

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, 2009
- 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**

(State or other jurisdiction of  
incorporation or organization)

**12061 Bluemont Way, Reston, Virginia**  
(Address of principal executive offices)

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

**20190**  
(Zip Code)

**(703) 810-3000**

(Registrant's telephone number, including area code)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at June 30, 2009
Voting common stock, \$.20 par value	467,607,602 shares

SLM CORPORATION

FORM 10-Q  
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June 30, 2009

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(1) Definitions for capitalized terms used in this document can be found in the "Glossary" at the end of this document.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	June 30, 2009	December 31, 2008
<b>Assets</b>		
FFELP Stafford and Other Student Loans (net of allowance for losses of \$102,857 and \$90,906, respectively)	\$ 44,044,636	\$ 44,025,361
FFELP Stafford Loans Held-for-Sale	18,159,232	8,450,976
FFELP Consolidation Loans (net of allowance for losses of \$50,181 and \$46,637, respectively)	70,102,304	71,743,435
Private Education Loans (net of allowance for losses of \$1,396,707 and \$1,308,043, respectively)	21,850,688	20,582,298
Other loans (net of allowance for losses of \$68,282 and \$58,395, respectively)	489,180	729,380
Investments:		
Available-for-sale	1,186,971	861,008
Other	885,511	180,397
Total investments	2,072,482	1,041,405
Cash and cash equivalents	6,139,957	4,070,002
Restricted cash and investments	5,245,702	3,535,286
Retained Interest in off-balance sheet securitized loans	1,820,614	2,200,298
Goodwill and acquired intangible assets, net	1,233,871	1,249,219
Other assets	10,025,129	11,140,777
Total assets	<u>\$ 181,183,795</u>	<u>\$ 168,768,437</u>
<b>Liabilities</b>		
Short-term borrowings	\$ 47,331,576	\$ 41,933,043
Long-term borrowings	125,880,044	118,224,794
Other liabilities	3,120,636	3,604,260
Total liabilities	<u>176,332,256</u>	<u>163,762,097</u>
<b>Commitments and contingencies</b>		
<b>Equity</b>		
Preferred stock, par value \$.20 per share, 20,000 shares authorized:		
Series A: 3,300 and 3,300 shares, respectively, issued at stated value of \$50 per share	165,000	165,000
Series B: 4,000 and 4,000 shares, respectively, issued at stated value of \$100 per share	400,000	400,000
Series C: 7.25% mandatory convertible preferred stock; 1,150 and 1,150 shares, respectively, issued at liquidation preference of \$1,000 per share	1,149,770	1,149,770
Common stock, par value \$.20 per share, 1,125,000 shares authorized: 534,842 and 534,411 shares issued, respectively	106,969	106,883
Additional paid-in capital	4,709,053	4,684,112
Accumulated other comprehensive loss (net of tax benefit of \$27,750 and \$43,202, respectively)	(48,683)	(76,476)
Retained earnings	229,865	426,175
Total SLM Corporation stockholders' equity before treasury stock	6,711,974	6,855,464
Common stock held in treasury at cost: 67,128 and 66,958 shares, respectively	1,860,440	1,856,394
Total SLM Corporation stockholders' equity	4,851,534	4,999,070
Noncontrolling interest	5	7,270
Total equity	4,851,539	5,006,340
Total liabilities and equity	<u>\$ 181,183,795</u>	<u>\$ 168,768,437</u>

See accompanying notes to consolidated financial statements.

SLM CORPORATION

CONSOLIDATED STATEMENTS OF INCOME  
(Dollars and shares in thousands, except per share amounts)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	2009	2008	2009	2008
<b>Interest income:</b>				
FFELP Stafford and Other Student Loans	\$ 323,939	\$ 497,598	\$ 666,755	\$ 962,074
FFELP Consolidation Loans	460,690	769,664	950,052	1,606,320
Private Education Loans	393,019	409,323	780,060	852,845
Other loans	18,468	21,355	34,888	44,699
Cash and investments	7,044	70,521	13,015	194,337
Total interest income	1,203,160	1,768,461	2,444,770	3,660,275
Total interest expense	819,459	1,365,918	1,846,006	2,981,363
Net interest income	383,701	402,543	598,764	678,912
Less: provisions for loan losses	278,112	143,015	528,391	280,326
Net interest income after provisions for loan losses	105,589	259,528	70,373	398,586
<b>Other income:</b>				
Servicing and securitization revenue (loss)	87,488	1,630	(7,817)	109,272
Losses on sales of loans and securities, net	—	(43,583)	—	(78,249)
Gains (losses) on derivative and hedging activities, net	(561,795)	362,043	(457,770)	89,247
Contingency fee revenue	73,368	83,790	148,183	169,096
Collections revenue	22,068	26,365	738	83,604
Guarantor servicing fees	24,772	23,663	58,780	58,316
Other	399,065	108,728	591,523	202,261
Total other income	44,966	562,636	333,637	633,547
<b>Expenses:</b>				
Salaries and benefits	139,419	167,788	276,340	347,517
Other operating expenses	175,766	185,900	340,328	361,819
Restructuring expenses	4,430	46,740	9,203	67,418
Total expenses	319,615	400,428	625,871	776,754
Net income (loss) before income tax benefit	(169,060)	421,736	(221,861)	255,379
Income tax expense (benefit)	(46,551)	153,074	(78,247)	90,586
Net income (loss)	(122,509)	268,662	(143,614)	164,793
Less: net income attributable to noncontrolling interest	211	2,926	492	2,861
<b>Net income (loss) attributable to SLM Corporation</b>	<b>(122,720)</b>	<b>265,736</b>	<b>(144,106)</b>	<b>161,932</b>
Preferred stock dividends	25,800	27,391	52,195	56,416
Net income (loss) attributable to SLM Corporation common stock	\$ (148,520)	\$ 238,345	\$ (196,301)	\$ 105,516
Basic earnings (loss) per common share attributable to SLM Corporation common shareholders	\$ (.32)	\$ .51	\$ (.42)	\$ .23
Average common shares outstanding	466,799	466,649	466,780	466,615
Diluted earnings (loss) per common share attributable to SLM Corporation common shareholders	\$ (.32)	\$ .50	\$ (.42)	\$ .23
Average common and common equivalent shares outstanding	466,799	517,954	466,780	467,316
Dividends per common share attributable to SLM Corporation common shareholders	\$ —	\$ —	\$ —	\$ —

See accompanying notes to consolidated financial statements.

SLM CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
(Dollars in thousands, except share and per share amounts)  
(Unaudited)

	Preferred Stock Shares	Common Stock Shares			Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
		Issued	Treasury	Outstanding									
<b>Balance at March 31, 2008</b>	8,450,000	533,678,028	(66,301,201)	467,376,827	\$ 1,715,000	\$ 106,736	\$ 4,610,278	\$ (2,394)	\$ 617,184	\$ (1,838,637)	\$ 5,208,167	\$ 6,608	\$ 5,214,775
Comprehensive income:													
Net income (loss)									265,736		265,736	2,926	268,662
Noncontrolling interest — other												(54)	(54)
Other comprehensive income, net of tax:													
Change in unrealized gains (losses) on investments, net of tax								(8,984)			(8,984)		(8,984)
Change in unrealized gains (losses) on derivatives, net of tax								73,844			73,844		73,844
Defined benefit pension plans adjustment								(472)			(472)		(472)
Comprehensive income											300,124	2,872	302,996
Cash dividends:													
Preferred stock, series A (\$0.87 per share)									(2,875)		(2,875)		(2,875)
Preferred stock, series B (\$0.88 per share)									(3,511)		(3,511)		(3,511)
Preferred stock, series C (\$18.13 per share)									(20,844)		(20,844)		(20,844)
Restricted stock dividend									(2)		(2)		(2)
Issuance of common shares		332,150	3,142	335,292		66	6,761			70	6,897		6,897
Issuance of preferred shares							161						
Tax benefit related to employee stock option and purchase plans							(3,866)		(161)		(3,866)		(3,866)
Stock-based compensation cost							24,397				24,397		24,397
Repurchase of common shares:													
Benefit plans			(146,726)	(146,726)						(3,483)	(3,483)		(3,483)
<b>Balance at March 31, 2009</b>	<u>8,420,000</u>	<u>534,010,178</u>	<u>(66,444,785)</u>	<u>467,565,393</u>	<u>\$ 1,715,000</u>	<u>\$ 106,802</u>	<u>\$ 4,637,711</u>	<u>\$ (1,994)</u>	<u>\$ 855,927</u>	<u>\$ (1,842,650)</u>	<u>\$ 5,535,004</u>	<u>\$ 8,480</u>	<u>\$ 5,543,484</u>
<b>Balance at March 31, 2009</b>	8,445,770	534,698,117	(67,105,360)	467,592,757	\$ 1,714,770	\$ 106,940	\$ 4,694,155	\$ (70,430)	\$ 378,387	\$ (1,859,955)	\$ 4,963,847	\$ 12	\$ 4,963,859
Comprehensive income:													
Net income (loss)												211	(122,509)
Noncontrolling interest — other												(218)	(218)
Other comprehensive income, net of tax:													
Change in unrealized gains (losses) on investments, net of tax									1,319		1,319		1,319
Change in unrealized gains (losses) on derivatives, net of tax									20,606		20,606		20,606
Defined benefit pension plans adjustment									(158)		(158)		(158)
Comprehensive income											(100,573)	(7)	(100,580)
Cash dividends:													
Preferred stock, series A (\$0.87 per share)									(2,875)		(2,875)		(2,875)
Preferred stock, series B (\$0.51 per share)									(1,923)		(1,923)		(1,923)
Preferred stock, series C (\$18.13 per share)									(20,840)		(20,840)		(20,840)
Restricted stock dividend									(2)		(2)		(2)
Issuance of common shares		143,762	—	143,762		29	181				210		210
Issuance of preferred shares							162						
Tax benefit related to employee stock option and purchase plans							(1,324)				(1,324)		(1,324)
Stock-based compensation cost							15,879				15,879		15,879
Repurchase of common shares:													
Benefit plans			(22,830)	(22,830)						(485)	(485)		(485)
<b>Balance at June 30, 2009</b>	<u>8,449,770</u>	<u>534,841,879</u>	<u>(67,128,190)</u>	<u>467,713,680</u>	<u>\$ 1,714,770</u>	<u>\$ 106,969</u>	<u>\$ 4,709,033</u>	<u>\$ (48,683)</u>	<u>\$ 329,865</u>	<u>\$ (1,860,440)</u>	<u>\$ 4,851,534</u>	<u>\$ 5</u>	<u>\$ 4,851,539</u>

See accompanying notes to consolidated financial statements.

SLM CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
(Dollars in thousands, except share and per share amounts)  
(Unaudited)

	Preferred Stock Shares	Common Stock Shares			Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
		Issued	Treasury	Outstanding									
<b>Balance at December 31, 2007</b>	8,300,000	532,493,081	(65,951,394)	466,541,687	\$ 1,565,000	\$ 106,499	\$ 4,590,174	\$ 236,364	\$ 557,204	\$ (1,831,706)	\$ 5,223,535	\$ 11,360	\$ 5,234,895
Comprehensive income:													
Net income (loss)									161,932		161,932	2,861	164,793
Acquisition of noncontrolling interest in Purchased Paper business												(4,355)	(4,355)
Noncontrolling interest — other												(386)	(386)
Other comprehensive income, net of tax:													
Change in unrealized gains (losses) on investments, net of tax								(21,513)			(21,513)		(21,513)
Change in unrealized gains (losses) on derivatives, net of tax								42,270			42,270		42,270
Defined benefit pension plans adjustment								(472)			(472)		(472)
Comprehensive income											182,217	(1,880)	180,337
Cash dividends:													
Preferred stock, series A (\$1.74 per share)								(5,750)			(5,750)		(5,750)
Preferred stock, series B (\$2.31 per share)								(8,897)			(8,897)		(8,897)
Preferred stock, series C (\$33.23 per share)								(41,446)			(41,446)		(41,446)
Restricted stock dividend								(1,848)			(1,848)		(1,848)
Issuance of common shares													
Issuance of preferred shares	150,000	1,517,097	3,142	1,520,239	150,000	303	18,704		70		19,077		19,077
Tax benefit related to employee stock option and purchase plans							(4,332)		(323)		145,345		145,345
Stock-based compensation cost							(10,016)				(10,016)		(10,016)
Cumulative effect of accounting change							43,201				43,201		43,201
Repurchase of common shares:													
Benefit plans			(496,533)	(496,533)						(10,414)	(10,414)		(10,414)
<b>Balance at December 31, 2008</b>	<b>8,450,000</b>	<b>534,019,178</b>	<b>(66,444,785)</b>	<b>467,565,393</b>	<b>\$ 1,715,000</b>	<b>\$ 106,802</b>	<b>\$ 4,637,731</b>	<b>\$ 61,994</b>	<b>\$ 855,527</b>	<b>\$ (1,842,050)</b>	<b>\$ 5,535,004</b>	<b>\$ 8,480</b>	<b>\$ 5,543,484</b>
<b>Balance at June 30, 2008</b>	<b>8,449,770</b>	<b>534,411,271</b>	<b>(66,958,400)</b>	<b>467,452,871</b>	<b>\$ 1,714,770</b>	<b>\$ 106,883</b>	<b>\$ 4,684,112</b>	<b>\$ (76,476)</b>	<b>\$ 426,175</b>	<b>\$ (1,856,394)</b>	<b>\$ 4,999,070</b>	<b>\$ 7,270</b>	<b>\$ 5,006,340</b>
Comprehensive income:													
Net income (loss)													
Sale of International Purchased Paper — Non-Mortgage business													
Noncontrolling interest — other													
Other comprehensive income, net of tax:													
Change in unrealized gains (losses) on investments, net of tax								2,269			2,269		2,269
Change in unrealized gains (losses) on derivatives, net of tax								26,015			26,015		26,015
Defined benefit pension plans adjustment								(491)			(491)		(491)
Comprehensive income											(116,313)	(7,265)	(123,578)
Cash dividends:													
Preferred stock, series A (\$1.74 per share)								(5,750)			(5,750)		(5,750)
Preferred stock, series B (\$1.17 per share)								(4,443)			(4,443)		(4,443)
Preferred stock, series C (\$36.25 per share)								(41,680)			(41,680)		(41,680)
Restricted stock dividend								(9)			(9)		(9)
Issuance of common shares		430,608	98	430,706		86	2,226		5		2,317		2,317
Issuance of preferred shares									(322)		(322)		(322)
Tax benefit related to employee stock option and purchase plans											(5,819)		(5,819)
Stock-based compensation cost											28,212		28,212
Repurchase of common shares:													
Benefit plans			(169,897)	(169,897)						(4,051)	(4,051)		(4,051)
<b>Balance at June 30, 2009</b>	<b>8,449,770</b>	<b>534,841,879</b>	<b>(67,128,199)</b>	<b>467,713,680</b>	<b>\$ 1,714,770</b>	<b>\$ 106,969</b>	<b>\$ 4,709,653</b>	<b>\$ (48,688)</b>	<b>\$ 229,865</b>	<b>\$ (1,860,440)</b>	<b>\$ 4,851,534</b>	<b>\$</b>	<b>\$ 4,851,539</b>

See accompanying notes to consolidated financial statements.

SLM CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Six Months Ended June 30,	
	2009	2008
<b>Operating activities</b>		
Net income (loss)	\$ (143,614)	\$ 164,793
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Losses on sales of loans and securities, net	—	78,249
Stock-based compensation cost	30,144	48,080
Unrealized (gains)/losses on derivative and hedging activities	497,361	(64,418)
Provisions for loan losses	528,391	280,326
Decrease in purchased paper mortgages, net	174,701	109,720
Student loans originated for sale	(10,171,363)	—
Decrease in restricted cash — other	52,552	1,050
Decrease in accrued interest receivable	481,791	52,020
(Decrease) in accrued interest payable	(409,109)	(166,464)
Adjustment for non-cash loss related to Retained Interest	351,331	279,900
(Increase) in other assets, goodwill and acquired intangible assets, net	(120,788)	(55,712)
(Decrease) in other liabilities	(150,321)	(346,220)
Total adjustments	(8,735,310)	216,511
Net cash (used in) provided by operating activities	(8,878,924)	381,304
<b>Investing activities</b>		
Student loans acquired	(4,944,270)	(15,340,698)
Loans purchased from securitized trusts (primarily loan consolidations)	(3,698)	(555,024)
Reduction of student loans:		
Installment payments, claims and other	5,148,780	5,268,996
Proceeds from sales of student loans	462,311	27,239
Other loans — originated	(2,817)	(931,752)
Other loans — repaid	217,557	1,183,672
Other investing activities, net	(736,002)	(58,287)
Purchases of available-for-sale securities	(66,062,442)	(72,071,580)
Proceeds from sales of available-for-sale securities	100,056	—
Proceeds from maturities of available-for-sale securities	65,615,526	72,279,652
Purchase of held-to-maturity and other securities	—	(400)
Proceeds from maturities of held-to-maturity securities and other securities	69,928	12,502
(Increase) decrease in restricted cash — on-balance sheet trusts	(663,658)	874,029
Return of investment from Retained Interest	16,361	217,391
Purchase of subsidiaries, net of cash acquired	—	(37,868)
Net cash used in investing activities	(783,368)	(9,132,128)
<b>Financing activities</b>		
Borrowings collateralized by loans in trust — issued	9,040,986	11,590,919
Borrowings collateralized by loans in trust — repaid	(2,932,288)	(3,535,266)
Asset-backed commercial paper conduits — net activity	(12,454,223)	(161,576)
ED Participation Program	9,871,053	—
ED Conduit Program facility	11,094,745	—
Other short-term borrowings issued	298,294	1,304,509
Other short-term borrowings repaid	(990,720)	(333,397)
Other long-term borrowings issued	4,333,168	2,437,226
Other long-term borrowings repaid	(4,935,047)	(5,942,937)
Other financing activities, net	(1,533,226)	842,957
Excess tax benefit from the exercise of stock-based awards	—	282
Common stock issued	5	4,403
Preferred stock issued	—	145,345
Preferred dividends paid	(51,873)	(56,093)
Noncontrolling interest, net	(8,627)	(4,378)
Net cash provided by financing activities	11,732,247	6,291,994
Net increase (decrease) in cash and cash equivalents	2,069,955	(2,458,830)
Cash and cash equivalents at beginning of period	4,070,002	7,582,031
<b>Cash and cash equivalents at end of period</b>	<b>\$ 6,139,957</b>	<b>\$ 5,123,201</b>
Cash disbursements made for:		
Interest	\$ 2,303,145	\$ 3,557,181
Income taxes	\$ 177,478	\$ 564,269

See accompanying notes to consolidated financial statements.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Information at June 30, 2009 and for the three and six months ended  
June 30, 2009 and 2008 is unaudited)  
(Dollars in thousands, except per share amounts, unless otherwise noted)

1. Significant Accounting Policies

*Basis of Presentation*

The accompanying unaudited, consolidated financial statements of SLM Corporation (the "Company" or "Sallie Mae") 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 of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three months ended June 30, 2009 are not necessarily indicative of the results for the year ending December 31, 2009. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in the Company's 2008 Annual Report on Form 10-K. Management has evaluated subsequent events, and the impact on the reported results and disclosures, through August 5, 2009, which is the date these financial statements were issued.

*Reclassifications*

Certain reclassifications have been made to the balances as of and for the three and six months ended June 30, 2008 to be consistent with classifications adopted for 2009, and had no effect on net income, total assets, or total liabilities.

*Recently Issued Accounting Pronouncements*

**Transfers of Financial Assets and the Variable Interest Entity ("VIE") Consolidation Model**

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 166, "Accounting for Transfers of Financial Assets, an amendment to SFAS No. 140," and SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)."

