$ 9,906</b>	<b>100%</b>	<b>\$ 5,065</b>	<b>100%</b>	<b>\$ 3,277</b>	<b>100%</b>	<b>\$ 1,879</b>	<b>100%</b>	<b>\$ 2,910</b>	<b>100%</b>
<b>Charge-offs as a % of loans in repayment</b>	<b>13.7%</b>		<b>5.8%</b>		<b>2.9%</b>		<b>2.4%</b>		<b>1.9%</b>	<b>8.1%</b>

## PRIVATE EDUCATION LOAN PORTFOLIO PERFORMANCE

- ▶ Changes in SLM's forbearance policies and the economic downturn have adversely impacted the performance of our Managed Private Education Loan portfolio including accelerating the timing of charge-offs
- ▶ Delinquency trends have improved, as the impact of forbearance changes passed through the system and the portfolio continues to season.



# SERVICING: A COMPETITIVE ADVANTAGE

SLM Corporation





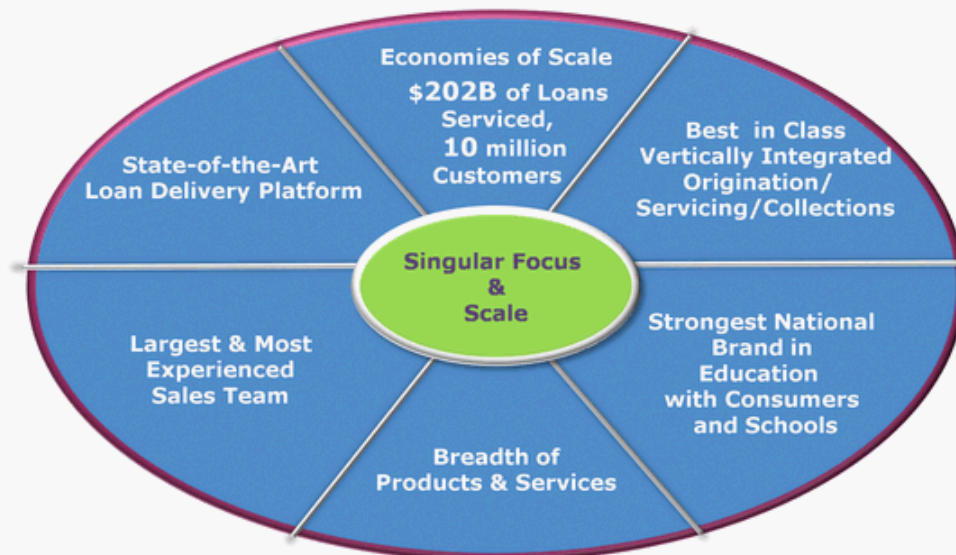
## SLM SERVICING

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- ▶ #1 servicer and collector of student loans in the U.S. currently servicing \$202 billion in assets including \$47 billion for third parties
  - Includes \$20 billion of FFELP assets sold to ED on October 11
- ▶ SLM serves 10 million student and parent customers
- ▶ Awarded ED servicing contract in June 2009
  - Servicing under contract initiated in August 2009
  - Contract to span 5 years with one, five-year renewal option
- ▶ As of Oct, 3.3 million accounts, \$42 billion serviced under ED contract
- ▶ Servicing on new Direct Loans expected to began in August 2010

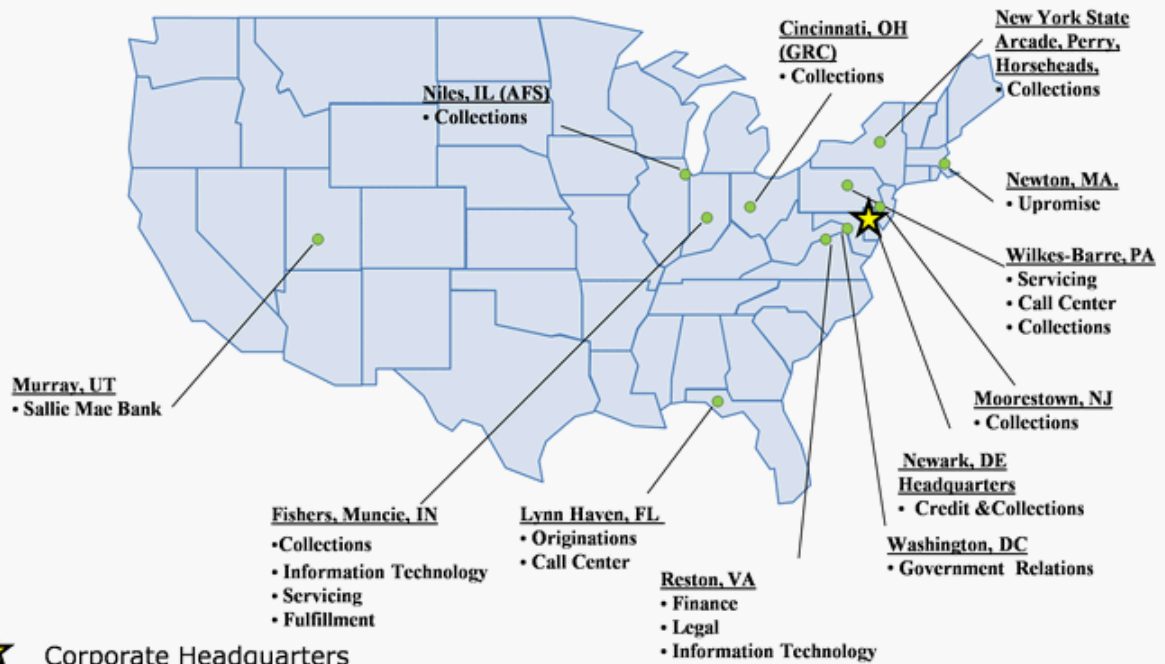
## SLM's COMPETITIVE ADVANTAGE

- ▶ SLM has a distinct competitive advantage in all facets of the education loan market.



Note: Figures as Sept 30, 2010

# OPERATIONS LOCATIONS



Note: SLM has announced that the Lynn Haven, Florida site will be closing at the end of 2010 and the functions performed there either transferred to other sites or eliminated. SLM has announced that the Newark, DE facility will be designated corporate headquarters effective Jan 1, 2011.

# FUNDING DIVERSITY AND LIQUIDITY

SLM Corporation



## Q310 CAPITAL MARKETS SUMMARY

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- Repurchased \$882 million of debt realizing a gain of \$18 million
- Issued \$760 million of FFELP ABS
- Issued \$2.6 billion of Private Credit ABS
- ABCP borrowings reduced to \$6.0 billion
- Straight "A" conduit program funding \$15.2 billion of loans
  - Additional \$10 billion to be added by STU (Citibank) FFELP acquisition
- FHLB-Des Moines, currently \$525 million funded
  - Facility capacity as of Sept 2010 of \$10 billion subject to eligible collateral

## LIQUIDITY POSITION DETAIL

(\$ in billions)	9/30/2010	6/30/2010	3/31/2010	12/31/2009
<b>Sources of Primary Liquidity:</b>				
<b>ED Purchase and Participation Program</b>	<b>N/A*</b>	<b>Unlimited*</b>	<b>Unlimited*</b>	<b>Unlimited*</b>
<b>Unrestricted Cash &amp; Liquid Investments</b>	<b>\$ 6.1</b>	<b>\$ 6.7</b>	<b>\$ 7.6</b>	<b>\$ 7.4</b>
<b>Unused Commercial Paper and Bank Lines of Credit</b>	<b>1.6</b>	<b>1.6</b>	<b>3.5</b>	<b>3.5</b>
<b>FFELP ABCP Facilities **</b>	<b>3.8</b>	<b>3.5</b>	<b>1.4</b>	<b>1.7</b>
<b>Total Sources of Primary Liquidity</b>	<b>\$ 11.5</b>	<b>\$ 11.8</b>	<b>\$ 12.5</b>	<b>\$ 12.5</b>

- ▶ In addition to the above, SLM maintains a \$10 billion facility with the FHLB to facilitate the financing of FFELP collateral. Availability under this line is contingent on pledging eligible collateral.
- ▶ SLM has \$1.6 billion in unsecured revolving credit facilities. The Company has never drawn on these facilities. \$1.9 billion of our unsecured revolving facilities was due mature in October 2010, and was retired in May 2010, and \$1.6 billion matures in October 2011
- ▶ Unrestricted cash at September 30, 2010, June 30, 2010 and March 31, 2010, includes \$2.7 bn, \$2.6 bn and \$3.0bn, respectively, of cash and liquid investments at Sallie Mae Bank.