SFAS No. 166, among other things, (1) eliminates the concept of a Qualifying Special Purpose Entity ("QSPE"), (2) changes the requirements for derecognizing financial assets, (3) changes the amount of the recognized gain/loss on a transfer accounted for as a sale when beneficial interests are received by the transferor, and (4) requires additional disclosure. SFAS No. 166 is effective for fiscal years beginning after November 15, 2009.

SFAS No. 167 significantly changes the consolidation model for Variable Interest Entities ("VIEs"). SFAS No. 167 amends FIN No. 46(R) and, among other things, (1) eliminates the exemption for QSPEs, (2) provides a new approach for determining who should consolidate a VIE which is more focused on control rather than economic interest, (3) changes when it is necessary to reassess who should consolidate a VIE and (4) requires additional disclosure. SFAS No. 167 is effective for the first annual reporting period beginning after November 15, 2009.

The Company is currently evaluating the impact of these statements to its consolidated financial statements. Based on the Company's preliminary review, management expects these changes will lead to the consolidation of QSPEs that are currently not consolidated by the Company. Assuming no changes to the Company's current business model, the Company will consolidate its securitization trusts that are currently off-balance sheet on January 1, 2010 at their historical cost basis. The historical cost basis is the basis that would exist if these securitization trusts had remained on balance sheet since they settled. These proposed new



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

accounting rules would also be applied to new transactions entered into from January 1, 2010 forward. If these statements had been adopted as of June 30, 2009, the Company would have removed the \$1.8 billion of Residual Interests associated with these trusts from the consolidated balance sheet and the Company would have consolidated \$36.7 billion of assets and \$35.9 billion of liabilities, which would have resulted in an approximate \$0.6 billion reduction of stockholders' equity as of June 30, 2009. Management allocates capital on a Managed Basis. This change will not impact management's view of capital adequacy.

**FASB Accounting Standards Codification**

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles," which replaces SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles," and establishes the FASB Accounting Standards Codification ("Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. SFAS No. 168 is effective for interim and annual periods ending after September 15, 2009. The Company will begin to use the new Codification when referring to GAAP in its Form 10-Q for the quarter ending September 30, 2009. The Codification does not change authoritative guidance. Accordingly, implementing the Codification will not change any of the Company's accounting, and therefore, will not have an impact on the consolidated results of the Company.

**Subsequent Events**

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events." This standard is intended to establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is effective for fiscal years and interim periods ending after June 15, 2009. The Company adopted this standard effective June 15, 2009 and has evaluated any events subsequent to June 30, 2009, and their impact on the reported results and disclosures, through the date of this filing. The Company does not believe there are any material subsequent events that would require further disclosure.

**Fair Value Measurements**

On April 9, 2009, the FASB issued three staff positions regarding fair value measurements and recognition of impairment. Under FASB Staff Position ("FSP") Financial Accounting Standards ("FAS") No. 115-2 and FAS No. 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," impairment must be recorded within the consolidated statements of income for debt securities if there exists a fair value loss and the entity intends to sell the security or it is more likely than not the entity will be required to sell the security before recovery of the loss. Additionally, expected credit losses must be recorded through income regardless of the impairment determination above. Remaining fair value losses are recorded to other comprehensive income. FSP FAS No. 107-1 and APB No. 28-1, "Interim Disclosures about Fair Value of Financial Instruments," requires interim disclosures of the fair value of financial instruments that were previously only required annually. Finally, FSP FAS No. 157-4, "Determining Fair Value When the Volume

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

and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly,” provides guidance for determining when a significant decrease in market activity has occurred and when a transaction is not orderly. It further reiterates that prices from inactive markets or disorderly transactions should carry less weight, if any, to the determination of fair value. These standards were effective for the Company beginning April 1, 2009. The adoption of these standards was not material to the Company.

On February 12, 2008, the FASB issued FSP FAS No. 157-2, “Effective Date of Statement of Financial Accounting Standards (“SFAS”) No. 157,” which defers the effective date of SFAS No. 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. FSP FAS No. 157-2 delayed the implementation of SFAS No. 157 for the Company’s accounting of goodwill, acquired intangibles, and other nonfinancial assets and liabilities that are measured at the lower of cost or market until January 1, 2009. Adoption of this standard was not material to the Company.

**Business Combinations**

In December 2007, the FASB issued SFAS No. 141(R), “Business Combinations.” SFAS No. 141(R) requires the acquiring entity in a business combination to recognize the entire acquisition-date fair value of assets acquired and liabilities assumed in both full and partial acquisitions; changes the recognition of assets acquired and liabilities assumed related to contingencies; changes the recognition and measurement of contingent consideration; requires expensing of most transaction and restructuring costs; and requires additional disclosures to enable the users of the financial statements to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141(R) applies to all transactions or other events in which the Company obtains control of one or more businesses. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the reporting period beginning on or after December 15, 2008, which for the Company was January 1, 2009. The adoption of this standard on January 1, 2009, did not have a material effect on the Company’s results of operations or financial position.

In February 2009, the FASB issued FSP FAS No. 141(R), “Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies.” FSP FAS No. 141(R) amends the provisions related to the initial recognition and measurement, subsequent measurement and disclosure of assets and liabilities arising from contingencies in a business combination under SFAS No. 141(R), “Business Combinations.” FSP FAS No. 141(R) had the same effective date as SFAS No. 141(R). The adoption of this standard did not have a material effect on the Company’s results of operations or financial position.

**Noncontrolling Interests in Consolidated Financial Statements — an Amendment of Accounting Research Bulletin No. 51**

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements — an Amendment of Accounting Research Bulletin No. 51.” SFAS No. 160 requires reporting entities to present noncontrolling (minority) interests as equity (as opposed to a presentation as a liability or mezzanine equity) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. On January 1, 2009, the Company adopted SFAS No. 160, the provisions of which, among other things, require that minority interests be renamed “noncontrolling interests” and that a company present a consolidated net income (loss) measure that includes the amount attributable to such “noncontrolling interests” for all periods presented. SFAS No. 160 applies prospectively for reporting periods beginning on or

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

after December 15, 2008, except for the presentation and disclosure requirements which are applied retrospectively for all periods presented. The Company has reclassified financial statement line items within its consolidated balance sheets, statements of income, statements of changes in stockholders' equity and statements of cash flows for the prior period to conform to this standard. Other than the change in presentation of noncontrolling interests, the adoption of SFAS No. 160 had no impact on the consolidated financial statements.

**Disclosures about Derivative Investments and Hedging Activities — an Amendment of FASB Statement No. 133**

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Investments and Hedging Activities — an Amendment of FASB Statement No. 133." SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities, including (1) how and why an entity uses derivative instruments, (2) how derivative instruments and related hedged items are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and its related interpretations, and (3) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. To meet those objectives, SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company adopted this standard on January 1, 2009.

**Accounting for Hedging Activities — An Amendment of FASB Statement No. 133**

In June 2008, the FASB issued an exposure draft to amend the accounting for hedging activities in SFAS No. 133. This proposed statement is intended to simplify accounting for hedging activities, improve the financial reporting of hedging activities, resolve major practice issues related to hedge accounting that have arisen under SFAS No. 133, and address differences resulting from recognition and measurement anomalies between the accounting for derivative instruments and the accounting for hedged items or transactions. While the amendment as currently drafted may simplify the Company's accounting model for hedging activities under SFAS No. 133, the Company does not expect it to significantly impact its results of operations. The full impact of this amendment, effective January 1, 2010, as currently proposed, cannot be evaluated until the final statement is issued. The exposure draft is currently in redeliberations at the FASB.

**2. Allowance for Loan Losses**

The Company's provisions for loan losses represent the periodic expense of maintaining an allowance sufficient to absorb incurred losses, net of recoveries, in the held-for-investment loan portfolios. The evaluation of the provisions for loan losses is inherently subjective as it requires material estimates that may be susceptible to significant changes. The Company believes that the allowance for loan losses is appropriate to cover probable losses incurred in the loan portfolios.

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2. Allowance for Loan Losses (Continued)

The following table summarizes the total loan provisions for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Private Education Loans	\$ 241,759	\$ 119,838	\$ 445,304	\$ 238,449
FFELP Stafford and Other Student Loans	25,595	19,295	59,993	35,398
Mortgage and consumer loans	10,758	3,882	23,094	6,479
Total provisions for loan losses	\$ 278,112	\$ 143,015	\$ 528,391	\$ 280,326

Allowance for Private Education Loan Losses

The following table summarizes changes in the allowance for loan losses for Private Education Loans for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Allowance at beginning of period</b>	\$ 1,384,454	\$ 1,073,317	\$ 1,308,043	\$ 1,003,964
Provision for Private Education Loan losses	241,759	119,838	445,304	238,449
Charge-offs	(238,943)	(72,249)	(377,758)	(129,601)
Reclassification of interest reserve <sup>(1)</sup>	9,437	8,094	21,118	16,188
<b>Allowance at end of period</b>	\$ 1,396,707	\$ 1,129,000	\$ 1,396,707	\$ 1,129,000
Charge-offs as a percentage of average loans in repayment (annualized)	8.2%	3.6%	6.7%	3.5%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	7.6%	3.2%	6.2%	3.0%
Allowance as a percentage of the ending total loan balance	5.9%	5.8%	5.9%	5.8%
Allowance as a percentage of ending loans in repayment	11.5%	13.1%	11.5%	13.1%
Allowance coverage of charge-offs (annualized)	1.5	3.9	1.8	4.3
<b>Ending total loans<sup>(2)</sup></b>	\$ 23,784,039	\$ 19,607,553	\$ 23,784,039	\$ 19,607,553
Average loans in repayment	\$ 11,700,129	\$ 7,991,624	\$ 11,405,253	\$ 7,543,605
Ending loans in repayment	\$ 12,145,736	\$ 8,608,651	\$ 12,145,736	\$ 8,608,651

(1) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan's principal balance.

(2) Ending total loans represents gross Private Education Loans, plus the receivable for partially charged-off loans.

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2. Allowance for Loan Losses (Continued)

Private Education Loan Delinquencies

The table below presents the Company's Private Education Loan delinquency trends as of June 30, 2009, December 31, 2008, and June 30, 2008.

(Dollars in millions)	Private Education Loan Delinquencies					
	June 30, 2009		December 31, 2008		June 30, 2008	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 10,355		\$ 10,159		\$ 9,662	
Loans in forbearance <sup>(2)</sup>	945		862		1,178	
Loans in repayment and percentage of each status:						
Loans current	10,294	84.8%	9,748	87.2%	7,720	89.7%
Loans delinquent 31-60 days <sup>(3)</sup>	504	4.2	551	4.9	326	3.8
Loans delinquent 61-90 days <sup>(3)</sup>	335	2.7	296	2.6	210	2.4
Loans delinquent greater than 90 days <sup>(3)</sup>	1,013	8.3	587	5.3	353	4.1
Total Private Education Loans in repayment	12,146	100%	11,182	100%	8,609	100%
Total Private Education Loans, gross	23,446		22,203		19,449	
Private Education Loan unamortized discount	(537)		(535)		(508)	
Total Private Education Loans	22,909		21,668		18,941	
Private Education Loan receivable for partially charged-off loans	338		222		159	
Private Education Loan allowance for losses	(1,396)		(1,308)		(1,129)	
Private Education Loans, net	\$ 21,851		\$ 20,582		\$ 17,971	
Percentage of Private Education Loans in repayment		51.8%		50.4%		44.3%
Delinquencies as a percentage of Private Education Loans in repayment		15.2%		12.8%		10.3%
Loans in forbearance as a percentage of loans in repayment and forbearance		7.2%		7.2%		12.0%

(1) Loans for borrowers who may be attending school or engaging in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

(2) Loans for borrowers who have used their allowable deferment time or do not qualify for deferment and need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors consistent with the established loan program servicing procedures and policies.

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

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2. Allowance for Loan Losses (Continued)

Allowance for FFELP Loan Losses

The following table summarizes changes in the allowance for loan losses for the FFELP loan portfolio for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Allowance at beginning of period</b>	\$ 152,294	\$ 93,997	\$ 137,543	\$ 88,729
Provision for FFELP loan losses	25,595	19,295	59,993	35,398
Charge-offs	(24,851)	(15,876)	(43,731)	(26,711)
Increase (decrease) for student loan sales	—	277	(767)	277
<b>Allowance at end of period</b>	<b>\$ 153,038</b>	<b>\$ 97,693</b>	<b>\$ 153,038</b>	<b>\$ 97,693</b>
Charge-offs as a percentage of average loans in repayment (annualized)	.1%	.1%	.1%	.1%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.1%	.1%	.1%	.1%
Allowance as a percentage of the ending total loan balance	.1%	.1%	.1%	.1%
Allowance as a percentage of ending loans in repayment	.2%	.1%	.2%	.1%
Allowance coverage of charge-offs (annualized)	1.5	1.5	1.7	1.8
Ending total loans	\$ 130,084,026	\$ 114,067,540	\$ 130,084,026	\$ 114,067,540
Average loans in repayment	\$ 68,657,756	\$ 65,967,183	\$ 68,949,585	\$ 65,101,991
Ending loans in repayment	\$ 70,011,495	\$ 66,687,513	\$ 70,011,495	\$ 66,687,513

The Company maintains an allowance for Risk Sharing loan losses on its FFELP loan portfolio. The level of Risk Sharing has varied over the past few years with legislative changes. As of June 30, 2009, 53 percent of the on-balance sheet FFELP loan portfolio was subject to three-percent Risk Sharing, 46 percent was subject to two-percent Risk Sharing and the remaining 1 percent was not subject to any Risk Sharing.

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2. Allowance for Loan Losses (Continued)

FFELP Loan Delinquencies

The table below shows the Company's FFELP loan delinquency trends as of June 30, 2009, December 31, 2008 and June 30, 2008.

(Dollars in millions)	FFELP Loan Delinquencies					
	June 30, 2009		December 31, 2008		June 30, 2008	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 46,644		\$ 39,270		\$ 35,136	
Loans in forbearance <sup>(2)</sup>	13,428		12,483		12,245	
Loans in repayment and percentage of each status:						
Loans current	58,746	83.9%	58,811	83.8%	57,046	85.5%
Loans delinquent 31-60 days <sup>(3)</sup>	3,996	5.7	4,044	5.8	3,573	5.4
Loans delinquent 61-90 days <sup>(3)</sup>	1,959	2.8	2,064	2.9	1,662	2.5
Loans delinquent greater than 90 days <sup>(3)</sup>	5,311	7.6	5,255	7.5	4,406	6.6
Total FFELP loans in repayment	70,012	100%	70,174	100%	66,687	100%
Total FFELP loans, gross	130,084		121,927		114,068	
FFELP loan unamortized premium	2,375		2,431		2,347	
Total FFELP loans	132,459		124,358		116,415	
FFELP loan allowance for losses	(153)		(138)		(97)	
FFELP loans, net	\$ 132,306		\$ 124,220		\$ 116,318	
Percentage of FFELP loans in repayment		53.8%		57.6%		58.5%
Delinquencies as a percentage of FFELP loans in repayment		16.1%		16.2%		14.5%
FFELP loans in forbearance as a percentage of loans in repayment and forbearance		16.1%		15.1%		15.5%

(1) Loans for borrowers who may be attending school or engaging 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, as well as, loans for borrowers who have requested extension of grace period during employment transition or who have temporarily ceased making full payments due to hardship or other factors.

(2) Loans for borrowers who have used their allowable deferment time or do not qualify for deferment, and need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors, consistent with the established loan program servicing policies and procedures.

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

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2. Allowance for Loan Losses (Continued)

3. Investments

A summary of investments and restricted investments as of June 30, 2009 and December 31, 2008 follows:

	June 30, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Investments</b>				
<i>Available-for-sale</i>				
U.S. Treasury securities and other U.S. government agency obligations	\$ 9,061	\$ 73	\$ —	\$ 9,134
Other securities:				
Asset-backed securities	115,114	—	(843)	114,271
Commercial paper and asset-backed commercial paper	1,049,988	—	—	1,049,988
Municipal bonds	10,298	2,048	—	12,346
Other	1,530	—	(298)	1,232
Total investment securities available-for-sale	<u>\$ 1,185,991</u>	<u>\$ 2,121</u>	<u>\$ (1,141)</u>	<u>\$ 1,186,971</u>
<b>Restricted Investments</b>				
<i>Available-for sale</i>				
U.S. Treasury securities and other U.S. government agency obligations	\$ 32,750	\$ —	\$ —	\$ 32,750
Guaranteed investment contracts	25,189	—	—	25,189
Total restricted investments available-for-sale	<u>\$ 57,939</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 57,939</u>
<i>Held-to-maturity</i>				
Guaranteed investment contracts	\$ 3,963	\$ —	\$ —	\$ 3,963
Other	215	—	—	215
Total restricted investments held-to-maturity	<u>\$ 4,178</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,178</u>



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3. Investments (Continued)

	December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Investments</b>				
<i>Available-for-sale</i>				
U.S. Treasury securities and other U.S. government agency obligations	\$ 8,908	\$ 195	\$ —	\$ 9,103
Other securities:				
Asset-backed securities	40,907	13	(4,299)	36,621
Commercial paper and asset-backed commercial paper	801,169	—	—	801,169
Municipal bonds	10,883	1,924	—	12,807
Other	1,673	—	(365)	1,308
<b>Total investment securities available-for-sale</b>	<b>\$ 863,540</b>	<b>\$ 2,132</b>	<b>\$ (4,664)</b>	<b>\$ 861,008</b>
<b>Restricted Investments</b>				
<i>Available-for sale</i>				
Guaranteed investment contracts	\$ 31,914	\$ —	\$ —	\$ 31,914
<b>Total restricted investments available-for-sale</b>	<b>\$ 31,914</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 31,914</b>
<i>Held-to-maturity</i>				
Guaranteed investment contracts	\$ 5,500	\$ —	\$ —	\$ 5,500
Other	215	—	—	215
<b>Total restricted investments held-to-maturity</b>	<b>\$ 5,715</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 5,715</b>

In addition to the restricted investments detailed above, at June 30, 2009 and December 31, 2008, the Company had restricted cash of \$5.2 billion and \$3.5 billion, respectively.

As of June 30, 2009 and December 31, 2008, \$1 million and \$(2) million, respectively, of the net unrealized gain (loss) (after tax) related to available-for-sale investments was included in accumulated other comprehensive income. As of June 30, 2009 and December 31, 2008, \$60 million (\$33 million of this is in restricted cash and investments on the balance sheet) and \$26 million (none of which is in restricted cash and investments on the balance sheet), respectively, of available-for-sale investment securities were pledged as collateral.

There were no sales of investments during the three-months ended June 30, 2009. In the six months ended June 30, 2009, the Company sold available-for-sale securities with a fair value of \$100 million, resulting in no realized gain or loss. There were no sales of securities in the three and six months ended June 30, 2008. The cost basis for these securities was determined through specific identification of the securities sold.

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3. Investments (Continued)

As of June 30, 2009, the stated maturities for the investments (including restricted investments) are shown in the following table:

Year of Maturity	June 30, 2009		
	Held-to-Maturity	Available-for-Sale <sup>(1)</sup>	Other
2009	\$ —	\$ 1,093,104	\$ 814,316
2010	215	—	6,833
2011	—	—	5,092
2012	—	—	—
2013	—	936	—
2014-2018	—	12,346	31,044
After 2018	3,963	138,524	28,226
<b>Total</b>	<b>\$ 4,178</b>	<b>\$ 1,244,910</b>	<b>\$ 885,511</b>

(1) Available-for-sale securities are stated at fair value.

At June 30, 2009 and December 31, 2008, the Company also had other investments of \$886 million and \$180 million, respectively. At June 30, 2009, other investments included a \$772 million receivable for cash collateral posted to derivative counterparties. Other investments also included leveraged leases which at June 30, 2009 and December 31, 2008, totaled \$65 million and \$76 million, respectively, that are general obligations of American Airlines and Federal Express Corporation. At June 30, 2009 and December 31, 2008, other investments also included the Company's remaining investment in The Reserve Primary Fund totaling \$42 million and \$97 million, respectively.