Note: Numbers may not add due to rounding.

\* Capacity unlimited through July 1, 2010

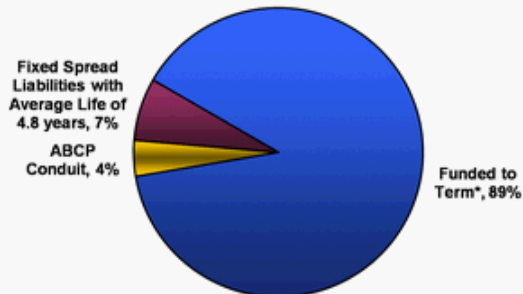
\*\* Borrowing capacity subject to availability of collateral

## RECENT ABS TRANSACTIONS

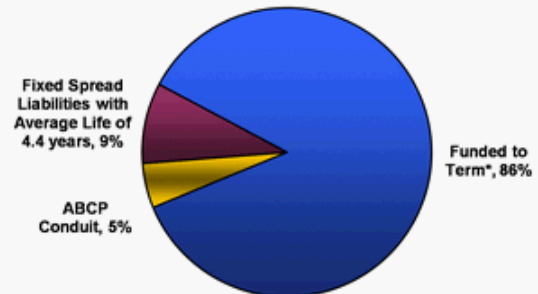
Transaction: FFELP	April 2010-1 Stafford & Plus	August 2010-2 Stafford & Plus
Issuance Size:	\$1.222 B	\$760 M
Registration Type:	Public	Public
Pricing:	1-mo LIBOR + 43	1-mo LIBOR + 52
Average Life:	3.46 year @ 6% CPR	4.38 year @ 6% CPR
Transaction: Private Credit	July 2010-B	July 2010-C
Issuance Size:	\$0.869 B	\$1.701 B
Registration Type:	144A	144A
Pricing:	\$303 M @ 1-mo LIBOR + 192 Remainder funded at TRS facility	\$451 M @ 1-mo LIBOR + 165 \$209 M @ 1-mo LIBOR + 265 Remainder funded at TRS facility
Average Life:	0.9 year @ 4% CPR	1.0 year @ 4% CPR 3.5 year @ 4% CPR

## HIGH PERCENTAGE OF STUDENT LOANS FUNDED TO TERM

**\$182 Billion Managed Student Loan Portfolio as of September 30, 2010**



**\$192 Billion Managed Student Loan Portfolio as of September 30, 2009**



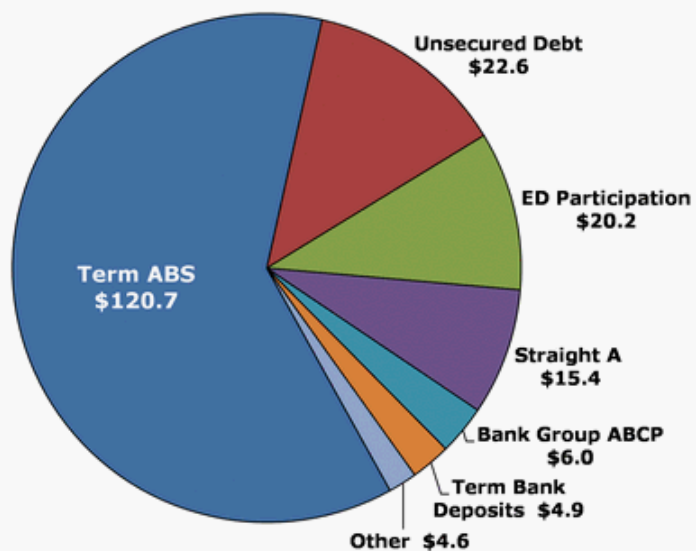
- **Employ conservative long-term funding model**

\* Funded to Term includes 20% or \$35.7 billion and 19% or \$37.0 billion of student loans funded under the ED Purchase and Participation Program and Straight A Funding Facility as of September 30, 2010 and September 30, 2009, respectively.



## FUNDING DISTRIBUTION

At Sept 30, 2010 total Managed borrowings were \$194.4 billion



\*Other includes FHLB-DM facility borrowings, on-balance sheet indentured trusts, and other Managed borrowings as identified in the Q3 2010 SLM 10-Q.

# SLM ASSET-BACKED FUNDING

## SLM ABS Term Issuance Volume

ABS Issuance (\$ in billions)	Q3 10		Q2 10		Q1 10		2009		2008	
Non-Consolidation FFELP ABS	\$	0.8	\$	1.2	\$	-	\$	-	\$	18.5
Consolidation FFELP ABS		-		-		-		5.9		-
Private Credit ABS		2.6		-		1.6		7.5		-
<b>Total ABS Issuance</b>	<b>\$</b>	<b>3.3</b>	<b>\$</b>	<b>1.2</b>	<b>\$</b>	<b>1.6</b>	<b>\$</b>	<b>13.4</b>	<b>\$</b>	<b>18.5</b>

## SLM Secured Funding

Secured Borrowings (\$ in billions)	9/30/2010		6/30/2010		3/31/2010		12/31/2009		12/31/2008	
Net ED Participation Program <sup>(1)</sup>	\$	20.2	\$	19.9	\$	15.7	\$	9.0	\$	7.4
Straight – A Funding Facility		15.4		15.9		14.7		14.3		-
ABCP & Other Secured Facilities <sup>(2)</sup>		6.5		6.8		8.4		8.8		24.8
<b>Total Asset Funding</b>	<b>\$</b>	<b>42.2</b>	<b>\$</b>	<b>42.6</b>	<b>\$</b>	<b>38.8</b>	<b>\$</b>	<b>32.1</b>	<b>\$</b>	<b>32.2</b>

(1) Reported at quarter closing dates, net of paydowns.

(2) Balances inclusive of FFELP and legacy Private ABCP, legacy UBS Phoenix facility and FHLB Des Moines.

# SLM CORPORATE DEBT ACTIVITY

## SLM Corporate Debt Issuance Volume

Issuance Type (US\$ in billions)	2010 YTD	2009	2008	2007	2006
US\$ Global & Medium Term Notes	\$ 1.5	\$ -	\$ 2.5	\$ 1.4	\$ 5.8
Foreign Currency Denominated <sup>(1)</sup>	-	-	-	0.2	3.9
Extendible Notes	-	-	-	-	1.5
Retail Note Program	-	-	-	-	0.5
<b>Total Corporate Debt Issuance</b>	<b>\$ 1.5</b>	<b>\$ -</b>	<b>\$ 2.5</b>	<b>\$ 1.6</b>	<b>\$ 11.7</b>

## SLM Corporate Debt Repurchases

Denomination (US\$ in millions)	Q3 10	Q2 10	Q1 10	2009	2008	2007
USD <sup>(2)</sup>	\$ 718	\$ 271	\$ 303	\$ 2,169	\$ 1,794	\$ -
Foreign Currency Denominated <sup>(2)</sup>	163	1,092	1,008	1,278	116	-
<b>Total <sup>(2)</sup></b>	<b>\$ 882</b>	<b>\$ 1,363</b>	<b>\$ 1,311</b>	<b>\$ 3,447</b>	<b>\$ 1,910</b>	<b>\$ -</b>
<b>Accounting Gain Generated</b>	<b>\$ 18</b>	<b>\$ 91</b>	<b>\$ 90</b>	<b>\$ 536</b>	<b>\$ 64</b>	<b>\$ -</b>

Note: Total may not foot due to rounding.

(1) US\$ equivalent at the time of issuance.

(2) Face value amounts repurchased.

# UNSECURED DEBT MATURITIES

As of September 30, 2010  
(par value, \$ in billions)



- Repurchased \$8.9 billion unsecured debt since 1/1/2008
- Repurchased \$3.6 billion of unsecured debt in 2010 as of 9/30/10
  - Repurchased \$882 million of debt in Q310

Note: Does not include Sallie Mae Bank or Subsidiary funding

## UNENCUMBERED ASSETS & UNSECURED DEBT

- The difference between unencumbered assets and outstanding unsecured debt continues to diminish

Unencumbered Assets & Unsecured Debt (\$ in billions)						
	9/30/10	6/30/10	3/31/10	12/31/09	12/31/08	
FFELP Stafford and Plus Loans, net	\$ 1.1	\$ 1.3	\$ 2.1	\$ 1.6	\$ 3.8	
FFELP Consolidation Loans, net	0.6	0.5	0.5	0.5	1.6	
Private Education Loans, net	10.9	11.5	11.4	12.5	15.7	
Other Loans	0.3	0.3	0.3	0.4	0.7	
Available Cash & Investments	7.0	7.7	8.2	8.1	5.1	
Retained Interests*	-	-	-	1.8	2.2	
Other Assets	4.5	4.2	5.1	5.2	5.8	
<b>Total Unencumbered Tangible Assets</b>	<b>\$ 24.4</b>	<b>\$ 25.5</b>	<b>\$ 27.6</b>	<b>\$ 30.1</b>	<b>\$ 34.9</b>	
<b>Unsecured Debt Outstanding</b>	<b>\$ 27.5</b>	<b>\$ 30.2</b>	<b>\$ 32.5</b>	<b>\$ 33.6</b>	<b>\$ 40.2</b>	

Net Assets in Secured Financing Facilities						
	9/30/10	6/30/10	3/31/10	12/31/09	12/31/08	
Off-Balance Sheet ABS (Non-GAAP)*	\$ -	\$ -	\$ -	\$ 0.6	\$ 0.9	
On-Balance Sheet ABS (GAAP)**	13.1	13.1	13.7	12.7	13.4	
<b>Total</b>	<b>\$ 13.1</b>	<b>\$ 13.1</b>	<b>\$ 13.7</b>	<b>\$ 13.3</b>	<b>\$ 14.3</b>	

\* On 1/1/10 upon adopting ASC 810 the Retained Interests were removed from the consolidated balance sheet and the assets and liabilities of off-balance sheet ABS were consolidated onto the balance sheet.

\*\* Amounts include loans, cash, and accrued interest receivable less debt outstanding for all secured borrowing facilities. Amounts reflect the current balance and prior period adjustments made to account for the impact of ASC 815. Further detail of the nature of the adjustment can be found in the 3Q 2010 SLM Corporation 10-Q.

# SECURED CASH FLOW

\$ in Millions	YTD 2010	2009	2008
<b>FFELP</b>			
Term Securitized			
Servicing (Cash Paid)	\$ 402	\$ 549	\$ 525
Net Residual (Excess Distributions)	595	1,435	1,338
Other Secured FFELP			
Net Cash Flow	1,228	1,296	589
<b>Total FFELP</b>	<b>\$ 2,225</b>	<b>\$ 3,280</b>	<b>\$ 2,452</b>
<b>Private Credit</b>			
Term Securitized			
Servicing (Cash Paid)	\$ 132	\$ 130	\$ 97
Residual (Excess Distribution)	8	90	403
Other Secured Financings			
Net Cash Flow	-	58	81
<b>Total Private Credit</b>	<b>\$ 140</b>	<b>\$ 278</b>	<b>\$ 581</b>
<b>Total FFELP and Private Credit</b>	<b>\$ 2,365</b>	<b>\$ 3,558</b>	<b>\$ 3,033</b>
<b>Average Principal Balances <sup>(2)</sup></b>			
<b>FFELP</b>			
Term FFELP	\$ 99,739	\$ 102,754	\$ 97,363
Other Secured FFELP <sup>(1)</sup>	44,030	36,628	32,543
<b>Total FFELP</b>	<b>\$ 143,769</b>	<b>\$ 139,382</b>	<b>\$ 129,906</b>
<b>Private Credit</b>			
Term PC	\$ 25,827	\$ 19,144	\$ 14,505
Other Secured Financings		2,641	2,641
<b>Total Private Credit</b>	<b>\$ 25,827</b>	<b>\$ 21,785</b>	<b>\$ 17,146</b>
<b>Total FFELP and Private Credit</b>	<b>\$ 169,596</b>	<b>\$ 161,167</b>	<b>\$ 147,052</b>

Note: Data as of 9/30/2010, Totals may not add due to rounding

\* Net residual represents excess distribution, net of payments on floor contracts and receipts from basis swaps

(1) Interest to be capitalized not available for On-Balance Sheet Indentured Trust balance

(2) All APBs are 2-point averages of 1/1 and 12/31 balances of the given year.

# PROJECTED CASH FLOWS FROM FFELP PORTFOLIO

(\$ in Millions)

	<u>2nd Half 2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Projected FFELP Average Balance	\$121,701	\$113,758	\$102,673	\$92,342	\$82,915	\$74,750	\$66,815	\$59,271
Projected Excess Spread	\$454	\$943	\$878	\$807	\$718	\$674	\$606	\$554
Projected Servicing Revenue	\$400	\$740	\$669	\$583	\$515	\$454	\$397	\$343
Projected Total Revenue	\$854	\$1,682	\$1,537	\$1,390	\$1,233	\$1,128	\$1,003	\$897
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Projected FFELP Average Balance	\$52,135	\$45,421	\$39,299	\$34,522	\$30,503	\$26,674	\$22,978	\$19,377
Projected Excess Spread	\$499	\$445	\$372	\$303	\$271	\$248	\$225	\$204
Projected Servicing Revenue	\$293	\$247	\$206	\$177	\$155	\$135	\$116	\$98
Projected Total Revenue	\$792	\$692	\$578	\$479	\$426	\$383	\$341	\$301
	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>
Projected FFELP Average Balance	\$15,857	\$12,482	\$9,583	\$7,291	\$5,398	\$3,752	\$2,307	\$1,154
Projected Excess Spread	\$179	\$154	\$132	\$110	\$88	\$70	\$44	\$25
Projected Servicing Revenue	\$80	\$63	\$49	\$37	\$27	\$19	\$12	\$6
Projected Total Revenue	\$259	\$217	\$180	\$147	\$116	\$89	\$56	\$31

- Total Cash Flows from Projected Excess Spread = \$9.0 Billion
- Total Cash Flows from Projected Servicing Revenues = \$5.8 Billion

55

**Assumptions**  
 • CP/LIBOR = 10 basis points  
 • No Floor Income  
 • CPR/CDR = Stafford & Plus (7.0%), Consolidation (3.0%)  
 Excel spreadsheet available upon request

**SallieMae**

# SALLIE MAE BANK

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► **Bank charter**

- Utah based ILC regulated by FDIC and Utah Department of Financial Institutions (UDFI)
- Charter granted October 2005

► **Current bank activity**

- Originates Sallie Mae's private education loans
- Funded through affiliate and brokered deposits and a direct retail deposit program launched in Feb 2010
- 27.7% Total Risk-based Capital at September 30, 2010
- Dividend of \$400 million paid in October 2010

► **Deposit taking activities**

- Strong cash position used to fund Private Credit originations
- Deposits totaled \$6.6 billion at September 30, 2010
  - \$5.2 billion Brokered Deposits
  - \$1.4 billion Direct Retail and Affiliate Deposits
- Brokered Deposit portfolio has a weighted average maturity of 22.1 months
- Total deposits increased by 11.5% in Q310 supported by continued growth in the Retail Deposit program



## SALLIE MAE BANK – CAPITAL & DEPOSITS

Bank Deposits (\$ millions)						
	Sep 10	Jun 10	Mar 10	Dec 09	Sep 09	Jun 09
Brokered CDs	\$4,961	\$5,023	\$5,417	\$5,632	\$5,891	\$6,100
Brokered MMDAs	231	190	205	204	221	264
Retail Deposits	841	242	4	-	-	-
Other Deposits*	542	441	478	494	543	420
<b>Total Deposits</b>	<b>\$6,575</b>	<b>\$5,896</b>	<b>\$6,104</b>	<b>\$6,331</b>	<b>\$6,655</b>	<b>\$6,784</b>