4. Goodwill and Acquired Intangible Assets

Goodwill

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," all acquisitions must be assigned to a reporting unit or units. A reporting unit is the same as or one level below an operating segment, as defined in SFAS No. 131. The following table summarizes the Company's allocation of goodwill to its reporting units.

(Dollars in millions)	As of June 30,	
	2009	2008
Lending	\$ 388	\$ 388
Asset Performance Group	401	396
Guarantor services	62	62
Upromise	140	140
<b>Total</b>	<b>\$ 991</b>	<b>\$ 986</b>

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4. Goodwill and Acquired Intangible Assets (Continued)

*Impairment Testing*

In accordance with SFAS No. 142, the Company performs goodwill impairment testing annually in the fourth quarter as of a September 30 valuation date or more frequently if an event occurs or circumstances change such that there is a potential that the fair value of a reporting unit or reporting units may be below their respective carrying values.

On February 26, 2009, the Obama Administration ("the Administration") issued their 2010 budget request to Congress, which included provisions that could significantly impact the FFELP. In light of the potential implications of the Administration's 2010 budget proposal to the Company's business model, as well as continued uncertainty in the economy, the tight credit markets and the Company's decline in market capitalization during the first quarter of 2009, the Company assessed goodwill impairment as of March 31, 2009. This assessment resulted in estimated fair values of the Company's reporting units in excess of their carrying values. Accordingly, no goodwill impairment was recorded in the first quarter.

During the second quarter, no new unfavorable events or changes in circumstances occurred to warrant an impairment assessment as of June 30, 2009. Nevertheless, in light of ongoing uncertainties associated with the Administration's proposed budget and the economic conditions described above, the Company continues to monitor the fair value of goodwill for each of its reporting units on a quarterly basis. Based on the Company's assessment that there have been no change in circumstances associated with any of its reporting units during the second quarter and based on its aforementioned monitoring process, the Company concluded that goodwill is not impaired as of June 30, 2009.

*Acquired Intangible Assets*

Acquired intangible assets include the following:

(Dollars in millions)	Average Amortization Period	As of June 30, 2009		
		Gross	Accumulated Amortization	Net
Intangible assets subject to amortization:				
Customer, services, and lending relationships	12 years	\$ 332	\$ (190)	\$ 142
Software and technology	7 years	98	(88)	10
Non-compete agreements	2 years	11	(10)	1
<b>Total</b>		<b>441</b>	<b>(288)</b>	<b>153</b>
Intangible assets not subject to amortization:				
Trade name and trademark	Indefinite	91	—	91
<b>Total acquired intangible assets</b>		<b>\$ 532</b>	<b>\$ (288)</b>	<b>\$ 244</b>

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4. Goodwill and Acquired Intangible Assets (Continued)

(Dollars in millions)	Average Amortization Period	As of December 31, 2008		
		Gross	Accumulated Amortization	Net
Intangible assets subject to amortization:				
Customer, services, and lending relationships	13 years	\$ 332	\$ (173)	\$ 159
Software and technology	7 years	93	(85)	8
Non-compete agreements	2 years	11	(10)	1
<b>Total</b>		<b>436</b>	<b>(268)</b>	<b>168</b>
Intangible assets not subject to amortization:				
Trade name and trademark	Indefinite	91	—	91
<b>Total acquired intangible assets</b>		<b>\$ 527</b>	<b>\$ (268)</b>	<b>\$ 259</b>

The Company recorded amortization of acquired intangible assets totaling \$10 million and \$15 million for the three months ended June 30, 2009 and 2008, respectively, and \$19 million and \$31 million for the six months ended June 30, 2009 and 2008, respectively. The Company will continue to amortize its intangible assets with definite useful lives over their remaining estimated useful lives.

5. Borrowings

The following table summarizes the Company's borrowings as of June 30, 2009 and December 31, 2008.

(Dollars in millions)	June 30, 2009			December 31, 2008		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Unsecured borrowings	\$ 4,249	\$ 28,416	\$ 32,665	\$ 6,794	\$ 31,182	\$ 37,976
Term bank deposits	901	5,199	6,100	1,148	1,108	2,256
Indentured trusts	8	1,761	1,769	31	1,972	2,003
2008 Asset-Backed Financing Facilities	12,476	—	12,476	24,768	—	24,768
ED Participation Program facility	17,236	—	17,236	7,365	—	7,365
ED Conduit Program facility	11,095	—	11,095	—	—	—
On-balance sheet securitizations	—	87,386	87,386	—	80,601	80,601
Other	1,358	—	1,358	1,827	—	1,827
<b>Total before fair value adjustments</b>	<b>47,323</b>	<b>122,762</b>	<b>170,085</b>	<b>41,933</b>	<b>114,863</b>	<b>156,796</b>
SFAS No. 133 fair value adjustments	9	3,118	3,127	—	3,362	3,362
<b>Total</b>	<b>\$ 47,332</b>	<b>\$ 125,880</b>	<b>\$ 173,212</b>	<b>\$ 41,933</b>	<b>\$ 118,225</b>	<b>\$ 160,158</b>

As of June 30, 2009, the Company had \$3.5 billion in unsecured revolving credit facilities which provide liquidity support for general corporate purposes. The Company has never drawn on these facilities. The facilities include a \$1.9 billion revolving credit facility maturing in October 2010 and \$1.6 billion maturing in October 2011. These figures do not include a \$215 million commitment from a subsidiary of Lehman Brothers Holding, Inc. On April 24, 2009, in conjunction with the extension of the 2008 ABCP Facilities, a \$1.4 billion

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5. Borrowings (Continued)

revolving credit facility maturing in October 2009 was retired and a \$1.9 billion revolving credit facility maturing in October 2011 was reduced to \$1.6 billion. In connection with the early termination of the unsecured revolving credit facilities, interest on these facilities, if drawn, increases to LIBOR plus 450 basis points. The principal financial covenants in the unsecured revolving credit facilities require the Company to maintain tangible net worth of at least \$1.38 billion at all times. Consolidated tangible net worth as calculated for purposes of this covenant was \$2.9 billion as of June 30, 2009. The covenants also require the Company to meet either a minimum interest coverage ratio or a minimum net adjusted revenue test based on the four preceding quarters' adjusted "Core Earnings" financial performance. The Company was compliant with both the minimum interest coverage ratio and the minimum net adjusted revenue tests as of the quarter ended June 30, 2009. Failure to meet these covenants would result in the facilities being withdrawn. In the past, the Company has not relied upon its unsecured revolving credit facilities as a primary source of liquidity. Although the Company has never borrowed under these facilities, they are available to be drawn upon for general corporate purposes.

Lehman Brothers Bank, FSB, a subsidiary of Lehman Brothers Holdings Inc., is a party to the Company's unsecured revolving credit facilities under which they provide the Company with a \$215 million commitment. Lehman Brothers Holdings Inc. declared bankruptcy on September 15, 2008. The Company is operating under the assumption that the lending commitment of Lehman Brothers Bank, FSB, will not be honored if drawn upon. While the Company continues to explore various options, it does not anticipate replacing its commitment from Lehman Brothers Bank, FSB.

*Secured Borrowings*

FIN No. 46(R), "Consolidation of Variable Interest Entities," requires VIEs to be consolidated by their primary beneficiaries. A VIE exists when either the total equity investment at risk is not sufficient to permit the entity to finance its activities by itself, or the equity investors lack one of three characteristics associated with owning a controlling financial interest. Those characteristics are the direct or indirect ability to make decisions about an entity's activities that have a significant impact on the success of the entity, the obligation to absorb the expected losses of an entity, and the rights to receive the expected residual returns of the entity.

The Company currently consolidates a number of financing entities that are VIEs as a result of being the entities' primary beneficiary. As a result, these financing VIEs are accounted for as secured borrowings. The process of identifying the primary beneficiary involves identifying all other parties that hold variable interests in the entity and determining which of the parties, including the Company, has the responsibility to absorb the majority of the entity's expected losses or the rights to its expected residual returns. The Company is the

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5. Borrowings (Continued)

primary beneficiary of and currently consolidates the following financing VIEs as of June 30, 2009 and December 31, 2008:

(Dollars in millions)	June 30, 2009						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings:							
ED Participation Program facility	\$ 17,236	\$ —	\$ 17,236	\$ 17,472	\$ 127	\$ 243	\$ 17,842
ED Conduit Program facility	11,095	—	11,095	11,390	204	353	11,947
2008 Asset-Backed Financing Facilities <sup>(1)</sup>	12,476	—	12,476	13,707	346	126	14,179
On-balance sheet securitizations	—	87,386	87,386	90,161	3,523	2,816	96,500
Indentured trusts	8	1,761	1,769	2,253	189	31	2,473
	40,815	89,147	129,962	134,983	4,389	3,569	142,941
SFAS No. 133 fair value adjustment	—	1,307	1,307	—	—	—	—
Total	\$ 40,815	\$ 90,454	\$ 131,269	\$ 134,983	\$ 4,389	\$ 3,569	\$ 142,941

<sup>(1)</sup> Includes \$95 million of assets within the facility that can be released to the Company.

(Dollars in millions)	December 31, 2008						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings:							
ED Participation Program facility	\$ 7,365	\$ —	\$ 7,365	\$ 7,733	\$ 88	\$ 85	\$ 7,906
2008 Asset-Backed Financing Facilities	24,768	—	24,768	31,953	462	816	33,231
On-balance sheet securitizations	—	80,601	80,601	81,547	2,632	999	85,178
Indentured trusts	31	1,972	2,003	2,199	236	40	2,475
	32,164	82,573	114,737	123,432	3,418	1,940	128,790
SFAS No. 133 fair value adjustment	—	872	872	—	—	—	—
Total	\$ 32,164	\$ 83,445	\$ 115,609	\$ 123,432	\$ 3,418	\$ 1,940	\$ 128,790

**Asset-Backed Financing Facilities**

During the first quarter of 2008, the Company entered into three new asset-backed financing facilities (the "2008 Asset-Backed Financing Facilities"): (i) a \$26.0 billion FFELP student loan ABCP conduit facility (the "2008 FFELP ABCP Facility"); (ii) a \$5.9 billion Private Education Loan ABCP conduit facility (the "2008 Private Education Loan ABCP Facility") (collectively, the "2008 ABCP Facilities"); and (iii) a

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5. Borrowings (Continued)

\$2.0 billion secured FFELP loan facility (the "2008 Asset-Backed Loan Facility"). The initial term of the 2008 Asset-Backed Financing Facilities was 364 days. The underlying cost of borrowing under the 2008 ABCP Facilities was approximately LIBOR plus 0.68 percent for the FFELP loan facilities and LIBOR plus 1.55 percent for the Private Education Loan facility, excluding up-front and unused commitment fees. All-in pricing on the 2008 ABCP Facilities varies based on usage. For the full year 2008, the combined, all-in cost of borrowings related to the 2008 Asset-Backed Financing Facilities, including amortized up-front fees and unused commitment fees, was three-month LIBOR plus 2.47 percent. The primary use of the 2008 Asset-Backed Financing Facilities was to refinance comparable ABCP facilities incurred in connection with the Proposed Merger, with the expectation that outstanding balances under the 2008 Asset-Backed Financing Facilities would be reduced through securitization of the underlying student loan collateral in the term asset-backed securities ("ABS") market.

On February 2, 2009, the Company extended the maturity date of the 2008 ABCP Facilities from February 28, 2009 to April 28, 2009 for a \$61 million upfront fee. The other terms of the facilities remained materially unchanged.

On February 27, 2009, the Company extended the maturity date of the 2008 Asset-Backed Loan Facility from February 28, 2009 to April 28, 2009 for a \$4 million upfront fee. The other terms of this facility remained materially unchanged.

On April 24, 2009, the Company extended the maturity of \$21.8 billion of the 2008 FFELP ABCP Facility for one year to April, 23, 2010. The Company also extended its 2008 Asset-Backed Loan Facility in the amount of \$1.5 billion. The 2008 Asset-Backed Loan Facility matured on June 26, 2009 and was paid in full. A total of \$86 million in fees were paid related to these extensions. The 2008 Private Education Loan ABCP Facility was paid off and terminated on April 24, 2009. The stated borrowing rate of the 2008 FFELP ABCP Facility is the applicable funding rate plus 130 basis points excluding upfront fees. The applicable funding rate generally will be either a LIBOR or commercial paper rate. The terms of the 2008 FFELP ABCP Facility call for an increase in the applicable funding spread to 300 basis points if the outstanding borrowing amount is not reduced to \$15.2 billion and \$10.9 billion as of June 30, 2009 and September 30, 2009, respectively. If the Company does not negotiate an extension or pay off all outstanding amounts of the 2008 FFELP ABCP Facility at maturity, the facility will extend by 90 days with the interest rate generally increasing to LIBOR plus 250 basis points to 550 basis points over the 90 day period. The other terms of the facilities remained materially unchanged.

The maximum amount the Company may borrow under the 2008 FFELP ABCP Facility is limited based on certain factors, including market conditions and the fair value of student loans in the facility. As of June 30, 2009, the maximum borrowing amount was approximately \$14.8 billion under the 2008 FFELP ABCP Facility. Funding under the 2008 FFELP ABCP Facility is subject to usual and customary conditions. The 2008 FFELP ABCP Facility is subject to termination under certain circumstances, including the Company's failure to comply with the principal financial covenants in its unsecured revolving credit facilities.

Borrowings under the 2008 FFELP ABCP Facility are nonrecourse to the Company. As of June 30, 2009, the Company had \$12.5 billion outstanding in connection with the 2008 FFELP ABCP Facility. The book basis of the assets securing this facility as of June 30, 2009 was \$14.2 billion.

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5. Borrowings (Continued)

*ED Conduit Program*

Pursuant to the Ensuring Continued Access to Student Loans Act of 2008 ("ECASLA"), on January 15, 2009, ED published summary terms under which it will purchase eligible FFELP Stafford and PLUS loans from a conduit vehicle established to provide funding for eligible student lenders (the "ED Conduit Program"). Loans eligible for the ED Conduit Program must be first disbursed on or after October 1, 2003, but not later than July 1, 2009, and fully disbursed before September 30, 2009, and meet certain other requirements including with respect to borrower benefits. The ED Conduit was launched on May 11, 2009. Funding for the ED Conduit Program is provided by the capital markets at a cost based on market rates, with the Company being advanced 97 percent of the student loan face amount. The ED Conduit Program has a term of five years and will expire on January 19, 2014. The Student Loan Short-Term Notes ("SLST Notes"), issued by the ED Conduit, are supported by a combination of i) Funding Notes backed by FFELP student loans, ii) the Liquidity Agreement with the Federal Financing Bank ("FFB") and iii) the Put Agreement provided by ED. If the conduit does not have sufficient funds to pay all SLST Notes then those SLST Notes will be repaid with funds from the FFB. The FFB will hold the notes for a short period of time and if at the end of that time the SLST Notes still cannot be paid off, the underlying FFELP loans that serve as collateral to the ED Conduit will be sold to ED through the Put Agreement at a price of 97 percent of the face amount of the loans. Approximately \$15.5 billion of the Company's Stafford and PLUS loans (excluding loans currently in the Participation Program) are eligible for funding under the ED Conduit Program. As of June 30, 2009, \$11.4 billion of these assets have been funded through this program with a weighted average issuance cost of approximately .74 percent.

*Term Asset-Backed Securities Loan Facility ("TALF")*

On February 6, 2009, the Federal Reserve Bank of New York published proposed terms for a program designed to facilitate renewed issuance of consumer and small business ABS at lower interest rate spreads. TALF was initiated on March 17, 2009 and currently provides investors with funding of up to five years for eligible ABS rated by two or more rating agencies in the highest investment-grade rating category. Eligible ABS include 'AAA' rated student loan ABS backed by FFELP and private student loans first disbursed since May 1, 2007. As of June 30, 2009, the Company had approximately \$12.7 billion book basis (\$13.4 billion face amount) of student loans eligible to serve as collateral for ABS funded under TALF; this amount does not include loans eligible for ECASLA financing programs. The Federal Reserve Bank launched the TALF program on March 3, 2009.

On May 5, 2009, the Company priced a \$2.6 billion Private Education Loan securitization which closed on May 12, 2009. The issue bears a coupon of 1-month LIBOR plus 6.0 percent and is callable at the Company's option at 93 percent of the outstanding balance of the ABS between November 15, 2011 and April 15, 2012. If the issue is called on November 15, 2011, which the Company believes is probable, the effective cost of the bond financing will be approximately 1-month LIBOR plus 3.7 percent. This transaction was TALF-eligible.

This securitization is accounted for as a secured borrowing. The Company has concluded that it is probable it will call these bonds at the call date at the 7 percent discount. Probability is based on the Company's assessment on whether these bonds can be refinanced at the call date at or lower than a breakeven cost of funds based on the call discount. As a result, the Company is accreting this call discount as a reduction to interest expense through the call date under APB No. 21, "Interest on Receivables and Payables," and SFAS No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans



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**5. Borrowings (Continued)**

and Initial Direct Costs of Leases.” If it becomes less than probable the Company will call these bonds at a future date it will result in the Company reversing this prior accretion as a cumulative catch up under SFAS No. 91 and the effective interest rate method. The Company has accreted approximately \$9 million as a reduction of interest expense through June 30, 2009.

***Consolidation of Off-Balance Sheet Securitizations***

In the second quarter of 2009, three of the Company’s off-balance sheet securitization trusts were re-evaluated under SFAS No. 140 and it was determined that they no longer met the criteria to be considered QSPEs. These trusts were then evaluated as VIEs using the guidance in FIN No. 46(R) and it was determined that they should be consolidated and accounted for as secured borrowings as the Company is the primary beneficiary. These trusts had reached their 10 percent clean-up call levels but the call was not exercised by the Company. Under SFAS No. 140, because the Company can now exercise that option at their discretion going forward, the Company effectively controls the assets of the trusts. This resulted in the Company consolidating at fair value \$454 million in assets and \$432 million in liabilities related to these trusts. This resulted in an \$11 million gain being recognized during the second quarter of 2009.

**6. Student Loan Securitization**

The Company securitizes its FFELP Stafford loans, FFELP Consolidation Loans and Private Education Loan assets and, for transactions qualifying as sales, retains a Residual Interest and servicing rights (as the Company retains the servicing responsibilities), all of which are referred to as the Company’s Retained Interest in off-balance sheet securitized loans. The Residual Interest is the right to receive cash flows from the student loans and reserve accounts in excess of the amounts needed to pay servicing, derivative costs (if any), other fees, and the principal and interest on the bonds backed by the student loans.

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6. Student Loan Securitization (Continued)

Securitization Activity

The following table summarizes the Company's securitization activity for the three and six months ended June 30, 2009 and 2008. Those securitizations listed as sales are off-balance sheet transactions and those listed as financings remain on-balance sheet.