\*Primarily affiliate deposits accounts with no stated maturities

Regulatory Capital Ratios						
Ratio	Sep 10	Jun 10	Mar 10	Dec 09	Sep 09	Jun 09
Tier 1 Leverage	16.7%	17.2%	16.2%	15.0%	14.2%	17.9%
Tier 1 Risk Based	26.7%	30.4%	30.7%	24.6%	24.2%	26.2%
Total Risk Based	27.7%	31.4%	31.6%	25.4%	25.1%	26.9%

# RISK-ADJUSTED CAPITALIZATION

SLM Corporation



## CAPITALIZATION

### SLM Corp

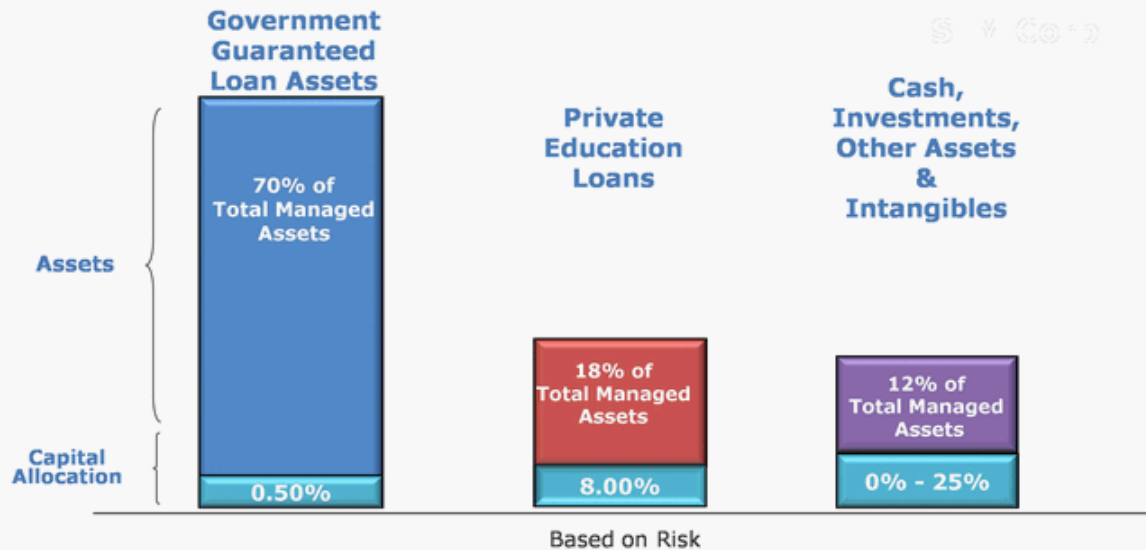
	Q3 10	Q2 10	Q1 10	2009	2008
Tangible Equity/Managed Assets <sup>(1)</sup>	2.0%	1.9%	1.7%	2.0%	1.8%
<b>Tangible Equity/Charge-Offs<sup>(2)</sup></b>	<b>3x</b>	<b>3x</b>	<b>3x</b>	<b>3x</b>	<b>7x</b>

(1) GAAP tangible stockholders' equity as a percentage of total Managed assets.

(2) Average GAAP tangible equity including preferred stock to charge-offs. SLM charge-offs based on total Managed loans, annualized.

# CAPITAL ALLOCATION

SLM allocates capital internally based on the risk of the assets it supports



As of Sept 30, 2010

# FFELP APPENDIX

SLM Corporation



# SLM FFELP ABS ISSUE CHARACTERISTICS

## Typical SLM FFELP ABS Transaction Features

- ▶ Historical issue size of \$1.0B to \$5.0(+)B
- ▶ Tranches denominated in US\$ or Euros
- ▶ 'Aaa/AAA/AAA' rated senior tranches make up 97% of issue structure
- ▶ Floating rate tied to 1 mo./3 mo. LIBOR, with occasional fixed rate issuance
- ▶ Amortizing tranches, with 1 to 15(+) year average lives
- ▶ Masterservicer is Sallie Mae, Inc.

## Unique Characteristics of FFELP Loan ABS

- ▶ Explicit U.S. government guarantee of underlying collateral insulates bondholders from virtually any loss of principal (1)
- ▶ Formerly a 20% risk-weighted asset, now a <10% risk-weighted under Basel II's IRB methodology
- ▶ Offer significantly higher spreads than government agency securities with comparable risk profiles
- ▶ Short (1-3 yrs), intermediate (3-7 yrs), long (7-10 yrs) and very long (10-15+ years) term tranches available at new issue and in secondary

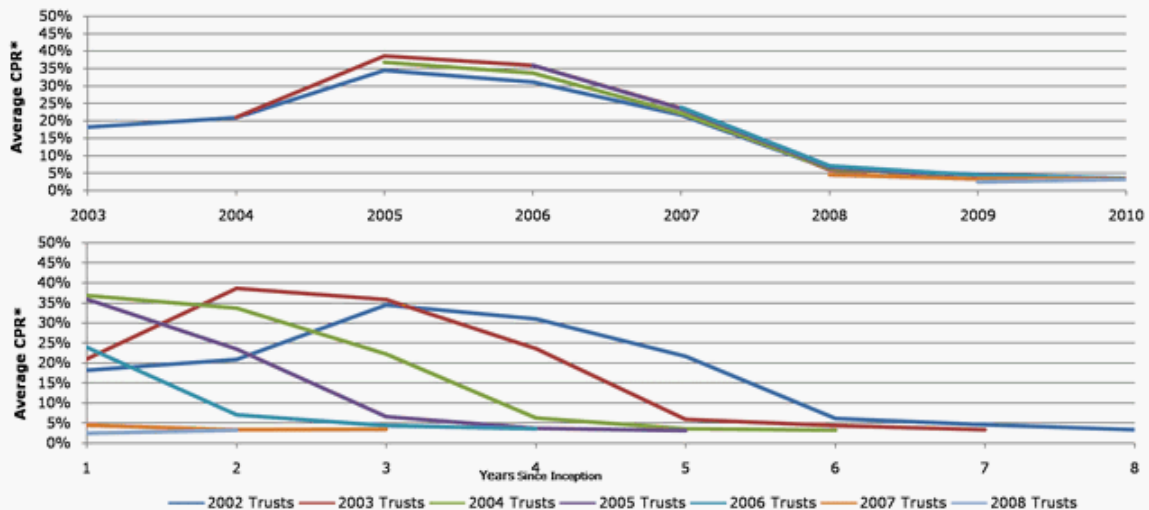
(1) Principal and accrued interest on underlying FFELP loan collateral carry a guarantee of either 98% or 97%. Guarantee is dependent on meeting the servicing requirements of the U.S. Department of Education.

# SLM STAFFORD/PLUS ABS TRUSTS

## PREPAYMENT ANALYSIS

- ▶ Annualized CPRs for SLM Stafford/PLUS ABS Trusts have decreased significantly as incentives for borrowers to consolidate have declined

Historical SLM Stafford/PLUS ABS CPRs



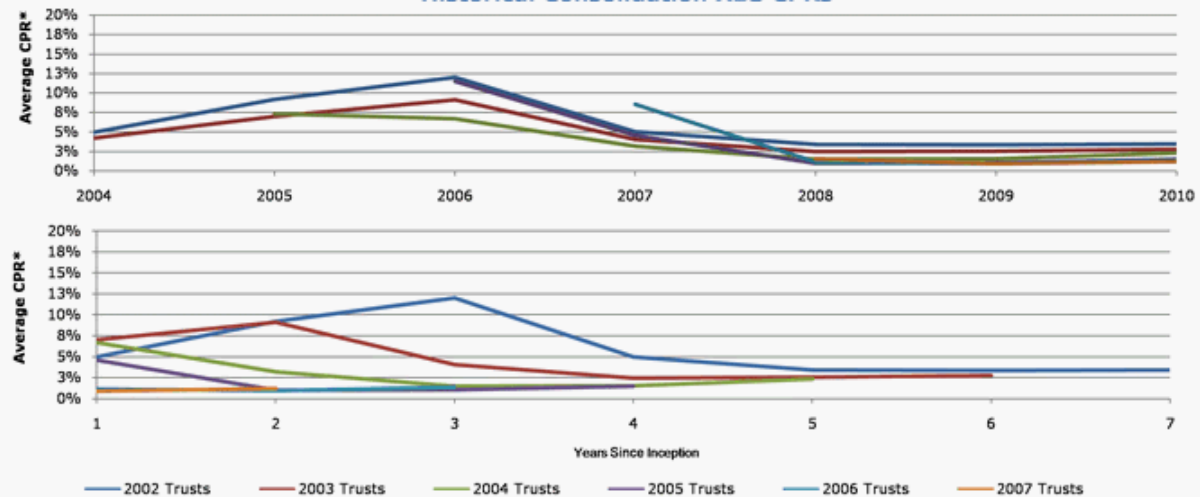
\* Average CPR is the simple (non-weighted) average of four Quarterly CPR calculations for years ended June 30, 2010. Quarterly CPR assumes School and Grace loans are not scheduled to make payments. Deferment, Forbearance and Repayment loans are scheduled to make payments.

# SLM CONSOLIDATION ABS TRUSTS

## PREPAYMENT ANALYSIS

- ▶ CPRs for SLM Consolidation ABS Trusts have declined significantly following legislation that prevented in-school and re-consolidation of borrowers' loans

Historical Consolidation ABS CPRs



\* Average CPR is the simple (non-weighted) average of four Quarterly CPR calculations for years ended June 30, 2010. Quarterly CPR assumes School and Grace loans are not scheduled to make payments. Deferment, Forbearance and Repayment loans are scheduled to make payments.



# PRIVATE CREDIT APPENDIX

SLM Corporation



## PRIVATE CREDIT LOAN COLLECTIONS

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- ▶ Sallie Mae services and collects the loans in its managed private loan portfolio
- ▶ Private credit collections are conducted by a stand-alone consumer credit collections unit
- ▶ Managed by individuals with prior experience in collections operations for consumer loan assets
- ▶ Over the past two years, private credit collections resources have been significantly increased and collections technology and practices enhanced
  - Multi-variable analysis has enabled prioritization of collection efforts on higher risk borrowers
  - Forbearance policies have been enhanced to reduce reliance on the tool, while still meeting the customer need during an economic downturn
  - Additional workout and settlement programs have been introduced to help customers avoid default
  - Collection workstation, dialer capabilities, and internet utilities have all been enhanced with more effective technology solutions

## WORK OUT ALTERNATIVES

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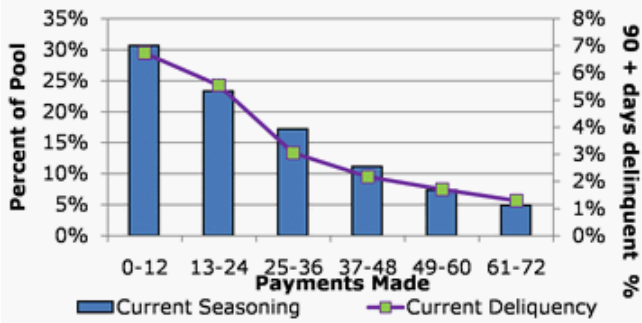
- ▶ **Forbearance**
  - A collections tool used to provide borrowers time to improve their ability to repay
  - Between graduation and start of first job
  - Temporary Economic hardship such as job loss
  - Granted to current accounts for three month intervals, up to a maximum of 24 months
  - Placing a loan in forbearance can suspend payments or alleviate delinquency, with interest capitalized to the loan balance
  - Payment demonstration on accounts that utilize forbearance continues to increase
- ▶ **Term Extension**
  - Extends the loan term to provide a reduced required payment.
- ▶ **Rate Reduction**
  - Temporary rate concession based upon documented need.
  - Provides a lower payment while still amortizing the loan at the original schedule.
- ▶ **Interest Only**
  - Temporarily allows the customer to make interest only payments.
  - Provides a lower payment until the customer can improve there cash flow situation.

# PRIVATE CREDIT TRUST

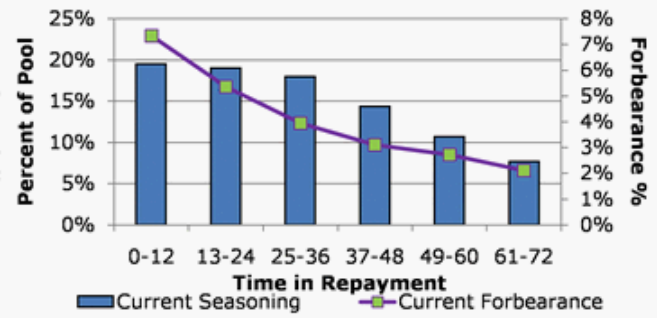
## DELINQUENCY AND FORBEARANCE SEASONING TRENDS

- ▶ Delinquency and forbearance are highest when loans enter repayment, and diminish as loans season
- ▶ As the trust loans season, delinquency and forbearance are expected to decline

**90 + Day Delinquencies, % of Loans in Repayment  
SLM Private Credit Trusts**



**Forbearance, % of Loans in Repayment and Forbearance  
SLM Private Credit Trusts**



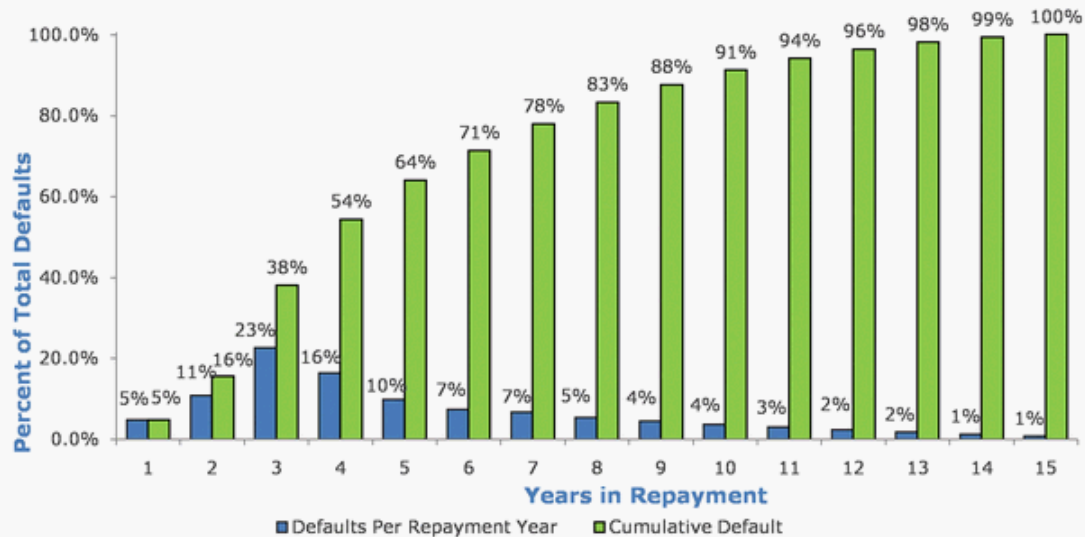
Note: Based on historical data through September 30, 2010. Does not include data for 2010 trusts which have not had time to become 90 days delinquent

# PRIVATE CREDIT TRUST

## DEFAULT EMERGENCE BY YEARS IN REPAYMENT

- ▶ Defaults in SLM Private Credit ABS Trusts increase as loans first enter repayment, then diminish steadily over time