(Dollars in millions)	Three Months Ended June 30,							
	2009				2008			
	No. of Transactions	Loan Amount Securitized	Pre-Tax Gain	Gain%	No. of Transactions	Loan Amount Securitized	Pre-Tax Gain	Gain%
Securitizations — sales:								
FFELP Stafford/PLUS loans	—	\$ —	\$ —	—%	—	\$ —	\$ —	—%
FFELP Consolidation Loans	—	—	—	—	—	—	—	—
Private Education Loans	—	—	—	—	—	—	—	—
Total securitizations — sales	—	—	\$ —	—%	—	—	\$ —	—%
Securitizations — financings:								
FFELP Stafford/PLUS Loans <sup>(1)</sup>	—	—	—	—	3	7,125	—	—
FFELP Consolidation Loans <sup>(1)</sup>	2	4,524	—	—	—	—	—	—
Private Education Loans <sup>(1)</sup>	1	3,527	—	—	—	—	—	—
Total securitizations — financings	3	8,051	—	—	3	7,125	—	—
Total securitizations	3	\$ 8,051	—	—	3	\$ 7,125	—	—

(Dollars in millions)	Six Months Ended June 30,							
	2009				2008			
	No. of Transactions	Loan Amount Securitized	Pre-Tax Gain	Gain%	No. of Transactions	Loan Amount Securitized	Pre-Tax Gain	Gain%
Securitizations — sales:								
FFELP Stafford/PLUS loans	—	\$ —	\$ —	—%	—	\$ —	\$ —	—%
FFELP Consolidation Loans	—	—	—	—	—	—	—	—
Private Education Loans	—	—	—	—	—	—	—	—
Total securitizations — sales	—	—	\$ —	—%	—	—	\$ —	—%
Securitizations — financings:								
FFELP Stafford/PLUS Loans <sup>(1)</sup>	—	—	—	—	6	11,825	—	—
FFELP Consolidation Loans <sup>(1)</sup>	2	4,524	—	—	—	—	—	—
Private Education Loans <sup>(1)</sup>	2	6,419	—	—	—	—	—	—
Total securitizations — financings	4	10,943	—	—	6	11,825	—	—
Total securitizations	4	\$ 10,943	—	—	6	\$ 11,825	—	—

(1) In certain securitizations there are terms within the deal structure that result in such securitizations not qualifying for sale treatment and accordingly, they are accounted for on-balance sheet as VIEs. Terms that prevent sale treatment include: (1) allowing the Company to hold certain rights that can affect the remarketing of certain bonds, (2) allowing the trust to enter into interest rate cap agreements after the initial settlement of the securitization, which do not relate to the reissuance of third party beneficial interests or (3) allowing the Company to hold an unconditional call option related to a certain percentage of the securitized assets.

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6. Student Loan Securitization (Continued)

The following table summarizes cash flows received from or paid to the off-balance sheet securitization trusts during the three and six months ended June 30, 2009 and 2008.

(Dollars in millions)	Three Months Ended		Six Months Ended	
	June 30, 2009	2008	June 30, 2009	2008
Net proceeds from new securitizations completed during the period	\$ —	\$ —	\$ —	\$ —
Cash distributions from trusts related to Residual Interests	154	285	268	515
Servicing fees received(1)	57	62	115	125
Purchases of previously transferred financial assets for representation and warranty violations	(2)	(10)	(5)	(13)
Reimbursements of borrower benefits(2)	(8)	(7)	(16)	(14)
Purchases of delinquent Private Education Loans from securitization trusts using delinquent loan call option	—	(52)	—	(100)
Purchases of loans using clean-up call option	—	112	—	112

(1) The Company receives annual servicing fees of 90 basis points, 50 basis points and 70 basis points of the outstanding securitized loan balance related to its FFELP Stafford, FFELP Consolidation Loan and Private Education Loan securitizations, respectively.

(2) Under the terms of the securitizations, the transaction documents require that the Company reimburse the trusts for any borrower benefits afforded the borrowers of the underlying securitized loans.

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6. Student Loan Securitization (Continued)

Retained Interest in Securitized Receivables

The following tables summarize the fair value of the Company's Residual Interests, included in the Company's Retained Interest (and the assumptions used to value such Residual Interests), along with the underlying off-balance sheet student loans that relate to those securitizations in transactions that were treated as sales as of June 30, 2009 and December 31, 2008.

(Dollars in millions)	As of June 30, 2009			
	FFELP Stafford and PLUS	Consolidation Loan Trusts(1)	Private Education Loan Trusts	Total
Fair value of Residual Interests(2)	\$ 272	\$ 721	\$ 827	\$ 1,820
Underlying securitized loan balance	6,046	14,736	13,372	34,154
Weighted average life	3.1 yrs.	8.0 yrs.	6.4 yrs.	
Prepayment speed (annual rate)(3)				
Interim status	0%	N/A	0%	
Repayment status	2-19%	1-6%	2-15%	
Life of loan — repayment status	12%	4%	6%	
Expected remaining credit losses (% of outstanding student loan principal)(4)	.10%	.22%	5.76%	
Residual cash flows discount rate	11.5%	13.0%	32.4%	

(Dollars in millions)	As of December 31, 2008			
	FFELP Stafford and PLUS	Consolidation Loan Trusts(1)	Private Education Loan Trusts	Total
Fair value of Residual Interests(2)	\$ 250	\$ 918	\$ 1,032	\$ 2,200
Underlying securitized loan balance	7,057	15,077	13,690	35,824
Weighted average life	3.0 yrs.	8.1 yrs.	6.4 yrs.	
Prepayment speed (annual rate)(3)				
Interim status	0%	N/A	0%	
Repayment status	2-19%	1-6%	2-15%	
Life of loan — repayment status	12%	4%	6%	
Expected remaining credit losses (% of outstanding student loan principal)(4)	.11%	.23%	5.22%	
Residual cash flows discount rate	13.1%	11.9%	26.3%	

(1) Includes \$529 million and \$762 million related to the fair value of the Embedded Floor Income as of June 30, 2009 and December 31, 2008, respectively. Changes in the fair value of the Embedded Floor Income are primarily due to changes in the interest rates and the paydown of the underlying loans.

(2) The Company had no unrealized gains (pre-tax) in accumulated other comprehensive income that related to the Retained Interests for any of the periods presented.

(3) The Company uses CPR curves for Residual Interest valuations that are based on seasoning (the number of months since entering repayment). Under this methodology, a different CPR is applied to each year of a loan's seasoning. Repayment status CPR used is based on the number of months since first entering repayment (seasoning). Life of loan CPR is related to repayment status only and does not include the impact of the loan while in interim status. The CPR assumption used for all periods includes the impact of projected defaults.

(4) Remaining expected credit losses as of the respective balance sheet date.

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6. Student Loan Securitization (Continued)

The Company recorded net unrealized mark-to-market losses in “servicing and securitization revenue (loss)” of \$90 million and \$192 million in the three months ended June 30, 2009 and 2008, respectively, and \$351 million and \$280 million in the six months ended June 30, 2009 and 2008, respectively, related to the Residual Interest.

As of June 30, 2009, the Company did not change any significant assumptions compared to those used as of March 31, 2009, to determine the fair value of the Residual Interests. The \$90 million unrealized mark-to-market loss in the second quarter of 2009 was primarily a result of an increase in forward interest rates which resulted in a higher discount rate used to value the Residual Interests as well as a reduction in the fair value of the Embedded Fixed Rate Floor Income. The \$192 million unrealized mark-to-market loss in the second quarter of 2008 was primarily related to increases in forward interest rates during the quarter reducing the value of Embedded Fixed Rate Floor Income (\$137 million decrease) and increasing the discount rate used to value the Residual Interests (\$57 million decrease). Additionally, the Company increased the spread to LIBOR component of the Private Education discount rate formula to better reflect current market conditions which resulted in a \$113 million Residual Interest mark-to-market loss. Actual quarterly experience, including improved forward curve spreads used in the valuation of the Residual Interests, partially mitigated these mark-to-market losses.

The following table reflects the sensitivity of the current fair value of the Residual Interests to adverse changes in the key economic assumptions used in the valuation of the Residual Interest at June 30, 2009, discussed in detail in the preceding table. The effect of a variation in a particular assumption on the fair value of the Residual Interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower

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**6. Student Loan Securitization (Continued)**

prepayments and increased credit losses), which might magnify or counteract the sensitivities. These sensitivities are hypothetical, as the actual results could be materially different than these estimates.

(Dollars in millions)	As of June 30, 2009		
	FFELP Stafford/PLUS Loan Trusts <sup>(5)</sup>	FFELP Consolidation Loan Trusts <sup>(5)</sup>	Private Education Loan Trusts <sup>(5)</sup>
Fair value of Residual Interest	\$ 272	\$ 721 <sup>(1)</sup>	\$ 827
Weighted-average life	3.1 yrs.	8.0 yrs.	6.4 yrs.
<b>Prepayment speed assumptions<sup>(2)</sup></b>			
Interim status	0%	N/A	0%
Repayment status	2-19%	1-6%	2-15%
Life of loan — repayment status	12%	4%	6%
Impact on fair value of 5% absolute increase	\$ (24)	\$ (82)	\$ (108)
Impact on fair value of 10% absolute increase	\$ (43)	\$ (143)	\$ (195)
<b>Expected credit losses (as a % of student loan principal)</b>	.10%	.22%	5.76% <sup>(3)</sup>
Impact on fair value of 5% absolute increase in default rate	\$ (6)	\$ (8)	\$ (170)
Impact on fair value of 10% absolute increase in default rate	\$ (10)	\$ (16)	\$ (339)
<b>Residual cash flows discount rate</b>	11.5%	13.0%	32.4%
Impact on fair value of 5% absolute increase	\$ (25)	\$ (115)	\$ (94)
Impact on fair value of 10% absolute increase	\$ (46)	\$ (198)	\$ (169)
		<b>3 month LIBOR forward curve at June 30, 2009 plus contracted spreads</b>	
<b>Difference between Asset and Funding underlying indices<sup>(4)</sup></b>			
Impact on fair value of 0.25% absolute increase in funding index compared to asset index	\$ (42)	\$ (161)	\$ (2)
Impact on fair value of 0.50% absolute increase in funding index compared to asset index	\$ (85)	\$ (322)	\$ (4)

(1) Certain consolidation trusts have \$3.3 billion of non-U.S. dollar (Euro denominated) bonds outstanding. To convert these non-U.S. dollar denominated bonds into U.S. dollar liabilities, the trusts have entered into foreign-currency swaps with certain counterparties. Additionally, certain Private Education Loan trusts contain interest rate swaps that hedge the basis and reset risk between the Prime indexed assets and LIBOR index notes. As of June 30, 2009, these swaps are in an \$833 million gain position (in the aggregate) and the trusts had \$600 million of exposure to counterparties (gain position less collateral posted) primarily as a result of the decline in the exchange rates between the U.S. dollar and the Euro. This unrealized market value gain is not part of the fair value of the Residual Interest in the table above. Not all derivatives within the trusts require the swap counterparties to post collateral to the respective trust for changes in market value, unless the trust's swap counterparty's credit rating has been withdrawn or has been downgraded below a certain level. If the swap counterparty does not post the required collateral or is downgraded further, the counterparty must find a suitable replacement counterparty or provide the trust with a letter of credit or a guaranty from an entity that has the required credit ratings. Ultimately, the Company's exposure related to a swap counterparty failing to make its payments is limited to the fair value of the related trust's Residual Interest which was \$1.3 billion as of June 30, 2009.

(2) See previous table for details on CPR. Impact on fair value due to increase in prepayment speeds only increases the repayment status speeds. Interim status CPR remains 0%.

(3) Expected credit losses are used to project future cash flows related to the Private Education Loan securitization's Residual Interest. However, until the fourth quarter of 2008 when it ceased this activity for all trusts settling prior to September 30, 2005, the Company purchased loans at par when the loans reached 180 days delinquent prior to default under a contingent call option, resulting in no credit losses at the trust nor related to the Company's Residual Interest. When the Company exercised its contingent call option and purchased the loans from the trust at par, the Company recorded a loss related to these loans that are now on the Company's balance sheet. The Company recorded losses of \$43 million and \$80 million, respectively, for the three and six months ended June 30, 2008, and did not record any losses for the three and six months ended June 30, 2009, related to this activity. For all trusts settling after October 1, 2005, the Company does not hold this contingent call option.

(4) Student loan assets are primarily indexed to a Treasury bill, commercial paper or a prime index. Funding within the trust is primarily indexed to a LIBOR index. Sensitivity analysis increases funding indices as indicated while keeping assets underlying indices fixed.

(5) In addition to the assumptions in the table above, the Company also projects the reduction in distributions that will result from the various benefit programs that exist related to consecutive on-time payments by borrowers. Related to the entire \$1.8 billion Residual Interest, there are \$205 million (present value) of benefits projected which reduce the fair value.

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6. Student Loan Securitization (Continued)

The table below shows the Company's off-balance sheet Private Education Loan delinquency trends as of June 30, 2009 and 2008.

(Dollars in millions)	Off-Balance Sheet Private Education Loan Delinquencies			
	June 30, 2009		June 30, 2008	
	Balance	%	Balance	%
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 2,974		\$ 4,159	
Loans in forbearance <sup>(2)</sup>	583		1,339	
Loans in repayment and percentage of each status:				
Loans current	8,874	90.4%	7,871	95.1%
Loans delinquent 31-60 days <sup>(3)</sup>	261	2.7	178	2.2
Loans delinquent 61-90 days <sup>(3)</sup>	174	1.8	102	1.2
Loans delinquent greater than 90 days <sup>(3)</sup>	505	5.1	124	1.5
Total off-balance sheet Private Education Loans in repayment	9,814	100%	8,275	100%
Total off-balance sheet Private Education Loans, gross	\$ 13,371		\$ 13,773	

(1) Loans for borrowers who may be attending school or engaging in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

(2) Loans for borrowers who have used their allowable deferment time or do not qualify for deferment, and need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors consistent with the established loan program servicing procedures and programs.

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

The following table summarizes charge-off activity for Private Education Loans in the off-balance sheet trusts for the three and six months ended June 30, 2009 and 2008.

(Dollars in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Charge-offs	\$ 116	\$ 40	\$ 179	\$ 73
Charge-offs as a percentage of average loans in repayment (annualized)	4.8%	2.1%	3.8%	1.9%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	4.6%	1.8%	3.6%	1.6%
Ending off-balance sheet total Private Education Loans <sup>(1)</sup>	\$ 13,520	\$ 13,831	\$ 13,520	\$ 13,831
Average off-balance sheet Private Education Loans in repayment	\$ 9,630	\$ 7,811	\$ 9,522	\$ 7,638
Ending off-balance sheet Private Education Loans in repayment	\$ 9,814	\$ 8,275	\$ 9,814	\$ 8,275

(1) Ending total loans represents gross Private Education Loans, plus the receivable for partially charged-off loans (see Note 2, "Allowance for Loan Losses").

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6. Student Loan Securitization (Continued)

7. Derivative Financial Instruments

Derivative instruments that are used as part of the Company's interest rate and foreign currency risk management strategy include interest rate swaps, basis swaps, cross-currency interest rate swaps, interest rate futures contracts, and interest rate floor and cap contracts with indices that relate to the pricing of specific balance sheet assets and liabilities including the Residual Interests from off-balance sheet securitizations. (For a full discussion of the Company's risk management strategy and use of derivatives, please see the Company's 2008 Form 10-K, Note 9, "Derivative Financial Instruments," to the consolidated financial statements.) The Company accounts for its derivatives under SFAS No. 133 which requires that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. The Company's derivative instruments are classified and accounted for by the Company as fair value hedges, cash flow hedges or trading activities.

**Fair Value Hedges**

Fair value hedges are generally used by the Company to hedge the exposure to changes in fair value of a recognized fixed rate asset or liability. The Company enters into interest rate swaps to convert fixed rate assets into variable rate assets and fixed rate debt into variable rate debt. The Company also enters into cross-currency interest rate swaps to convert foreign currency denominated fixed and floating debt to U.S. dollar denominated variable debt. Changes in value for both the hedge and the hedged item are recorded to earnings. These amounts offset each other with the net amount representing the ineffectiveness of the relationship.

**Cash Flow Hedges**

Cash flow hedges are used by the Company to hedge the exposure to variability in cash flows for a forecasted debt issuance and for exposure to variability in cash flows of floating rate debt. This strategy is used primarily to minimize the exposure to volatility from future changes in interest rates. Gains and losses on the effective portion of a qualifying hedge are accumulated in other comprehensive income and ineffectiveness is recorded immediately to earnings.

**Trading Activities**

When instruments do not qualify as hedges under SFAS No. 133, they are accounted for as trading where all changes in fair value of the derivatives are recorded through earnings. In general, derivative instruments included in trading activities include Floor Income Contracts, basis swaps and various other derivatives that do not qualify for hedge accounting under SFAS No. 133.



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7. Derivative Financial Instruments (Continued)

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments at June 30, 2009 and December 31, 2008, and their impact on other comprehensive income and earnings for the three and six months ended June 30, 2009 and 2008.

Impact of Derivatives on Consolidated Balance Sheet

(Dollars in millions)	Hedged Risk Exposure	Cash Flow		Fair Value		Trading		Total	
		Jun. 30, 2009	Dec. 31, 2008	Jun. 30, 2009	Dec. 31, 2008	Jun. 30, 2009	Dec. 31, 2008	Jun. 30, 2009	Dec. 31, 2008
<b>Fair Values(1)</b>									
<i>Derivative Assets</i>									
Interest rate swaps	Interest rate	\$ —	\$ —	\$ 810	\$ 1,529	\$ 82	\$ 323	\$ 892	\$ 1,852
Cross currency interest rate swaps	Foreign currency and interest rate	—	—	2,498	2,743	36	13	2,534	2,756
Total derivative assets(3)		—	—	3,308	4,272	118	336	3,426	4,608
<i>Derivative Liabilities</i>									
Interest rate swaps	Interest rate	(106)	(146)	—	—	(635)	(332)	(741)	(478)
Floor/Cap contracts	Interest rate	—	—	—	—	(1,143)	(1,466)	(1,143)	(1,466)
Futures	Interest rate	—	—	—	—	(2)	(3)	(2)	(3)
Cross currency interest rate swaps	Foreign currency and interest rate	—	—	(210)	(640)	(1)	—	(211)	(640)
Other(2)	Interest rate	—	—	—	—	(22)	—	(22)	—
Total derivative liabilities(3)		(106)	(146)	(210)	(640)	(1,803)	(1,801)	(2,119)	(2,587)
Net total derivatives		\$ (106)	\$ (146)	\$ 3,098	\$ 3,632	\$ (1,685)	\$ (1,465)	\$ 1,307	\$ 2,021

(1) Fair values reported are exclusive of collateral held and pledged and accrued interest. 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) "Other" includes the fair value of the embedded derivatives in the total return swap related to the \$1.5 billion asset-backed securities based facility which closed in January 2009. The embedded derivatives are required to be accounted for as derivatives under SFAS No. 133.

(3) The following table reconciles gross positions without the impact of master netting agreements to the balance sheet classification:

	Other Assets		Other Liabilities	
	June 30, 2009	December 31, 2008	June 30, 2009	December 31, 2008
Gross position	\$ 3,426	\$ 4,608	\$ (2,119)	\$ (2,587)
Impact of master netting agreements	(1,052)	(1,594)	1,052	1,594
Derivative values with impact of master netting agreements	\$ 2,374	\$ 3,014	\$ (1,067)	\$ (993)

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7. Derivative Financial Instruments (Continued)

(Dollars in billions)	Cash Flow		Fair Value		Trading		Total	
	Jun. 30, 2009	Dec. 31, 2008	Jun. 30, 2009	Dec. 31, 2008	Jun. 30, 2009	Dec. 31, 2008	Jun. 30, 2009	Dec. 31, 2008
<b>Notional Values</b>								
Interest rate swaps	\$ 3.9	\$ 4.8	\$ 10.9	\$ 13.4	\$ 154.8	\$ 159.3	\$ 169.6	\$ 177.5
Floor/Cap contracts	—	—	—	—	38.7	32.4	38.7	32.4
Futures	—	—	—	—	.2	.2	.2	.2
Cross currency interest rate swaps	—	—	20.9	23.1	.3	.1	21.2	23.2
Other <sup>(1)</sup>	—	—	—	—	5.1	.7	5.1	.7
<b>Total derivatives</b>	<b>\$ 3.9</b>	<b>\$ 4.8</b>	<b>\$ 31.8</b>	<b>\$ 36.5</b>	<b>\$ 199.1</b>	<b>\$ 192.7</b>	<b>\$ 234.8</b>	<b>\$ 234.0</b>

(1) "Other" includes embedded derivatives bifurcated from newly issued on-balance sheet securitization debt, as a result of adopting SFAS No. 155 as well as embedded derivatives in the total return swap discussed in footnote 2 to the table above.