### Expected Loss Emergence Timing

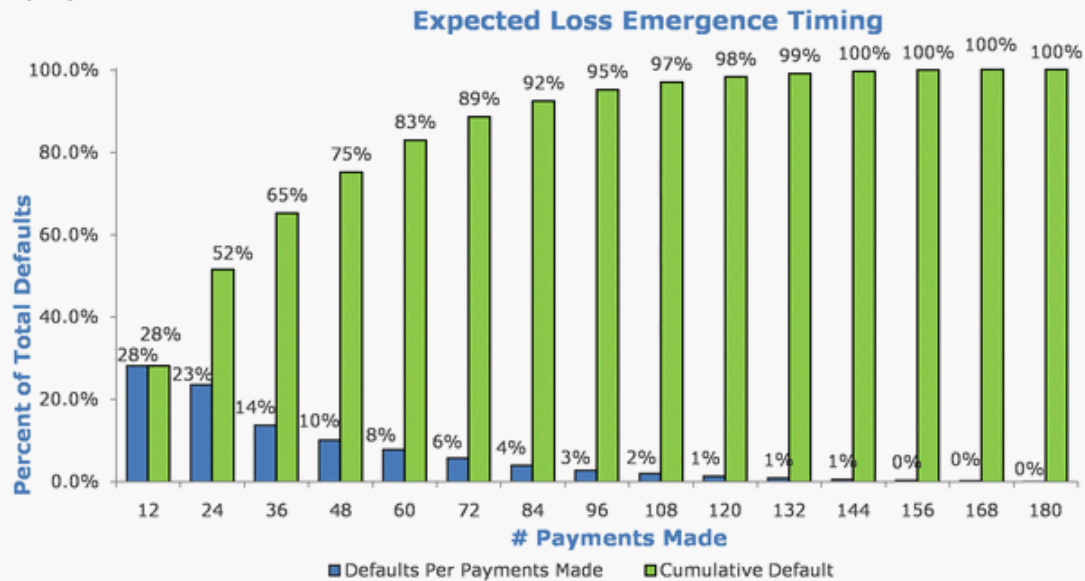


Based on assumptions in effect as of September 30, 2010

# PRIVATE CREDIT TRUST

## DEFAULT EMERGENCE BY PAYMENTS MADE

- ▶ The probability of default substantially diminishes as the number of payments made increases



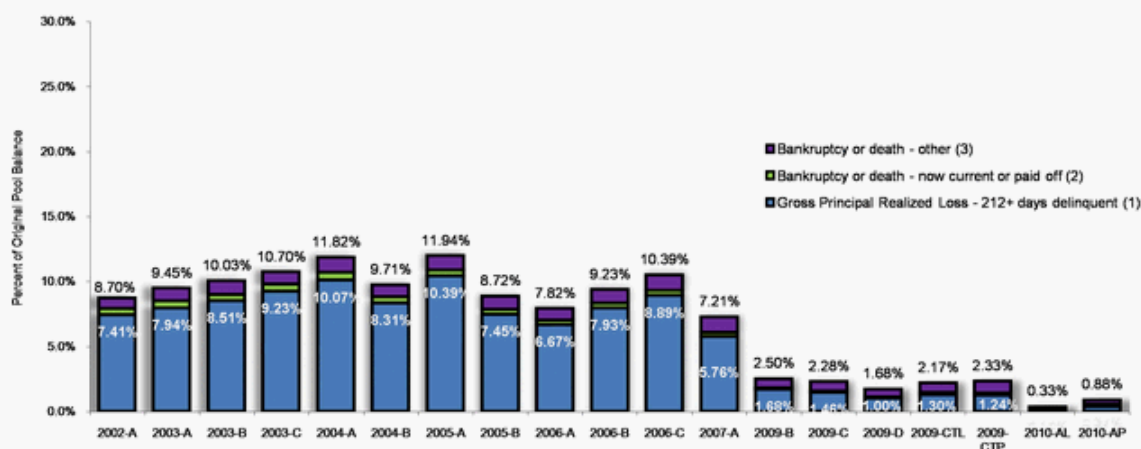
Based on assumptions in effect as of September 30, 2010

Excludes months in forbearance. Includes months of delinquency prior to chargeoff

# SLM PRIVATE EDUCATION LOAN GROSS DEFAULTS

## ACTUAL-TO-DATE

Actual-to-Date Cumulative Gross Defaults,  
including Bankruptcy Information  
All Trust Loans



For SLM Private Education Loan Trusts issued prior to 2005-B, the servicer has the option, but not the obligation, to repurchase loans that (i) become 180+ days delinquent and/or (ii) have a borrower who filed for bankruptcy or died. Prior to November 1, 2008, the servicer exercised this repurchase option and actual charge-offs in these trusts equaled zero. Beginning November 1, 2008, the servicer ceased purchasing from the trust loans that are more than 180 days delinquent. For the purposes of comparison across all deals, this chart reflects trust charge-offs for SLM Private Education Loan Trusts issued prior to 2005-B as if the servicer had never exercised its repurchase option.

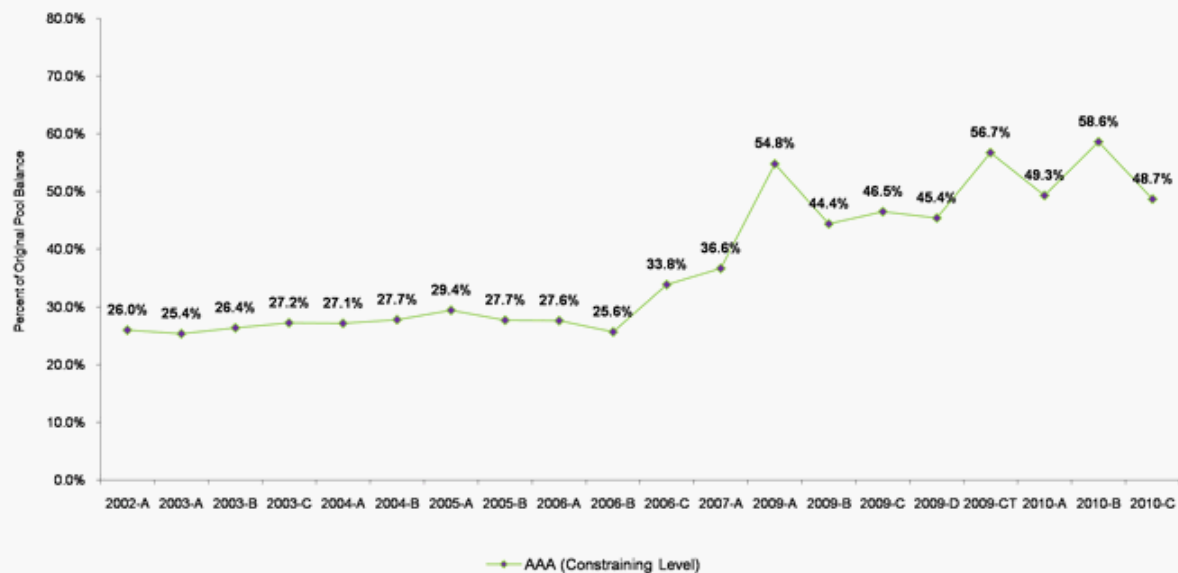
- (1) Charge-offs per the servicer's portfolio definition which is generally 212+ days delinquent. Includes loans for which a borrower has filed bankruptcy which have subsequently become 212+ days delinquent.
- (2) Charge-offs due to a borrower's bankruptcy filing for which the loan is now current or paid off.
- (3) Charge-offs due to a borrower's bankruptcy filing or death for which the loan is not current or paid off but has not become 212+ days delinquent. These loans are in various statuses including: bankruptcy stay, deferment, forbearance or delinquency.

As of September 30, 2010

# SLM PRIVATE CREDIT GROSS DEFAULTS

## CONSTRAINING RATING AGENCY STRESS LEVELS AT ISSUANCE

Constraining Rating Agency Stress Levels at Issuance for 'AAA'