Impact of Derivatives on Consolidated Statements of Income

(Dollars in millions)	Three Months Ended June 30,							
	Unrealized Gain (Loss) on Derivatives <sup>(1)(2)</sup>		Realized Gain (Loss) on Derivatives <sup>(3)</sup>		Unrealized Gain (Loss) on Hedged Item <sup>(1)</sup>		Total Gain (Loss)	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Fair Value Hedges</b>								
Interest rate swaps	\$ (487)	\$ (364)	\$ 97	\$ 42	\$ 521	\$ 358	\$ 131	\$ 36
Cross currency interest rate swaps	1,163	(396)	120	(3)	(1,524)	439	(241)	40
Total fair value derivatives	676	(760)	217	39	(1,003)	797	(110)	76
<b>Cash Flow Hedges</b>								
Interest rate swaps	(5)	—	(21)	(11)	—	—	(26)	(11)
Total cash flow derivatives	(5)	—	(21)	(11)	—	—	(26)	(11)
<b>Trading</b>								
Interest rate swaps	(301)	(170)	119	105	—	—	(182)	(65)
Floor/Cap contracts	236	569	(171)	(174)	—	—	65	395
Futures	—	(3)	—	3	—	—	—	—
Cross currency interest rate swaps	(1)	(4)	1	(1)	—	—	—	(5)
Other	(115)	—	2	—	—	—	(113)	—
Total trading derivatives	(181)	392	(49)	(67)	—	—	(230)	325
Total	490	(368)	147	(39)	(1,003)	797	(366)	390
Less: realized gains (losses) recorded in interest expense	—	—	196	28	—	—	196	28
<b>Gains (losses) on derivative and hedging activities, net</b>	<b>\$ 490</b>	<b>\$ (368)</b>	<b>\$ (49)</b>	<b>\$ (67)</b>	<b>\$ (1,003)</b>	<b>\$ 797</b>	<b>\$ (562)</b>	<b>\$ 362</b>

(1) Recorded in "Gains (losses) on derivative and hedging activities, net" in the consolidated statements of income.

(2) Represents ineffectiveness related to cash flow hedges.

(3) For fair value and cash flow hedges, recorded in interest expense. For trading derivatives, recorded in "Gains (losses) on derivative and hedging activities, net."

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7. Derivative Financial Instruments (Continued)

(Dollars in millions)	Six Months Ended June 30,							
	Unrealized Gain (Loss) on Derivatives <sup>(1)(2)</sup>		Realized Gain (Loss) on Derivatives <sup>(3)</sup>		Unrealized Gain (Loss) on Hedged Item <sup>(1)</sup>		Total Gain (Loss)	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Fair Value Hedges</b>								
Interest rate swaps	\$ (670)	\$ 40	\$ 176	\$ 46	\$ 715	\$ (44)	\$ 221	\$ 42
Cross currency interest rate swaps	241	1,497	196	76	(501)	(1,394)	(64)	179
Total fair value derivatives	(429)	1,537	372	122	214	(1,438)	157	221
<b>Cash Flow Hedges</b>								
Interest rate swaps	—	—	(39)	(20)	—	—	(39)	(20)
Total cash flow derivatives	—	—	(39)	(20)	—	—	(39)	(20)
<b>Trading</b>								
Interest rate swaps	(601)	(302)	348	338	—	—	(253)	36
Floor/Cap contracts	402	274	(311)	(315)	—	—	91	(41)
Futures	1	(2)	—	3	—	—	1	1
Cross currency interest rate swaps	(34)	(5)	1	(1)	—	—	(33)	(6)
Other	(51)	—	2	—	—	—	(49)	—
Total trading derivatives	(283)	(35)	40	25	—	—	(243)	(10)
Total	(712)	1,502	373	127	214	(1,438)	(125)	191
Less: realized gains (losses) recorded in interest expense	—	—	333	102	—	—	333	102
Gains (losses) on derivative and hedging activities, net	\$ (712)	\$ 1,502	\$ 40	\$ 25	\$ 214	\$ (1,438)	\$ (458)	\$ 89

(1) Recorded in "Gains (losses) on derivative and hedging activities, net" in the consolidated statements of income.

(2) Represents ineffectiveness related to cash flow hedges.

(3) For fair value and cash flow hedges, recorded in interest expense. For trading derivatives, recorded in "Gains (losses) on derivative and hedging activities, net."

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7. Derivative Financial Instruments (Continued)

Impact of Derivatives on Consolidated Statements of Changes in Stockholders' Equity (net of tax)

(Dollars in millions)	Interest Rate Swaps		Interest Rate Swaps	
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Total gains (losses) on cash flow hedges	\$ 5	\$ 67	\$ 1	\$ 30
Realized (gains) losses reclassified to interest expense <sup>(1)(2)(3)</sup>	13	7	25	12
Hedge ineffectiveness reclassified to earnings <sup>(1)(4)</sup>	3	—	—	—
Total change in stockholders' equity for unrealized gains (losses) on derivatives	\$ 21	\$ 74	\$ 26	\$ 42

(1) Amounts included in "Impact of Derivatives on Consolidated Statements of Income" table above.

(2) Includes net settlement income/expense.

(3) The Company expects to reclassify \$1 million of after-tax net losses from accumulated other comprehensive income to earnings during the next 12 months related to net settlement accruals on interest rate swaps.

(4) Recorded in "Gains (losses) derivatives and hedging activities, net" in the consolidated statements of income.

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7. Derivative Financial Instruments (Continued)

**Collateral**

Collateral held and pledged at June 30, 2009 and December 31, 2008 related to derivative exposures between the Company and its derivative counterparties are detailed in the following table:

(Dollars in millions)	June 30, 2009	December 31, 2008
<b>Collateral held:(1)</b>		
Cash (obligation to return cash collateral is recorded in short-term borrowings)(2)	\$ 1,055	\$ 1,624
Securities at fair value — corporate derivatives (not recorded in financial statements)(3)	185	689
Securities at fair value — on-balance sheet securitization derivatives (not recorded in financial statements)(4)	610	688
Total collateral held	<u>\$ 1,850</u>	<u>\$ 3,001</u>
Derivative asset at fair value including accrued interest	<u>\$ 2,809</u>	<u>\$ 3,741</u>
<b>Collateral pledged to others:</b>		
Cash (right to receive return of cash collateral is recorded in investments)	\$ 772	\$ —
Securities at fair value (recorded in investments)(5)	27	26
Securities at fair value (recorded in restricted investments)(6)	33	—
Securities at fair value re-pledged (not recorded in financial statements)(6)(7)	—	191
Total collateral pledged	<u>\$ 832</u>	<u>\$ 217</u>
Derivative liability at fair value including accrued interest and premium receivable	<u>\$ 856</u>	<u>\$ 677</u>

(1) In addition to collateral held for derivative exposures, the Company held \$779 million (fair value) of mortgage-backed securities as collateral in a reverse repurchase transaction. The securities are not reflected in the consolidated financial statements; however, the reverse repurchase transaction is reflected in the Company's "cash and cash equivalents" line of the consolidated balance sheets.

(2) Effective with the downgrade in the Company's unsecured credit ratings on May 13, 2009, cash collateral is held in restricted cash accounts.

(3) Effective with the downgrade in the Company's unsecured credit ratings on May 13, 2009, the Company does not have the ability to sell or re-pledge securities it holds as collateral.

(4) The trusts do not have the ability to sell or re-pledge securities they hold as collateral.

(5) Counterparty does not have the right to sell or re-pledge securities.

(6) Counterparty has the right to sell or re-pledge securities.

(7) Represents securities the Company holds as collateral that have been pledged to other counterparties.

Additionally, as of June 30, 2009 and December 31, 2008, \$259 million and \$340 million, respectively, in collateral related to off-balance sheet trust derivatives were held by these off-balance sheet trusts. Collateral posted by third parties to the off-balance sheet trusts cannot be sold or re-pledged by the trusts.

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7. Derivative Financial Instruments (Continued)

8. Other Assets

The following table provides detail on the Company's other assets at June 30, 2009 and December 31, 2008.

	June 30, 2009		December 31, 2008	
	Ending Balance	% of Balance	Ending Balance	% of Balance
Accrued interest receivable	\$ 2,993,603	30%	\$ 3,466,404	31%
Derivatives at fair value	2,373,712	24	3,013,644	27
Income tax asset	1,895,199	19	1,661,039	15
APG purchased paper receivables and real estate owned	856,929	9	1,222,345	11
Benefit and insurance-related investments	475,780	5	472,899	4
Fixed assets, net	309,925	3	313,059	3
Accounts receivable — general	652,036	7	712,854	6
Other	467,945	3	278,533	3
<b>Total</b>	<b>\$ 10,025,129</b>	<b>100%</b>	<b>\$ 11,140,777</b>	<b>100%</b>

The "Derivatives at fair value" line in the above table includes the fair value of the Company's derivatives in a gain position by counterparty exclusive of accrued interest and collateral. At June 30, 2009 and December 31, 2008, these balances included cross-currency interest rate swaps and interest rate swaps designated as fair value hedges that were offset by an increase in interest-bearing liabilities related to the hedged debt. As of June 30, 2009 and December 31, 2008, the cumulative mark-to-market adjustment to the hedged debt was \$(3.1) billion and \$(3.4) billion, respectively.

9. Stockholders' Equity

The following table summarizes the Company's common share repurchases and issuances for the three and six months ended June 30, 2009 and 2008.

(Shares in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Common shares repurchased:				
Benefit plans(1)	—	.2	.1	.5
<b>Total shares repurchased</b>	<b>—</b>	<b>.2</b>	<b>.1</b>	<b>.5</b>
Average purchase price per share	\$ —	\$ 23.74	\$ 23.84	\$ 20.98
Common shares issued	.1	.3	.4	1.5
Authority remaining at end of period for repurchases	38.8	38.8	38.8	38.8

(1) Includes 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.

The closing price of the Company's common stock on June 30, 2009 was \$10.27.

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9. Stockholders' Equity (Continued)

*Accumulated Other Comprehensive Income (Loss)*

Accumulated other comprehensive income (loss) includes the after-tax change in unrealized gains and losses on available-for-sale investments, unrealized gains and losses on derivatives, and the defined benefit pension plans adjustment. The following table presents the cumulative balances of the components of other comprehensive income (loss) as of June 30, 2009, December 31, 2008 and June 30, 2008.

	June 30, 2009	December 31, 2008	June 30, 2008
Net unrealized gains (losses) on investments(1)	\$ 1,026	\$ (1,243)	\$ 22,604
Net unrealized gains (losses) on derivatives(2)	(67,971)	(93,986)	19,696
Defined benefit pension plans:			
Net prior service cost	—	—	—
Net gain	18,262	18,753	19,694
Total defined benefit pension plans(3)	18,262	18,753	19,694
Total accumulated other comprehensive income (loss)	\$ (48,683)	\$ (76,476)	\$ 61,994

(1) Net of tax expense of \$560 as of June 30, 2009, tax benefit of \$750 as of December 31, 2008, and tax expense of \$12,707 as of June 30, 2008.

(2) Net of tax benefit of \$39,086, and \$53,419 as of June 30, 2009 and December 31, 2008, respectively, and tax expense of \$11,118 as of June 30, 2008.

(3) Net of tax expense of \$10,776, \$10,967 and \$11,425 as of June 30, 2009, December 31, 2008 and June 30, 2008, respectively.

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9. Stockholders' Equity (Continued)

10. 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 for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Numerator:</b>				
Net income (loss) attributable to common stock	\$ (148,520)	\$ 238,345	\$ (196,301)	\$ 105,516
Adjusted for dividends of convertible preferred stock series C <sup>(1)</sup>	—	20,844	—	—
Net income (loss) attributable to common stock, adjusted	<u>\$ (148,520)</u>	<u>\$ 259,189</u>	<u>\$ (196,301)</u>	<u>\$ 105,516</u>
<b>Denominator (shares in thousands):</b>				
Weighted average shares used to compute basic EPS	466,799	466,649	466,780	466,615
Effect of dilutive securities:				
Dilutive effect of convertible preferred stock series C <sup>(1)</sup>	—	50,568	—	—
Dilutive effect of stock options, nonvested deferred compensation, nonvested restricted stock, restricted stock units and Employee Stock Purchase Plan ("ESPP") <sup>(2)</sup>	—	737	—	701
Dilutive potential common shares <sup>(3)</sup>	—	51,305	—	701
Weighted average shares used to compute diluted EPS	<u>466,799</u>	<u>517,954</u>	<u>466,780</u>	<u>467,316</u>
<b>Net earnings (loss) per share:</b>				
Basic earnings (loss) per common share	\$ (.32)	\$ .51	\$ (.42)	\$ .23
Dilutive effect of convertible preferred stock series C <sup>(1)</sup>	—	(.01)	—	—
Dilutive effect of stock options, nonvested deferred compensation, nonvested restricted stock, restricted stock units, and ESPP <sup>(2)</sup>	—	—	—	—
Diluted earnings (loss) per common share	<u>\$ (.32)</u>	<u>\$ .50</u>	<u>\$ (.42)</u>	<u>\$ .23</u>

(1) The Company's 7.25 percent mandatory convertible preferred stock series C was issued on December 31, 2007. The mandatory convertible preferred stock will automatically convert on December 15, 2010, into between approximately 48 million shares and 59 million shares of common stock, depending upon the Company's stock price at that time. Depending upon the amount of the mandatory convertible preferred stock outstanding as of that date, the actual number of shares of common stock issued may be less. These instruments were anti-dilutive for the three months ended June 30, 2009 and the six months ended June 30, 2009 and 2008. These instruments were anti-dilutive for the three and six months ended June 30, 2009, due to the net losses attributable to common stock for those periods.

(2) Includes the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options, non-vested deferred compensation and restricted stock, restricted stock units, and the outstanding commitment to issue shares under the ESPP, determined by the treasury stock method.

(3) For the three and six months ended June 30, 2009, stock options covering approximately 45 million shares for each period, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive. For the three and six months ended June 30, 2008, stock options covering approximately 40 million and 41 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.



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10. Earnings (Loss) per Common Share (Continued)

11. Other Income

The following table summarizes the components of "Other income" in the consolidated statements of income for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended		Six Months Ended	
	2009	2008	2009	2008
Gains on debt repurchases	\$ 325,294	\$ 21,284	\$ 389,049	\$ 21,284
Late fees and forbearance fees	32,051	34,030	68,763	71,185
Asset servicing and other transaction fees	26,391	26,067	51,446	51,935
Loan servicing fees	8,687	5,616	18,733	12,268
Foreign currency translation gains (losses), net	(5,692)	3,958	33,992	4,127
Other	12,334	17,773	29,540	41,462
<b>Total</b>	<b>\$ 399,065</b>	<b>\$ 108,728</b>	<b>\$ 591,523</b>	<b>\$ 202,261</b>

The increase in other income for the three and six months ended June 30, 2009 over the year-ago periods presented is primarily the result of the gains on debt repurchased. The Company began repurchasing its outstanding debt in the second quarter of 2008. In the second quarter of 2009, the Company repurchased \$1.1 billion face amount of its senior unsecured notes compared to \$1.2 billion in the second quarter of 2008. Since the second quarter of 2008, the Company has repurchased \$3.2 billion face amount of its senior unsecured notes in the aggregate, with maturity dates ranging from 2008 to 2014.

12. Restructuring Activities

During the fourth quarter of 2007, the Company initiated a restructuring program to reduce costs and improve operating efficiencies in response to the impacts of The College Cost Reduction and Access Act of 2007 ("CCRAA") and challenges in the capital markets. As part of this restructuring program, the Company has refocused its lending activities, exited certain customer relationships and product lines and consolidated and exited certain facilities. Management estimates approximately \$7 million of additional restructuring expenses associated with the Company's current cost reduction efforts will be incurred. These estimated additional restructuring costs relate primarily to position eliminations and resulting employee terminations as well as lease termination costs in the Company's Asset Performance Group ("APG") business segment. Management expects the Company's current restructuring program will be substantially complete by the end of 2009. However, management is continuing to review the Company's business to determine whether there are other opportunities to further streamline the business.

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12. Restructuring Activities (Continued)

The following table summarizes the restructuring expenses incurred during the quarters ended June 30, 2009 and 2008 and cumulative restructuring expenses incurred through June 30, 2009.

	Three Months Ended June 30,		Six Months Ended June 30,		Cumulative
	2009	2008	2009	2008	Expense as of June 30, 2009
Severance costs	\$ 4,291	\$ 34,214	\$ 6,957	\$ 49,083	\$ 92,320
Lease and other contract termination costs	67	8,634	742	9,069	10,259
Exit and other costs	72	3,892	1,504	9,266	12,904
Total(1)	\$ 4,430	\$ 46,740	\$ 9,203	\$ 67,418	\$ 115,483

(1) Aggregate restructuring expenses incurred across the Company's reportable segments during the three months ended June 30, 2009 and 2008 totaled \$4 million and \$31 million, respectively, in the Company's Lending reportable segment, \$.4 million and \$5 million, respectively, in the Company's APG reportable segment, and \$(.2) million and \$11 million, respectively, in the Company's Corporate and Other reportable segment.

As of June 30, 2009 and 2008, severance costs were incurred in conjunction with aggregate completed and planned position eliminations of approximately 2,800 and 2,500 positions, respectively, across all of the Company's reportable segments, with position eliminations ranging from senior executives to clerical personnel. Lease and other contract termination costs and exit and other costs incurred during the three months ended June 30, 2009 and 2008, respectively, related primarily to terminated or abandoned facility leases and consulting costs incurred in conjunction with various cost reduction and exit strategies.

The following table summarizes the restructuring liability balance, which is included in other liabilities in the accompanying consolidated balance sheet.

	Severance	Lease and	Exit and	Total
	Costs	Other Contract Termination Costs	Other Costs	
<b>Balance at December 31, 2007</b>	\$ 18,329	\$ —	\$ —	\$ 18,329
Net accruals	62,858	9,517	11,400	83,775
Cash paid	(66,063)	(6,719)	(11,340)	(84,122)
<b>Balance at December 31, 2008</b>	15,124	2,798	60	17,982
Net accruals	6,957	742	1,504	9,203
Cash paid	(15,104)	(982)	(1,564)	(17,650)
<b>Balance at June 30, 2009</b>	\$ 6,977	\$ 2,558	\$ —	\$ 9,535

13. Fair Value Measurements

The Company uses estimates of fair value as defined by SFAS No. 157 in applying various accounting standards for its financial statements. Under GAAP, fair value measurements are used in one of four ways:

- In the consolidated balance sheet with changes in fair value recorded in the consolidated statement of income;

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13. Fair Value Measurements (Continued)

- In the consolidated balance sheet with changes in fair value recorded in the accumulated other comprehensive income section of the consolidated statement of changes in stockholders' equity;
- In the consolidated balance sheet for instruments carried at lower of cost or fair value with impairment charges recorded in the consolidated statement of income; and
- In the notes to the financial statements as required by SFAS No. 107, "Disclosures about Fair Value of Financial Instruments."

Fair value under SFAS No. 157 is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, the Company's policy in estimating fair values is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates and credit spreads (including for the Company's liabilities), relying first on observable data from active markets. Additional adjustments may be made for factors including liquidity, credit, bid/offer spreads, etc., depending on current market conditions. Transaction costs are not included in the determination of fair value. When possible, the Company seeks to validate the model's output to market transactions. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable.

Under SFAS No. 157, the Company categorizes its fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. Classification is based on the lowest level of input that is significant to the fair value of the instrument. The three levels are as follows:

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

**Student Loans**

The Company's FFELP loans and Private Education Loans are accounted for at cost or at the lower of cost or market if the loan is held-for-sale (see Note 2, "Significant Accounting Policies — Loans," to the consolidated financial statements in the Company's 2008 Annual Report on Form 10-K, for a discussion of the accounting treatment); however, the fair value is disclosed in compliance with SFAS No. 107. FFELP loans classified as held-for-sale are those which the Company has the ability and intent to sell under various ED loan purchase programs. In these instances, the FFELP loans are valued using the committed sales price under the programs. For all other FFELP loans and Private Education Loans, fair value was determined by modeling loan level cash flows using stated terms of the assets and internally-developed assumptions to determine aggregate portfolio yield, net present value and average life. The significant assumptions used to project cash

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13. Fair Value Measurements (Continued)

flows are prepayment speeds, default rates, cost of funds, required return on equity, and expected Repayment Borrower Benefits to be earned. In addition, the Floor Income component of the Company's FFELP loan portfolio is valued through discounted cash flow and option models using both observable market inputs and internally developed inputs. A number of significant inputs into the models are not observable.

*Other Loans*

Warehousing, facilities financings, and mortgage and consumer loans held for investment are accounted for at cost with fair values being disclosed as required by SFAS No. 107. Mortgage loans held for sale are accounted for at lower of cost or market. Fair value was determined with discounted cash flow models using the stated terms of the loans and observable market yield curves. In addition, adjustments and assumptions were made for credit spreads, liquidity, prepayment speeds and defaults. A number of significant inputs into the models are not observable.

*Cash and Investments (Including "Restricted")*

Cash and cash equivalents are carried at cost. Carrying value approximated fair value for disclosure purposes. Investments accounted for under SFAS No. 115 and classified as trading or available-for-sale are carried at fair value in the financial statements. Investments in U.S. Treasury securities and securities issued by U.S. government agencies that are traded in active markets were valued using observable market prices. Other investments for which observable prices from active markets are not available were valued through standard bond pricing models using observable market yield curves adjusted for credit and liquidity spreads. The fair value of investments in Commercial Paper, Asset Backed Commercial Paper, or Demand Deposits that have a remaining term of less than 90 days when purchased are estimated at cost and when needed, adjustments for liquidity and credit spreads are made depending on market conditions and counterparty credit risks. These investments consist of mostly overnight/weekly maturity instruments with highly-rated counterparties.

*Borrowings*

Borrowings are accounted for at cost in the financial statements except when denominated in a foreign currency or when designated as the hedged item in a fair value hedge relationship under SFAS No. 133. When the hedged risk is the benchmark interest rate and not full fair value, the cost basis is adjusted for changes in value due to benchmark interest rates only. Additionally, foreign currency denominated borrowings are re-measured at current spot rates in the financial statements. The full fair value of all borrowings is disclosed as required by SFAS No. 107. Fair value was determined through standard bond pricing models and option models (when applicable) using the stated terms of the borrowings, and observable yield curves, foreign currency exchange rates and volatilities from active markets; or from quotes from broker-dealers. Credit adjustments for unsecured corporate debt are made based on indicative quotes from observable trades and spreads on credit default swaps specific to the Company. Credit adjustments for secured borrowings are based on indicative quotes from broker-dealers. These adjustments for both secured and unsecured borrowings are material to the overall valuation of these items and, currently, are based on inputs from inactive markets.

*Derivative Financial Instruments*

All derivatives are accounted for at fair value in the financial statements. The fair values of a majority of derivative financial instruments, including swaps and floors, were determined by standard derivative pricing

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13. Fair Value Measurements (Continued)

and option models using the stated terms of the contracts and observable yield curves, forward foreign currency exchange rates and volatilities from active markets. In some cases, management utilized internally developed amortization streams to model the fair value for swaps whose notional amounts contractually amortizes with securitized asset balances. Complex structured derivatives or derivatives that trade in less liquid markets require significant adjustments and judgment in determining fair value that cannot be corroborated with market transactions. When determining the fair value of derivatives, the Company takes into account counterparty credit risk for positions where it is exposed to the counterparty on a net basis by assessing exposure net of collateral held. The net exposures for each counterparty are adjusted based on market information available for the specific counterparty including spreads from credit default swaps. Additionally, when the counterparty has exposure to the Company related to SLM Corporation derivatives, the Company fully collateralizes the exposure minimizing the adjustment necessary to the derivative valuations for the Company's credit risk. While trusts that contain derivatives are not required to post collateral to counterparties, the credit quality and securitized nature of the trusts minimizes any adjustments for the counterparty's exposure to the trusts. It is the Company's policy to compare its derivative fair values to those received by its counterparties in order to validate the model's outputs. The carrying value of borrowings designated as the hedged item in a SFAS No. 133 fair value hedge are adjusted for changes in fair value due to benchmark interest rates and foreign-currency exchange rates. These valuations are determined through standard bond pricing models and option models (when applicable) using the stated terms of the borrowings, and observable yield curves, foreign currency exchange rates, and volatilities.

During 2008 and 2009, the bid/ask spread widened significantly for certain interest rate indices for which the Company had derivatives as a result of market inactivity. As such, significant adjustments for the bid/ask spread and unobservable inputs were used in the fair value calculation resulting in these instruments being classified as level 3 in the hierarchy. Additionally, significant unobservable inputs were used to model the amortizing notional of some swaps tied to securitized asset balances and as such, these derivatives have been classified as level 3 in the hierarchy.

*Residual Interests*

The Residual Interests are carried at fair value in the financial statements. No active market exists for student loan Residual Interests; as such, the fair value is calculated using discounted cash flow models and option models. Observable inputs from active markets are used where available, including yield curves and volatilities. Significant unobservable inputs such as prepayment speeds, default rates, certain bonds' costs of funds and discount rates, are used in determining the fair value and require significant judgment. These unobservable inputs are internally determined based upon analysis of historical data and expected industry trends. On a quarterly basis the Company back tests its prepayment speed, default rates and costs of funds assumptions by comparing those assumptions to actuals experienced. Additionally, the Company uses non-binding broker quotes and industry analyst reports which show changes in the indicative prices of the asset-backed securities tranches immediately senior to the Residual Interest as an indication of potential changes in the discount rate used to value the Residual Interests. Market transactions are not available to validate the models' results. An analysis of the impact of changes to significant inputs is addressed further in Note 6, "Student Loan Securitization."

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13. Fair Value Measurements (Continued)

The following tables summarize the valuation of the Company's financial instruments that are marked-to-market on a recurring basis in the consolidated financial statements as of June 30, 2009 and December 31, 2008.

(Dollars in millions)	Fair Value Measurements on a Recurring Basis as of June 30, 2009					
	Level 1	Level 2	Level 3	Total	Cash Collateral	Net
<b>Assets</b>						
Available for sale investments	\$ —	\$ 1,187	\$ —	\$ 1,187	\$ —	\$ 1,187
Retained Interest in off-balance sheet securitized loans	—	—	1,821	1,821	—	1,821
Derivative instruments <sup>(1)(2)</sup>	—	1,584	790	2,374	(1,055)	1,319
<b>Total Assets</b>	<b>\$ —</b>	<b>\$ 2,771</b>	<b>\$ 2,611</b>	<b>\$ 5,382</b>	<b>\$ (1,055)</b>	<b>\$ 4,327</b>
<b>Liabilities<sup>(3)</sup></b>						
Derivative instruments <sup>(1)(2)</sup>	\$ (2)	\$ (1,065)	\$ —	\$ (1,067)	\$ 772	\$ (295)
<b>Total Liabilities</b>	<b>\$ (2)</b>	<b>\$ (1,065)</b>	<b>\$ —</b>	<b>\$ (1,067)</b>	<b>\$ 772</b>	<b>\$ (295)</b>

(Dollars in millions)	Fair Value Measurements on a Recurring Basis as of December 31, 2008					
	Level 1	Level 2	Level 3	Total	Cash Collateral	Net
<b>Assets</b>						
Available for sale investments	\$ —	\$ 861	\$ —	\$ 861	\$ —	\$ 861
Retained Interest in off-balance sheet securitized loans	—	—	2,200	2,200	—	2,200
Derivative instruments <sup>(1)(2)</sup>	—	3,014	—	3,014	(1,624)	1,390
<b>Total Assets</b>	<b>\$ —</b>	<b>\$ 3,875</b>	<b>\$ 2,200</b>	<b>\$ 6,075</b>	<b>\$ (1,624)</b>	<b>\$ 4,451</b>
<b>Liabilities<sup>(3)</sup></b>						
Derivative instruments <sup>(1)(2)</sup>	\$ (3)	\$ (648)	\$ (341)	\$ (992)	\$ —	\$ (992)
<b>Total Liabilities</b>	<b>\$ (3)</b>	<b>\$ (648)</b>	<b>\$ (341)</b>	<b>\$ (992)</b>	<b>\$ —</b>	<b>\$ (992)</b>

(1) Fair value of derivative instruments is comprised of market value less accrued interest and excludes collateral.

(2) Level 1 derivatives include euro-dollar futures contracts. Level 2 derivatives include derivatives indexed to interest rate indices and currencies that are considered liquid. Level 3 derivatives include derivatives indexed to illiquid interest rate indices and derivatives for which significant adjustments were made to observable inputs.

(3) Borrowings which are the hedged items in a fair value hedge relationship and which are adjusted for changes in value due to benchmark interest rates only are not carried at full fair value and are not reflected in this table.

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13. Fair Value Measurements (Continued)

The following table summarizes the change in balance sheet carrying value associated with Level 3 financial instruments carried at fair value on a recurring basis during the three and six months ended June 30, 2009 and 2008.

(Dollars in millions)	Three Months Ended June 30,					
	2009			2008		
	Residual Interests	Derivative Instruments	Total	Residual Interests	Derivative Instruments	Total
<b>Balance, beginning of period</b>	\$ 1,951	\$ 437	\$ 2,388	\$ 2,874	\$ (52)	\$ 2,822
Total gains/(losses) (realized and unrealized):						
Included in earnings <sup>(1)</sup>	36	206	242	(43)	(72)	(115)
Included in other comprehensive income	—	—	—	—	—	—
Purchases, issuances and settlements	(166)	147	(19)	(286)	3	(283)
Transfers in and/or out of Level 3	—	—	—	—	—	—
<b>Balance, end of period</b>	<u>\$ 1,821</u>	<u>\$ 790</u>	<u>\$ 2,611</u>	<u>\$ 2,545</u>	<u>\$ (121)</u>	<u>\$ 2,424</u>
Change in unrealized gains/(losses) relating to instruments still held at the reporting date	\$ (90) <sup>(2)</sup>	\$ 339 <sup>(3)</sup>	\$ 249	\$ (192) <sup>(2)</sup>	\$ (68) <sup>(3)</sup>	\$ (260)

(Dollars in millions)	Six Months Ended June 30,					
	2009			2008		
	Residual Interests	Derivative Instruments	Total	Residual Interests	Derivative Instruments	Total
<b>Balance, beginning of period</b>	\$ 2,200	\$ (341)	\$ 1,859	\$ 3,044	\$ (71)	\$ 2,973
Total gains/(losses) (realized and unrealized):						
Included in earnings <sup>(1)</sup>	(99)	(124)	(223)	17	(62)	(45)
Included in other comprehensive income	—	—	—	—	—	—
Purchases, issuances and settlements	(280)	187	(93)	(516)	12	(504)
Transfers in and/or out of Level 3	—	1,068	1,068	—	—	—
<b>Balance, end of period</b>	<u>\$ 1,821</u>	<u>\$ 790</u>	<u>\$ 2,611</u>	<u>\$ 2,545</u>	<u>\$ (121)</u>	<u>\$ 2,424</u>
Change in unrealized gains/(losses) relating to instruments still held at the reporting date	\$ (351) <sup>(2)</sup>	\$ 66 <sup>(3)</sup>	\$ (285)	\$ (280) <sup>(2)</sup>	\$ (49) <sup>(3)</sup>	\$ (329)

(1) "Included in earnings" is comprised of the following amounts recorded in the specified line item in the consolidated statements of income:

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Servicing and securitization revenue	\$ 36	\$ (43)	\$ (99)	\$ 17
Gains (losses) on derivative and hedging activities, net	264	(72)	(28)	(62)
Interest expense	(58)	—	(96)	—
Total	<u>\$ 242</u>	<u>\$ (115)</u>	<u>\$ (223)</u>	<u>\$ (45)</u>

(2) Recorded in "servicing and securitization revenue (loss)" in the consolidated statements of income.

(3) Recorded in "gains (losses) on derivative and hedging activities, net" in the consolidated statements of income.

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13. Fair Value Measurements (Continued)

In addition, at June 30, 2009, the Company had real estate owned assets, related to its Purchased Paper — Mortgage/Properties business, held on its balance sheet at fair value totaling \$130 million. These assets are carried at the lower of cost or fair value and as such are marked-to-market on a non-recurring basis. Fair value is determined using significant unobservable inputs primarily based on broker price opinions and are considered Level 3 valuations.

The following table summarizes the fair values of the Company's financial assets and liabilities, including derivative financial instruments, as of June 30, 2009 and December 31, 2008.

(Dollars in millions)	June 30, 2009			December 31, 2008		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
<b>Earning assets</b>						
FFELP loans	\$ 127,239	\$ 132,306	\$ (5,067)	\$ 107,319	\$ 124,220	\$ (16,901)
Private Education Loans	18,035	21,850	(3,815)	14,141	20,582	(6,441)
Other loans	364	489	(125)	619	729	(110)
Cash and investments	13,458	13,458	—	8,646	8,646	—
Total earning assets	159,096	168,103	(9,007)	130,725	154,177	(23,452)
<b>Interest-bearing liabilities</b>						
Short-term borrowings	47,160	47,332	172	41,608	41,933	325
Long-term borrowings	110,827	125,880	15,053	93,462	118,225	24,763
Total interest-bearing liabilities	157,987	173,212	15,225	135,070	160,158	25,088
<b>Derivative financial instruments</b>						
Floor Income/Cap contracts	(1,143)	(1,143)	—	(1,466)	(1,466)	—
Interest rate swaps	151	151	—	1,374	1,374	—
Cross currency interest rate swaps	2,323	2,323	—	2,116	2,116	—
Futures contracts	(2)	(2)	—	(3)	(3)	—
Other	(22)	(22)	—	—	—	—
<b>Other</b>						
Residual interest in securitized assets	1,821	1,821	—	2,200	2,200	—
<b>Excess of net asset fair value over carrying value</b>			<b>\$ 6,218</b>			<b>\$ 1,636</b>



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**14. Commitments and Contingencies**

On August 3, 2009, the Company received the final audit report of ED's Office of the Inspector General ("OIG") related to the Company's billing practices for special allowance payments. Among other things, the OIG recommended that ED instruct the Company to return approximately \$22 million in alleged special allowance overpayments. The Company continues to believe that its practices are consistent with longstanding ED guidance and all applicable rules and regulations and intends to continue disputing these findings. The OIG has audited other industry participants with regard to special allowance payments for loans funded by tax exempt obligations and in certain cases the Secretary of ED has disagreed with the OIG's recommendations.

In the ordinary course of business, the Company and its subsidiaries are 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 or other laws. In certain of these actions and proceedings, claims for substantial monetary damage are asserted against the Company and its subsidiaries.

In the ordinary course of business, the Company and its subsidiaries also are subject to regulatory examinations, information gathering requests, inquiries and investigations. In connection with formal and informal inquiries in these cases, the Company and its subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of the Company's regulated activities.

In view of the inherent difficulty of predicting the outcome of such litigation and regulatory matters, the Company cannot predict what the eventual outcome of the pending matters will be, what the timing or the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be.

In accordance with SFAS No. 5, "Accounting for Contingencies," the Company is required to establish reserves for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, the Company does not establish reserves.

Based on current knowledge, no reserves have been established for any pending litigation or regulatory matters. Based on current knowledge, management does not believe that loss contingencies, if any, arising from pending litigation or regulatory matters will have a material adverse effect on the consolidated financial position or liquidity of the Company.

**15. Income Taxes**

For the six months ended June 30, 2009 and 2008, the Company reported an income tax benefit of \$78 million and income tax expense of \$91 million, respectively, representing effective tax rates of 35 percent and 35 percent, respectively.

*Accounting for Uncertainty in Income Taxes*

The unrecognized tax benefits changed from \$86 million at December 31, 2008 to \$121 million at June 30, 2009, and there was no material change from December 31, 2008 for the accrued interest and penalties. Included in the \$121 million are \$32 million of unrecognized tax benefits that if recognized, would favorably impact the effective tax rate.

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**15. Income Taxes (Continued)**

These changes result primarily from adding a new issue that was identified during the first quarter of 2009 while completing the 2008 U.S. federal income tax return as well as adjusting the 2005 and 2006 unrecognized tax benefits to incorporate the net impact of the IRS examination of the Company's 2005 and 2006 U.S. federal income tax returns. New information was received from the IRS during the first quarter as part of that IRS examination and the examination was ultimately concluded during the second quarter. Several other less significant amounts of uncertain tax benefits were also added during the quarter.

**16. Segment Reporting**

The Company has two primary operating segments as defined in SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" — the Lending operating segment and the APG, formerly known as DMO, operating segment. The Lending and APG operating segments meet the quantitative thresholds for reportable segments identified in SFAS No. 131. Accordingly, the results of operations of the Company's Lending and APG segments are presented below. The Company has smaller operating segments including the Guarantor Servicing, Loan Servicing, and Upromise operating segments, as well as certain other products and services provided to colleges and universities which do not meet the quantitative thresholds identified in SFAS No. 131. Therefore, the results of operations for these operating segments and the revenues and expenses associated with these other products and services are combined with corporate overhead and other corporate activities within the Corporate and Other reportable segment.

The management reporting process measures the performance of the Company's operating segments based on the management structure of the Company as well as the methodology used by management to evaluate performance and allocate resources. Management, including the Company's chief operating decision makers, evaluates the performance of the Company's operating segments based on their profitability. As discussed further below, management measures the profitability of the Company's operating segments based on "Core Earnings" net income. Accordingly, information regarding the Company's reportable segments is provided based on a "Core Earnings" basis. The Company's "Core Earnings" performance measures are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. "Core Earnings" net income reflects only current period adjustments to GAAP net income as described below. Unlike financial accounting, there is no comprehensive, authoritative guidance for management reporting. The management reporting process measures the performance of the operating segments based on the management structure of the Company and is not necessarily comparable with similar information for any other financial institution. The Company's operating segments are defined by the products and services they offer or the types of customers they serve, and they reflect the manner in which financial information is currently evaluated by management. Intersegment revenues and expenses are netted within the appropriate financial statement line items consistent with the income statement presentation provided to management. Changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial information.

The Company's principal operations are located in the United States, and its results of operations and long-lived assets in geographic regions outside of the United States are not significant. In the Lending segment, no individual customer accounted for more than 10 percent of its total revenue during the three months ended June 30, 2009 and 2008. United Student Aid Funds, Inc. ("USA Funds") is the Company's largest customer in both the APG and Corporate and Other segments. During the six months ended June 30, 2009 and 2008, USA Funds accounted for 13 percent and 28 percent, respectively, of the aggregate revenues

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16. Segment Reporting (Continued)

generated by the Company's APG and Corporate and Other segments. No other customers accounted for more than 10 percent of total revenues in those segments for the years mentioned.

*Lending*

In the Company's Lending operating segment, the Company originates and acquires both FFELP loans and Private Education Loans. As of June 30, 2009, the Company managed \$188.1 billion of student loans, of which \$153.6 billion or 82 percent are federally insured, and has 10 million student and parent customers. In the six months ended June 30, 2009, the Company originated \$4 million in mortgage loans which were sold. The Company's mortgage and other consumer loan portfolio totaled \$428 million at June 30, 2009.

Private Education Loans consist of two general types: (1) those that are designed to bridge the gap between the cost of higher education and the amount financed through either capped federally insured loans or the borrowers' resources, and (2) those that are used to meet the needs of students in alternative learning programs such as career training, distance learning and lifelong learning programs. Most higher education Private Education Loans are made in conjunction with a FFELP loan and as such are marketed through the same channel as FFELP loans by the same sales force. Unlike FFELP loans, Private Education Loans are subject to the full credit risk of the borrower. The Company manages this additional risk through historical risk-performance underwriting strategies, the addition of qualified cosigners and a combination of higher interest rates and loan origination fees that compensate the Company for the higher risk.