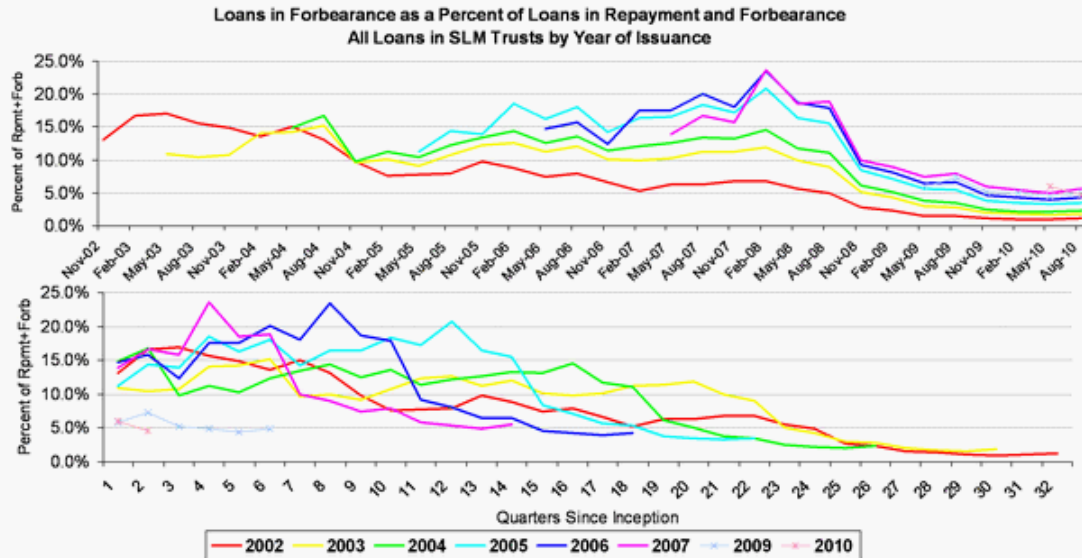


As of September 30, 2010



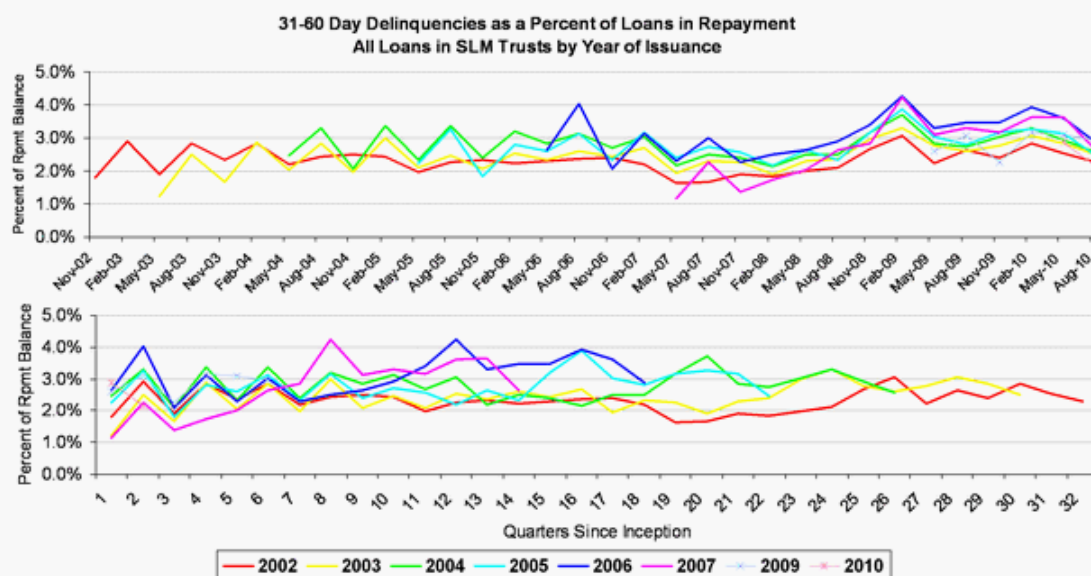
## PRIVATE CREDIT ABS TRUSTS FORBEARANCE

- ▶ Forbearance usage is typically highest when loans enter repayment, and declines as loans season
- ▶ Use of forbearance as a collection tool peaked in early 2008, and has since declined, as a result of changes in the forbearance strategy
- ▶ The decline in forbearance resulted in increased delinquency and default in mid 2009 but no long term increase in lifetime defaults



# PRIVATE CREDIT ABS TRUSTS –

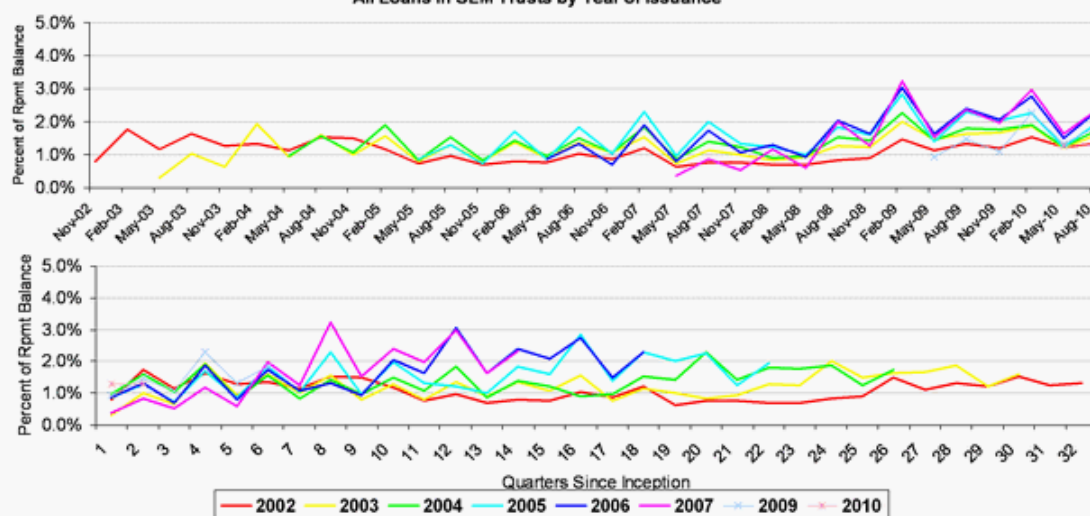
## 31-60 DAY DELINQUENCIES



# PRIVATE CREDIT ABS TRUSTS -

## 61-90 DAY DELINQUENCIES

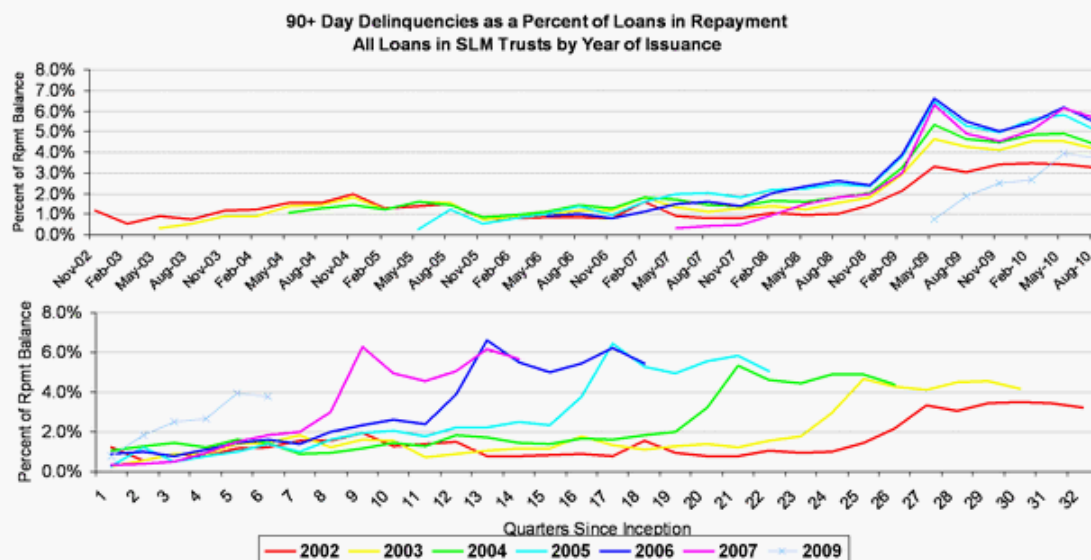
61-90 Day Delinquencies as a Percent of Loans in Repayment  
All Loans in SLM Trusts by Year of Issuance