*APG*

The Company's APG operating segment provides a wide range of accounts receivable and collections services including student loan default aversion services, defaulted student loan portfolio management services, contingency collections services for student loans and other asset classes, and accounts receivable management and collection for purchased portfolios of receivables that are delinquent or have been charged off by their original creditors, and sub-performing and non-performing mortgage loans. The Company's APG operating segment serves the student loan marketplace through a broad array of default management services on a contingency fee or other pay-for-performance basis to 14 FFELP guarantors and for campus-based programs.

In addition to collecting on its own purchased receivables and mortgage loans, the APG operating segment provides receivable management and collection services for federal agencies, credit card clients and other holders of consumer debt.

The Company concluded in 2008 that its APG purchased paper business no longer produced a strategic fit, and the Company decided to wind down this business. Due to the continued weakening of the U.S. economy, during the second quarter of 2009, the Company recorded \$8 million of impairment related to declines in the fair value of mortgage loans and real estate held by the Company's mortgage purchased paper subsidiary and \$13 million of impairment related to the Company's non-mortgage purchase paper subsidiary. These impairments are recorded within collections revenue (loss) as they are not considered restructuring expenses.

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16. Segment Reporting (Continued)

*Corporate and Other*

The Company's Corporate and Other segment includes the aggregate activity of its smaller operating segments, primarily its Guarantor Servicing, Loan Servicing and Uprromise operating segments. Corporate and Other also includes several smaller products and services, as well as corporate overhead.

In the Guarantor Servicing operating segment, the Company provides a full complement of administrative services to FFELP guarantors including guarantee issuance, account maintenance, and guarantee fulfillment. In the Loan Servicing operating segment, the Company provides a full complement of activities required to service student loans on behalf of lenders who are unrelated to the Company. Such servicing activities generally commence once a loan has been fully disbursed and include sending out payment coupons to borrowers, processing borrower payments, originating and disbursing FFELP Consolidation Loans on behalf of the lender, and other administrative activities required by ED.

Uprromise markets and administers a consumer savings network and also provides program management, transfer and servicing agent services, and administration services for 529 college-savings plans. The Company's other products and services include comprehensive financing and loan delivery solutions that it provides to college financial aid offices and students to streamline the financial aid process. Corporate overhead includes all of the typical headquarter functions such as executive management, accounting and finance, human resources and marketing.

*Measure of Profitability*

The tables below include the condensed operating results for each of the Company's reportable segments. Management, including the chief operating decision makers, evaluates the Company on certain performance measures that the Company refers to as "Core Earnings" performance measures for each operating segment. While "Core Earnings" results are not a substitute for reported results under GAAP, the Company relies on "Core Earnings" performance measures to manage each operating segment because it believes these measures provide additional information regarding the operational and performance indicators that are most closely assessed by management.

"Core Earnings" performance measures are the primary financial performance measures used by management to develop the Company's financial plans, track results, and establish corporate performance targets and incentive compensation. Management believes this information provides additional insight into the financial performance of the core business activities of its operating segments. Accordingly, the tables presented below reflect "Core Earnings" operating measures reviewed and utilized by management to manage the business. Reconciliation of the "Core Earnings" segment totals to the Company's consolidated operating results in accordance with GAAP is also included in the tables below.

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16. Segment Reporting (Continued)

Segment Results and Reconciliations to GAAP

(Dollars in millions)	Three Months Ended June 30, 2009					Total GAAP
	Lending	APG	Corporate and Other	Total "Core Earnings"	Adjustments(2)	
Interest income:						
FFELP Stafford and Other Student Loans	\$ 310	\$ —	\$ —	\$ 310	\$ 14	\$ 324
FFELP Consolidation Loans	394	—	—	394	67	461
Private Education Loans	559	—	—	559	(166)	393
Other loans	18	—	—	18	—	18
Cash and investments	4	—	4	8	(1)	7
Total interest income	1,285	—	4	1,289	(86)	1,203
Total interest expense	824	5	3	832	(13)	819
Net interest income (loss)	461	(5)	1	457	(73)	384
Less: provisions for loan losses	402	—	—	402	(124)	278
Net interest income (loss) after provisions for loan losses	59	(5)	1	55	51	106
Contingency fee revenue	—	73	—	73	—	73
Collections revenue	—	22	—	22	—	22
Guarantor servicing fees	—	—	25	25	—	25
Other income (loss)	360	—	46	406	(481)	(75)
Total other income	360	95	71	526	(481)	45
Restructuring expenses	4	—	—	4	—	4
Operating expenses	141	80	85	306	10	316
Total expenses	145	80	85	310	10	320
Income (loss) before income tax expense (benefit)	274	10	(13)	271	(440)	(169)
Income tax expense (benefit)(1)	102	4	(5)	101	(147)	(46)
Less: net income attributable to noncontrolling interest	—	—	—	—	—	—
Net income (loss) attributable to SLM Corporation	\$ 172	\$ 6	\$ (8)	\$ 170	\$ (293)	\$ (123)
Economic Floor Income (net of tax) not included in "Core Earnings"	\$ 89	\$ —	\$ —	\$ 89	\$ —	\$ —

(1) Income taxes are based on a percentage of net income before tax for each individual reportable segment.

(2) "Core Earnings" adjustments to GAAP:

(Dollars in millions)	Three Months Ended June 30, 2009				Total
	Net Impact of Securitization Accounting	Net Impact of Derivative Accounting	Net Impact of Floor Income	Net Impact of Acquired Intangibles	
Net interest income (loss)	\$ (230)	\$ 67	\$ 90	\$ —	\$ (73)
Less: provisions for loan losses	(124)	—	—	—	(124)
Net interest income (loss) after provisions for loan losses	(106)	67	90	—	51
Contingency fee revenue	—	—	—	—	—
Collections revenue	—	—	—	—	—
Guarantor servicing fees	—	—	—	—	—
Other income (loss)	81	(562)	—	—	(481)
Total other income (loss)	81	(562)	—	—	(481)
Restructuring expenses	—	—	—	—	—
Operating expenses	—	—	—	10	10
Total expenses	—	—	—	10	10
Total pre-tax "Core Earnings" adjustments to GAAP	\$ (25)	\$ (495)	\$ 90	\$ (10)	(440)
Income tax benefit	—	—	—	—	(147)
Less: net income attributable to noncontrolling interest	—	—	—	—	—
Total "Core Earnings" adjustments to GAAP	—	—	—	—	\$ (293)

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16. Segment Reporting (Continued)

(Dollars in millions)	Three Months Ended June 30, 2008					Total GAAP
	Lending	APG	Corporate and Other	Total "Core Earnings"	Adjustments(2)	
Interest income:						
FFELP Stafford and Other Student Loans	\$ 524	\$ —	\$ —	\$ 524	\$ (26)	\$ 498
FFELP Consolidation Loans	908	—	—	908	(138)	770
Private Education Loans	665	—	—	665	(256)	409
Other loans	21	—	—	21	—	21
Cash and investments	81	—	5	86	(15)	71
Total interest income	2,199	—	5	2,204	(435)	1,769
Total interest expense	1,605	7	5	1,617	(251)	1,366
Net interest income (loss)	594	(7)	—	587	(184)	403
Less: provisions for loan losses	192	—	—	192	(49)	143
Net interest income (loss) after provisions for loan losses	402	(7)	—	395	(135)	260
Contingency fee revenue	—	84	—	84	—	84
Collections revenue	—	27	—	27	(1)	26
Guarantor servicing fees	—	—	24	24	—	24
Other income	62	—	45	107	322	429
Total other income	62	111	69	242	321	563
Restructuring expenses	31	5	11	47	—	47
Operating expenses	155	110	73	338	16	354
Total expenses	186	115	84	385	16	401
Income (loss) before income tax expense (benefit)	278	(11)	(15)	252	170	422
Income tax expense (benefit)(1)	103	(4)	(6)	93	60	153
Less: net income attributable to noncontrolling interest	—	3	—	3	—	3
Net income (loss) attributable to SLM Corporation	\$ 175	\$ (10)	\$ (9)	\$ 156	\$ 110	\$ 266
Economic Floor Income (net of tax) not included in "Core Earnings"	\$ 22	\$ —	\$ —	\$ 22		

(1) Income taxes are based on a percentage of net income before tax for each individual reportable segment.

(2) "Core Earnings" adjustments to GAAP:

(Dollars in millions)	Three Months Ended June 30, 2008				Total
	Net Impact of Securitization Accounting	Net Impact of Derivative Accounting	Net Impact of Floor Income	Net Impact of Acquired Intangibles	
Net interest income (loss)	\$ (254)	\$ 89	\$ (19)	\$ —	\$ (184)
Less: provisions for loan losses	(49)	—	—	—	(49)
Net interest income (loss) after provisions for loan losses	(205)	89	(19)	—	(135)
Contingency fee revenue	—	—	—	—	—
Collections revenue (loss)	(1)	—	—	—	(1)
Guarantor servicing fees	—	—	—	—	—
Other income (loss)	(40)	362	—	—	322
Total other income (loss)	(41)	362	—	—	321
Restructuring expenses	—	—	—	—	—
Operating expenses	1	—	—	15	16
Total expenses	1	—	—	15	16
Total pre-tax "Core Earnings" adjustments to GAAP	\$ (247)	\$ 451	\$ (19)	\$ (15)	170
Income tax expense	—	—	—	—	60
Less: net income attributable to noncontrolling interest	—	—	—	—	—
Total "Core Earnings" adjustments to GAAP					\$ 110

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16. Segment Reporting (Continued)

(Dollars in millions)	Six Months Ended June 30, 2009					Total GAAP
	Lending	APG	Corporate and Other	Total "Core Earnings"	Adjustments(2)	
Interest income:						
FFELP Stafford and Other Student Loans	\$ 672	\$ —	\$ —	\$ 672	\$ (5)	\$ 667
FFELP Consolidation Loans	833	—	—	833	117	950
Private Education Loans	1,122	—	—	1,122	(342)	780
Other loans	35	—	—	35	—	35
Cash and investments	6	—	9	15	(2)	13
Total interest income	2,668	—	9	2,677	(232)	2,445
Total interest expense	1,773	10	8	1,791	55	1,846
Net interest income (loss)	895	(10)	1	886	(287)	599
Less: provisions for loan losses	751	—	—	751	(223)	528
Net interest income (loss) after provisions for loan losses	144	(10)	1	135	(64)	71
Contingency fee revenue	—	148	—	148	—	148
Collections revenue	—	—	—	—	1	1
Guarantor servicing fees	—	—	59	59	—	59
Other income (loss)	461	—	96	557	(432)	125
Total other income	461	148	155	764	(431)	333
Restructuring expenses	5	2	2	9	—	9
Operating expenses	272	169	156	597	20	617
Total expenses	277	171	158	606	20	626
Income (loss) before income tax expense (benefit)	328	(33)	(2)	293	(515)	(222)
Income tax expense (benefit)(1)	122	(12)	(1)	109	(187)	(78)
Less: net income attributable to noncontrolling interest	—	—	—	—	—	—
Net income (loss) attributable to SLM Corporation	\$ 206	\$ (21)	\$ (1)	\$ 184	\$ (328)	\$ (144)
Economic Floor Income (net of tax) not included in "Core Earnings"	\$ 168	\$ —	\$ —	\$ 168		

(1) Income taxes are based on a percentage of net income before tax for each individual reportable segment.

(2) "Core Earnings" adjustments to GAAP:

(Dollars in millions)	Six Months Ended June 30, 2009				Total
	Net Impact of Securitization Accounting	Net Impact of Derivative Accounting	Net Impact of Floor Income	Net Impact of Acquired Intangibles	
Net interest income (loss)	\$ (473)	\$ 17	\$ 169	\$ —	\$ (287)
Less: provisions for loan losses	(223)	—	—	—	(223)
Net interest income (loss) after provisions for loan losses	(250)	17	169	—	(64)
Contingency fee revenue	—	—	—	—	—
Collections revenue	1	—	—	—	1
Guarantor servicing fees	—	—	—	—	—
Other income (loss)	26	(458)	—	—	(432)
Total other income (loss)	27	(458)	—	—	(431)
Restructuring expenses	—	—	—	—	—
Operating expenses	1	—	—	19	20
Total expenses	1	—	—	19	20
Total pre-tax "Core Earnings" adjustments to GAAP	\$ (224)	\$ (441)	\$ 169	\$ (19)	(515)
Income tax benefit	—	—	—	—	(187)
Less: net income attributable to noncontrolling interest	—	—	—	—	—
Total "Core Earnings" adjustments to GAAP					\$ (328)

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16. Segment Reporting (Continued)

(Dollars in millions)	Six Months Ended June 30, 2008					Total GAAP
	Lending	APG	Corporate and Other	Total "Core Earnings"	Adjustments(2)	
Interest income:						
FFELP Stafford and Other Student Loans	\$ 1,018	\$ —	\$ —	\$ 1,018	\$ (56)	\$ 962
FFELP Consolidation Loans	1,896	—	—	1,896	(290)	1,606
Private Education Loans	1,415	—	—	1,415	(562)	853
Other loans	45	—	—	45	—	45
Cash and investments	222	—	11	233	(39)	194
Total interest income	4,596	—	11	4,607	(947)	3,660
Total interest expense	3,429	14	10	3,453	(472)	2,981
Net interest income (loss)	1,167	(14)	1	1,154	(475)	679
Less: provisions for loan losses	374	—	—	374	(94)	280
Net interest income (loss) after provisions for loan losses	793	(14)	1	780	(381)	399
Contingency fee revenue	—	169	—	169	—	169
Collections revenue	—	84	—	84	—	84
Guarantor servicing fees	—	—	58	58	—	58
Other income	106	—	97	203	119	322
Total other income	106	253	155	514	119	633
Restructuring expenses	46	6	15	67	—	67
Operating expenses	318	216	144	678	32	710
Total expenses	364	222	159	745	32	777
Income (loss) before income tax expense (benefit)	535	17	(3)	549	(294)	255
Income tax expense (benefit) <sup>(1)</sup>	197	6	(1)	202	(112)	90
Less: net income attributable to noncontrolling interest	—	3	—	3	—	3
Net income (loss) attributable to SLM Corporation	\$ 338	\$ 8	\$ (2)	\$ 344	\$ (182)	\$ 162
Economic Floor Income (net of tax) not included in "Core Earnings"	\$ 49	\$ —	\$ —	\$ 49		

(1) Income taxes are based on a percentage of net income before tax for each individual reportable segment.

(2) "Core Earnings" adjustments to GAAP:

(Dollars in millions)	Six Months Ended June 30, 2008				Total
	Net Impact of Securitization Accounting	Net Impact of Derivative Accounting	Net Impact of Floor Income	Net Impact of Acquired Intangibles	
Net interest income (loss)	\$ (449)	\$ (2)	\$ (24)	\$ —	\$ (475)
Less: provisions for loan losses	(94)	—	—	—	(94)
Net interest income (loss) after provisions for loan losses	(355)	(2)	(24)	—	(381)
Contingency fee revenue	—	—	—	—	—
Collections revenue	—	—	—	—	—
Guarantor servicing fees	—	—	—	—	—
Other income	30	89	—	—	119
Total other income	30	89	—	—	119
Restructuring expenses	—	—	—	—	—
Operating expenses	1	—	—	31	32
Total expenses	1	—	—	31	32
Total pre-tax "Core Earnings" adjustments to GAAP	\$ (326)	\$ 87	\$ (24)	\$ (31)	(294)
Income tax benefit	—	—	—	—	(112)
Less: net income attributable to noncontrolling interest	—	—	—	—	—
Total "Core Earnings" adjustments to GAAP					\$ (182)



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16. Segment Reporting (Continued)

Summary of "Core Earnings" Adjustments to GAAP

The adjustments required to reconcile from the Company's "Core Earnings" results to its GAAP results of operations relate to differing treatments for securitization transactions, derivatives, Floor Income, and certain other items that management does not consider in evaluating the Company's operating results. The following table reflects aggregate adjustments associated with these areas for the three and six months ended June 30, 2009 and 2008.

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>"Core Earnings" adjustments to GAAP:</b>				
Net impact of securitization accounting(1)	\$ (25)	\$ (247)	\$ (224)	\$ (326)
Net impact of derivative accounting(2)	(495)	451	(441)	87
Net impact of Floor Income(3)	90	(19)	169	(24)
Net impact of acquired intangibles(4)	(10)	(15)	(19)	(31)
Net tax effect(5)	147	(60)	187	112
<b>Total "Core Earnings" adjustments to GAAP</b>	<b>\$ (293)</b>	<b>\$ 110</b>	<b>\$ (328)</b>	<b>\$ (182)</b>

- (1) **Securitization:** Under GAAP, certain securitization transactions in the Company's Lending operating segment are accounted for as sales of assets. Under the Company's "Core Earnings" presentation for the Lending operating segment, the Company presents all securitization transactions on a "Core Earnings" basis as long-term non-recourse financings. The upfront "gains" on sale from securitization transactions as well as ongoing "servicing and securitization revenue" presented in accordance with GAAP are excluded from "Core Earnings" net income and replaced by the interest income, provisions for loan losses, and interest expense as they are earned or incurred on the securitization loans. The Company also excludes transactions with its off-balance sheet trusts from "Core Earnings" net income as they are considered intercompany transactions on a "Core Earnings" basis.
- (2) **Derivative accounting:** "Core Earnings" net income excludes periodic unrealized gains and losses arising primarily in the Company's Lending operating segment, and to a lesser degree in the Company's Corporate and Other reportable segment, that are caused primarily by the one-sided mark-to-market derivative valuations prescribed by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," on derivatives that do not qualify for "hedge treatment" under GAAP. Under the Company's "Core Earnings" presentation, the Company recognizes the economic effect of these hedges, which generally results in any cash paid or received being recognized ratably as an expense or revenue over the hedged item's life.
- (3) **Floor Income:** The timing and amount (if any) of Floor Income earned in the Company's Lending operating segment is uncertain and in excess of expected spreads. Therefore, the Company only includes such income in "Core Earnings" when it is Fixed Rate Floor Income that is economically hedged. The Company employs derivatives, primarily Floor Income Contracts, to economically hedge Floor Income. As discussed above in "Derivative Accounting," these derivatives do not qualify as effective accounting hedges, and therefore, under GAAP, they are marked-to-market through the "gains (losses) on derivative and hedging activities, net" line in the consolidated statement of income with no offsetting gain or loss recorded for the economically hedged items. For "Core Earnings," the Company reverses the fair value adjustments on the Floor Income Contracts economically hedging Floor Income and includes in income the amortization of net premiums received on contracts economically hedging Fixed Rate Floor Income.
- (4) **Acquired Intangibles:** The Company excludes goodwill and intangible impairment and amortization of acquired intangibles.
- (5) **Net Tax Effect:** Such tax effect is based upon the Company's "Core Earnings" effective tax rate for the year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
Three and six months ended June 30, 2009 and 2008  
(Dollars in millions, except per share amounts, unless otherwise noted)**

**FORWARD-LOOKING AND CAUTIONARY STATEMENTS**

This quarterly report contains forward-looking statements and information based on management's current expectations as of the date of this document. 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, the occurrence of any event, change or other circumstances that could give rise to our ability to cost-effectively refinance asset-backed financing facilities due April 2010, (collectively, the "2008 Asset-Backed Financing Facilities"), including any potential foreclosure on the student loans under those facilities following their termination; increased financing costs; limited 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; changes in the terms of student loans and the educational credit marketplace (including changes resulting from new laws, such as any laws enacted to implement the Administration's 2010 budget proposals as they relate to the Federal Family Education Loan Program ("FFELP") and regulations and from the implementation of applicable laws and regulations) which, among other things, may change the volume, average term and yields on student loans under the FFELP, may result in loans being originated or refinanced under non-FFELP programs, or may affect the terms upon which banks and others agree to sell FFELP loans to the Company. The Company could be affected by: various liquidity programs being implemented by the federal government; changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; incorrect estimates or assumptions by management in connection with the preparation of our consolidated financial statements; 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 for education loans, 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 and new laws or changes in existing laws that govern debt management services. All forward-looking statements contained in this quarterly report are qualified by these cautionary statements and are made only as of the date of this quarterly report is filed. 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.