# PRIVATE CREDIT ABS TRUSTS -

## 90+ DAY DELINQUENCIES

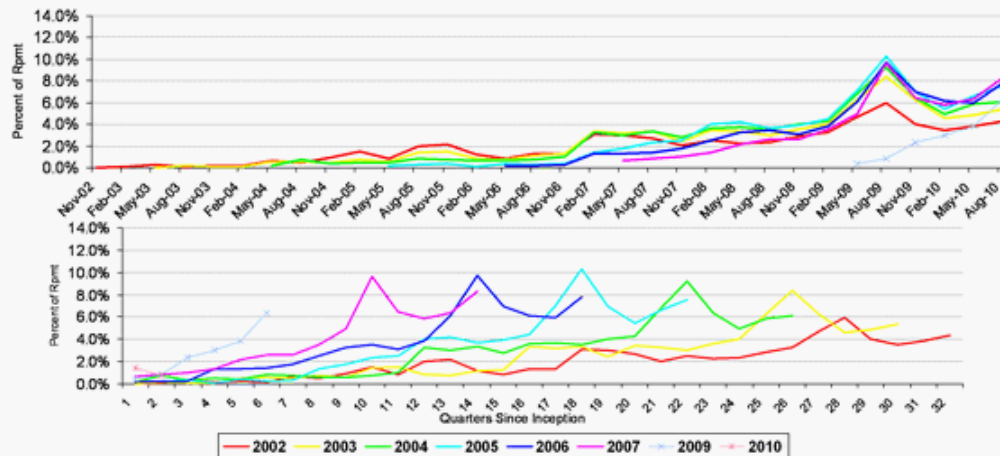
- ▶ As expected, later stage delinquency has increased due to tightening of Forbearance and the current economic environment



## PRIVATE CREDIT ABS TRUSTS - ANNUALIZED GROSS CHARGE-OFFS

- ▶ Charge-off levels first increased in 2007 and have remained elevated through the economic downturn
- ▶ As is typical, more recent Trusts with a greater percentage of borrowers first entering repayment continue to exhibit higher charge-offs

Annualized Gross Charge-Offs as a Percent of Loans in Repayment  
All Loans in SLM Trusts by Year of Issuance

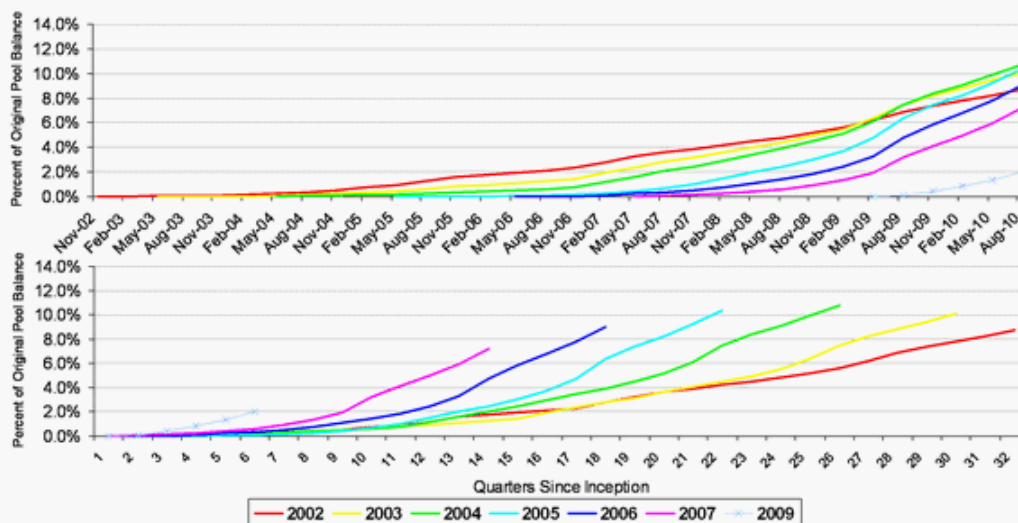


(1) For SLM Private Credit Student Loan Trusts issued prior to 2005-8, the servicer has the option, but not the obligation, to repurchase loans that (i) become 180+ days delinquent and/or (ii) have a borrower who filed for bankruptcy or died. Prior to November 1, 2006, the servicer exercised this repurchase option and actual charge-offs in these trusts equaled zero. Beginning November 1, 2006, the servicer ceased purchasing from the trust loans that are more than 180 days delinquent. For the purposes of comparison across all deals, this chart reflects trust charge-offs for SLM Private Credit Student Loan Trusts issued prior to 2005-8 as if the servicer had never exercised its repurchase option.

# PRIVATE CREDIT ABS TRUSTS -

## HISTORICAL CUMULATIVE GROSS CHARGE-OFFS<sup>(1)</sup>

**Cumulative Gross Charge-Offs as a Percent of Original Pool Balance  
All Loans in SLM Trusts by Year of Issuance**



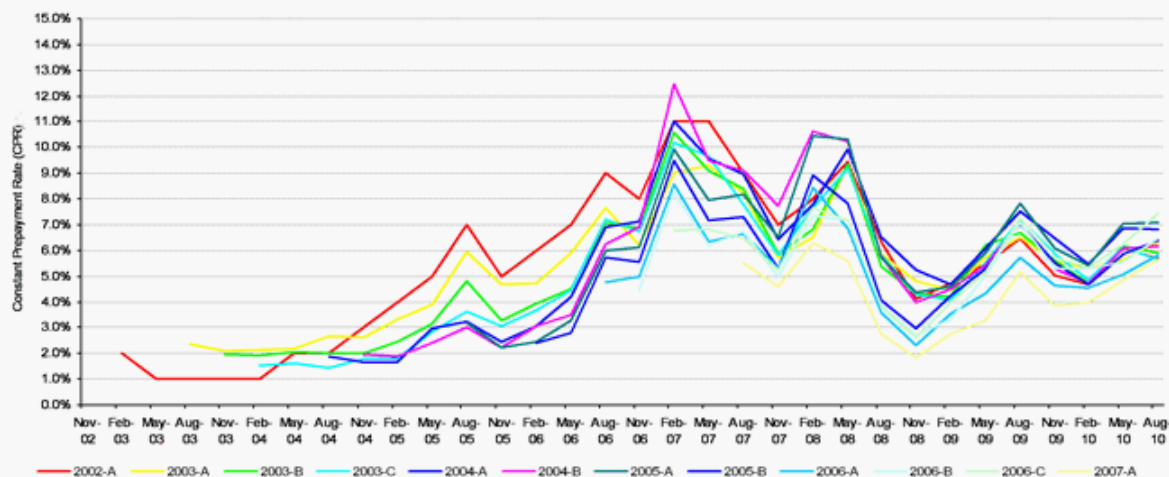
(1) For SLM Private Credit Student Loan Trusts issued prior to 2005-B, the servicer has the option, but not the obligation, to repurchase loans that (i) become 180+ days delinquent and/or (ii) have a borrower who filed for bankruptcy or died. Prior to November 1, 2006, the servicer exercised this repurchase option and actual charge-offs in these trusts equaled zero. Beginning November 1, 2006, the servicer ceased purchasing from the trust loans that are more than 180 days delinquent. For the purposes of comparison across all deals, this chart reflects trust charge-offs for SLM Private Credit Student Loan Trusts issued prior to 2005-B as if the servicer had never exercised its repurchase option.

# SLM PRIVATE CREDIT ABS TRUSTS -

## PREPAYMENT ANALYSIS

- ▶ Constant prepayment rates increased in 2007 due to the introduction of Private Credit Consolidation loans, but then declined accordingly following SLM's decision to suspend its consolidation loan program

**Historical SLM Private Credit ABS CPRs**



## SLM APPENDIX





# GAAP TO CORE EARNINGS RECONCILIATION

(\$ in thousands, except per share amounts)

	Quarters Ended			
	September 30, 2010		September 30, 2009	
	Dollars	Diluted EPS	Dollars	Diluted EPS
GAAP net income (loss) attributable to SLM Corporation	\$ (494,947)	\$ (1.06)	\$ 159,110	\$ 0.25
Adjustment from GAAP to "Core Earnings"				
Net impact of securitization accounting	-		(27,885)	
Net impact of derivative accounting	182,708		36,598	
Net impact of Floor Income	67,453		8,020	
Net impact of goodwill and acquired intangibles	669,668		9,774	
Total "Core Earnings" Adjustments before net tax effect	919,829		26,507	
Net tax effect	(235,446)		(21,675)	
Total "Core Earnings" Adjustments	684,383		4,832	
"Core Earnings" net income attributable to SLM Corporation	\$189,436	\$0.35	\$163,942	\$0.26

# ADDITIONAL INFORMATION AVAILABLE AT [WWW.SALLIEMAE.COM](http://WWW.SALLIEMAE.COM)



## DEBT INVESTOR RELATIONS CONTACT INFORMATION

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