Definitions for capitalized terms used in this document can be found in the "Glossary" at the end of this document.

**RECENT DEVELOPMENTS**

**U.S. Department of Education Federal Student Aid Title IV Student Loan Management/Servicing Contract (the "ED Servicing Contract")**

During the quarter, ED named Sallie Mae as one of four private sector servicers awarded a servicing contract (the "ED Servicing Contract") to service new loans and a portion of the approximately \$550 billion outstanding federal student loan portfolio. The contract specifically covers the servicing of all types of federally-owned student loans, including the servicing of FFELP loans purchased by ED pursuant to ECASLA. We expect the contract to begin in the second half of August 2009 and span five years with one, five-year renewal option. Beginning in August 2010, the contract will also cover the servicing on new Direct Loans.

ED has not yet announced its plans for allocating the initial servicing accounts other than that Sallie Mae will continue to service loans put to ED under ECASLA that are on our systems today. Today we have over two million accounts on our system that we expect to be serviced under this contract. Given our cost structure, we expect that this will be profitable and will produce an acceptable risk-adjusted return.

#### **Legislative and Regulatory Developments**

On February 26, 2009, the Administration issued its 2010 budget request to Congress, which included provisions that could impact significantly the FFELP. The President's budget overview states: "FFEL processors would continue to receive federal subsidies for new loans originated in the 2009-2010 academic year and prior academic years under the regular FFEL program and the emergency programs established by the Ensuring Continued Access to Student Loans Act of 2008." The budget proposal must be passed in the Congress, prior to enactment into law.

On July 21, 2009, the House Education and Labor Committee approved H.R. 3221, the Student Aid Reform and Fiscal Responsibility Act ("SAFRA"), which would eliminate the FFELP and require that, after July 1, 2010, all new federal student loans be made through the Direct Student Loan Program. It is expected that the full House of Representatives will consider the legislation sometime in September. The Senate Health, Education, Labor and Pensions Committee has not released a timeline for its consideration of the legislation but it is expected that they will begin considering student loan legislation no earlier than September. In addition to the House's proposal, there are several other reforms that may be considered as the legislation moves forward. These include a possible extension of ECASLA, which expires on July 1, 2010, and the Student Loan Community Proposal, an alternative student loan proposal endorsed by a cross-section of FFELP service providers (including Sallie Mae).

#### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

A discussion of the Company's critical accounting policies, which include allowance for loan losses, premium and discount amortization related to our loan portfolio, fair value measurement, securitization and Retained Interest accounting, and derivative accounting can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

#### **Fair Value Measurements**

On April 9, 2009, the Financial Accounting Standards Board ("FASB") issued three staff positions regarding fair value measurements and recognition of impairment. Under FASB Staff Position ("FSP") Financial Accounting Standards ("FAS") No. 115-2 and FAS No. 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," impairment must be recorded to income for debt securities if there exists a fair value loss and the entity intends to sell the security or it is more likely than not the entity will be required to sell the security before recovery of the loss. Additionally, credit losses must be recorded through income regardless of the impairment determination above. Remaining fair value losses are recorded to other comprehensive income. FSP FAS No. 107-1 and APB No. 28-1, "Interim Disclosures about Fair Value of Financial Instruments," require interim disclosures of the fair value of financial instruments that were previously only required annually. Finally, FSP FAS No. 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," provides guidance for determining when a significant decrease in market activity has occurred and when a transaction is not orderly. It further reiterates that prices from inactive markets or disorderly transactions should carry less weight, if any, to the determination of fair value. These standards are effective for the Company beginning April 1, 2009. The adoption of these standards was not material to the Company.

Significant assumptions used in fair value measurements including those related to credit and liquidity risk are as follows:

1. **Investments** — Our investments primarily consist of overnight/weekly maturity instruments with high credit quality counterparties. However, we have considered credit and liquidity risk involving specific

instruments. These assumptions have further been validated by the successful maturity of these investments in the period immediately following the end of the reporting period. In the fourth quarter 2008, we recorded an impairment of \$8 million related to our investment in the Reserve Primary Fund based on an internal assessment of the collectability of our remaining investment. See "LIQUIDITY AND CAPITAL RESOURCES — Counterparty Exposure" for further discussion.

2. **Derivatives** — When determining the fair value of derivatives, we take into account counterparty credit risk for positions where we are exposed to the counterparty on a net basis by assessing exposure net of collateral held. The net exposures for each counterparty are adjusted based on market information available for the specific counterparty including spreads from credit default swaps. Additionally, when the counterparty has exposure to the Company related to SLM Corporation derivatives, we fully collateralize the exposure minimizing the adjustment necessary to the derivative valuations for our credit risk. While trusts that contain derivatives are not required to post collateral to counterparties, the credit quality and securitized nature of the trusts minimizes any adjustments for the counterparty's exposure to the trusts. Adjustments related to credit risk reduced the overall value of our derivatives by \$(133) million as of June 30, 2009. We also take into account changes in liquidity when determining the fair value of derivative positions. We adjusted the fair value of certain less liquid positions downward by approximately \$(222) million to take into account a significant reduction in liquidity as of June 30, 2009, related primarily to basis swaps indexed to interest rate indices with inactive markets. A major indicator of market inactivity is the widening of the bid/ask spread in these markets. In general, the widening of counterparty credit spreads and reduced liquidity for derivative instruments as indicated by wider bid/ask spreads will reduce the fair value of derivatives. In addition, certain cross-currency interest rate swaps hedging foreign currency denominated reset rate notes in the Company's on-balance sheet trusts contain extension features that coincide with the remarketing dates of the notes. The valuation of the extension feature requires significant judgment based on internally developed inputs. These swaps were transferred into Level 3 during the first quarter of 2009 due to a change in the assumption regarding successful remarketing. These swaps were carried at \$1.4 billion as of June 30, 2009.
3. **Residual Interests** — We have never sold our Residual Interests. We do not consider our Residual Interests to be liquid, which we take into account when valuing our Residual Interests. We use non-binding broker quotes and industry analyst reports which show changes in the indicative prices of the asset-backed securities tranches immediately senior to the Residual Interest as an indication of potential changes in the discount rate used to value the Residual Interest. We also use the most current prepayment and default rate assumptions to project the cash flows used to value Residual Interests. These assumptions are internally developed and primarily based on analyzing the actual results of loan performance from past periods. See Note 6, "Student Loan Securitization," to the consolidated financial statements for a discussion of all assumption changes made during the quarter to properly determine the fair value of the Residual Interests, as well as a shock analysis to fair value related to all significant assumptions.
4. **Student Loans** — Our FFELP loans and Private Education Loans are accounted for at cost or at the lower of cost or fair value if the loan is held-for-sale. The fair value is disclosed in compliance with Statement of Financial Accounting Standards ("SFAS") No. 107. For both FFELP loans and Private Education Loans accounted for at cost, fair value is determined by modeling loan level cash flows using stated terms of the assets and internally-developed assumptions to determine aggregate portfolio yield, net present value and average life. The significant assumptions used to project cash flows are prepayment speeds, default rates, cost of funds, and required return on equity. In addition, the Floor Income component of our FFELP loan portfolio is valued through discounted cash flow and option models using both observable market inputs and internally developed inputs. Significant inputs into the models are not generally market observable. They are either derived internally through a combination of historical experience and management's qualitative expectation of future performance (in the case of prepayment speeds, default rates, and capital assumptions), or are obtained through external broker quotes (as in the case of cost of funds). When possible, market transactions are used to

validate the model. In most cases these are either infrequent or not observable. For FFELP loans classified as held-for-sale and accounted for at the lower of cost or market, the fair value is based on the committed sales price of the various loan purchase programs established by ED.

## SELECTED FINANCIAL DATA

### Condensed Statements of Income

	Three Months Ended June 30,		Increase (Decrease)		Six Months Ended June 30,		Increase (Decrease)	
	2009	2008	\$	%	2009	2008	\$	%
Net interest income	\$ 384	\$ 403	\$ (19)	(5)%	\$ 599	\$ 679	\$ (80)	(12)%
Less: provisions for loan losses	278	143	135	94	528	280	248	89
Net interest income (loss) after provisions for loan losses	106	260	(154)	(59)	71	399	(328)	(82)
Servicing and securitization revenue (loss)	87	2	85	4,250	(8)	109	(117)	(107)
Losses on loans and securities, net	—	(44)	44	100	—	(78)	78	100
Gains (losses) on derivative and hedging activities, net	(562)	362	(924)	(255)	(458)	89	(547)	(615)
Contingency fee revenue	73	84	(11)	(13)	148	169	(21)	(12)
Collections revenue	22	26	(4)	(15)	1	84	(83)	(99)
Guarantor servicing fees	25	24	1	4	59	58	1	2
Other income	400	109	291	267	591	202	389	193
Restructuring expenses	4	47	(43)	(91)	9	67	(58)	(87)
Operating expenses	316	354	(38)	(11)	617	710	(93)	(13)
Net income (loss) before income tax benefit	(169)	422	(591)	(140)	(222)	255	(477)	(187)
Income tax expense (benefit)	(46)	153	(199)	(130)	(78)	90	(168)	(187)
Net income (loss)	(123)	269	(392)	(146)	(144)	165	(309)	(187)
Less: net income attributable to noncontrolling interest	—	3	(3)	(100)	—	3	(3)	(100)
<b>Net income (loss) attributable to SLM Corporation</b>	<b>(123)</b>	<b>266</b>	<b>(389)</b>	<b>(146)</b>	<b>(144)</b>	<b>162</b>	<b>(306)</b>	<b>(189)</b>
Preferred stock dividends	26	27	(1)	(4)	52	56	(4)	(7)
Net income (loss) attributable to SLM Corporation common stock	\$ (149)	\$ 239	\$ (388)	(162)%	\$ (196)	\$ 106	\$ (302)	(285)%
<b>Basic earnings (loss) per common share attributable to SLM Corporation common shareholders</b>	<b>\$ (.32)</b>	<b>\$ .51</b>	<b>\$ (.83)</b>	<b>(163)%</b>	<b>\$ (.42)</b>	<b>\$ .23</b>	<b>\$ (.65)</b>	<b>(283)%</b>
<b>Diluted earnings (loss) per common share attributable to SLM Corporation common shareholders</b>	<b>\$ (.32)</b>	<b>\$ .50</b>	<b>\$ (.82)</b>	<b>(164)%</b>	<b>\$ (.42)</b>	<b>\$ .23</b>	<b>\$ (.65)</b>	<b>(283)%</b>
Dividends per common share attributable to SLM Corporation common shareholders	\$ —	\$ —	\$ —	—%	\$ —	\$ —	\$ —	—%

Condensed Balance Sheets

	June 30, 2009	December 31, 2008	Increase (Decrease)	
			\$	%
<b>Assets</b>				
FFELP Stafford and Other Student Loans, net	\$ 44,045	\$ 44,025	\$ 20	—%
FFELP Stafford Loans Held-for-Sale	18,159	8,451	9,708	115
FFELP Consolidation Loans, net	70,102	71,744	(1,642)	(2)
Private Education Loans, net	21,851	20,582	1,269	6
Other loans, net	489	729	(240)	(33)
Cash and investments	8,212	5,112	3,100	61
Restricted cash and investments	5,246	3,535	1,711	48
Retained Interest in off-balance sheet securitized loans	1,821	2,200	(379)	(17)
Goodwill and acquired intangible assets, net	1,234	1,249	(15)	(1)
Other assets	10,025	11,141	(1,116)	(10)
Total assets	\$ 181,184	\$ 168,768	\$ 12,416	7%
<b>Liabilities and Equity</b>				
Short-term borrowings	\$ 47,332	\$ 41,933	\$ 5,399	13%
Long-term borrowings	125,880	118,225	7,655	6
Other liabilities	3,120	3,604	(484)	(13)
Total liabilities	176,332	163,762	12,570	8
SLM Corporation stockholders' equity before treasury stock	6,712	6,855	(143)	(2)
Common stock held in treasury	1,860	1,856	4	—
SLM Corporation stockholders' equity	4,852	4,999	(147)	(3)
Noncontrolling interest	—	7	(7)	(100)
Total equity	4,852	5,006	(154)	(3)
Total liabilities and equity	\$ 181,184	\$ 168,768	\$ 12,416	7%

## RESULTS OF OPERATIONS

### Three Months Ended June 30, 2009 Compared to Three Months Ended June 30, 2008

For the three months ended June 30, 2009, net loss attributable to SLM Corporation was \$123 million or \$.32 diluted loss per common share attributable to SLM Corporation common shareholders, compared to net income of \$266 million or \$.50 diluted earnings per common share attributable to SLM Corporation common shareholders for the three months ended June 30, 2008. The effective tax rate for those periods was 28 percent and 36 percent, respectively. The movement in the effective tax rate was primarily driven by the impact of concluding, during the three months ended June 30, 2009, the IRS examination of the Company's 2005 and 2006 U.S. federal income tax returns. For the three months ended June 30, 2009, the Company's pre-tax loss was \$169 million compared to pre-tax income of \$422 million in the year-ago quarter. The decrease in pre-tax income of \$591 million was primarily due to a net loss on derivative and hedging activities of \$562 million in the second quarter of 2009 from a \$362 million gain in the second quarter of 2008, partially offset by an increase in gains on debt repurchases.

There were no gains on student loan securitizations in either the second quarter of 2009 or the year-ago quarter as the Company did not complete any off-balance sheet securitizations in those periods. Servicing and securitization revenue increased by \$85 million from revenue of \$2 million in the second quarter of 2008 to \$87 million in the second quarter of 2009. This increase was primarily due to a smaller current-quarter unrealized mark-to-market loss of \$90 million on the Company's Residual Interests compared to the year-ago second-quarter \$192 million unrealized mark-to-market loss. See "LIQUIDITY AND CAPITAL RESOURCES — Securitization Activities — *Retained Interest in Securitized Receivables*" for further discussion of the factors impacting the fair values.

Net interest income after provisions for loan losses decreased by \$154 million in the second quarter from the year-ago quarter. This decrease was due to a \$135 million increase in provisions for loan losses and a \$19 million decrease in net interest income. The decrease in net interest income was primarily due to a decrease in the student loan spread and other asset spread, partially offset by a decrease in the 2008 Asset Backed Financing Facilities fees and an \$19.8 billion increase in the average balance of on-balance sheet student loans (see "LENDING BUSINESS SEGMENT — Net Interest Income — *Net Interest Margin — On-Balance Sheet*"). The increase in provisions for loan losses relates primarily to the increase in charge-off expectations on Private Education Loans from the year-ago period, primarily as a result of the continued weakening of the U.S. economy (see "LENDING BUSINESS SEGMENT — Private Education Loan Losses — *Private Education Loan Delinquencies and Forbearance*" and "*Allowance for Private Education Loan Losses*").

In the second quarter of 2009, contingency fee, collections and guarantor servicing fee revenue totaled \$120 million, a \$14 million decrease from \$134 million in the year-ago quarter. This decrease was primarily due to a significantly smaller portfolio in the purchased paper businesses year-over-year, as a result of winding down these businesses. Offsetting this decrease in revenue was a reduction in impairment recognized on our purchased paper portfolios. In the second quarter of 2009, total impairment of \$21 million was comprised of \$8 million of impairment related to declines in the fair value of mortgage loans and real estate held by the Company's mortgage purchased paper subsidiary and \$13 million of impairment related to the Company's non-mortgage purchased paper subsidiary, compared to \$58 million of total impairment recorded in the second quarter of 2008 (see "ASSET PERFORMANCE GROUP BUSINESS SEGMENT" and a separate discussion of "*Other Income*" at the end of this section).

There were no losses on sales of loans and securities in the second quarter of 2009, as compared to net losses of \$44 million incurred in the year-ago quarter. Prior to the fourth quarter of 2008, these losses were primarily the result of the Company's repurchase of delinquent Private Education Loans from the Company's off-balance sheet securitization trusts. When Private Education Loans in the Company's off-balance sheet securitization trusts that settled before September 30, 2005, became 180 days delinquent, the Company previously exercised its contingent call option to repurchase these loans at par value out of the trusts and recorded a loss for the difference in the par value paid and the fair market value of the loans at the time of

purchase. The Company does not hold the contingent call option for any trusts that settled after September 30, 2005. In October 2008, the Company decided to no longer exercise its contingent call option.

The Company continues to restructure its business in response to the impact of The College Cost Reduction and Access Act of 2007 ("CCRAA"), and current challenges in the capital markets. In conjunction with our restructuring plan, we are refocusing our lending activities, exiting certain customer relationships and product lines, and winding down our debt purchased paper businesses. During 2008, we reduced the run-rate of our operating expenses by 20 percent versus the end of 2007, after adjusting for restructuring costs, growth and other investments. As part of the Company's cost reduction efforts, restructuring expenses of \$4 million and \$47 million were recognized in the current quarter and year-ago quarter, respectively. Restructuring expenses from the fourth quarter of 2007 through the second quarter of 2009 totaled \$115 million. The majority of these restructuring expenses were severance costs related to the completed and planned elimination of approximately 2,800 positions, or approximately 25 percent of the workforce. We estimate approximately \$7 million of additional restructuring expenses associated with our current cost reduction efforts will be incurred and our current restructuring plan will be substantially complete by the end of 2009. During 2009, we will continue to review our business to determine whether there are other opportunities to further streamline the business.

Operating expenses, excluding \$6 million of reorganization-related asset impairments recognized in the second quarter of 2008, were \$315 million in the second quarter of 2009 compared to \$348 million in the second quarter of 2008. This decrease was primarily due to the Company's cost reduction efforts. The amortization of acquired intangibles totaled \$10 million and \$15 million for the second quarters of 2009 and 2008, respectively.

#### **Six Months Ended June 30, 2009 Compared to Six Months Ended June 30, 2008**

For the six months ended June 30, 2009, net loss attributable to SLM Corporation was \$144 million or \$.42 diluted loss per common share attributable to SLM Corporation common shareholders, compared to net income of \$162 million or \$.23 diluted earnings per common share attributable to SLM Corporation common shareholders for the six months ended June 30, 2008. The effective tax rate for those periods was 35 percent and 35 percent, respectively. For the six months ended June 30, 2009, the Company's pre-tax loss was \$222 million compared to pre-tax income of \$255 million in the year-ago period. The decrease in pre-tax income of \$477 million was primarily due to a net loss on derivative and hedging activities of \$458 million for the six months ended June 30, 2009 from a \$89 million gain in the year-ago period, and an increase to provisions for loan losses of \$248 million, partially offset by an increase in gains on debt repurchases.

There were no gains on student loan securitizations in either the six months ended June 30, 2009 or the year-ago period as the Company did not complete any off-balance sheet securitizations in those periods. Servicing and securitization revenue decreased by \$117 million from revenue of \$109 million in the six months ended June 30, 2008 to an \$8 million loss in the six months ended June 30, 2009. This decrease was primarily due to a larger unrealized mark-to-market loss for the six months ended June 30, 2009 of \$351 million on the Company's Residual Interests compared to a year-ago period \$280 million unrealized mark-to-market loss. See "LIQUIDITY AND CAPITAL RESOURCES — Securitization Activities — *Retained Interest in Securitized Receivables*" for further discussion of the factors impacting the fair values.

Net interest income of \$70 million, after provisions for loan losses, decreased by \$328 million in the six months ended June 30, 2009 from the year-ago period. This decrease was due to a \$248 million increase in provisions for loan losses and an \$80 million decrease in net interest income. The decrease in net interest income was primarily due to a decrease in the student loan spread and other asset spread partially offset by a \$20 billion increase in the average balance of on-balance sheet student loans (see "LENDING BUSINESS SEGMENT — Net Interest Income — *Net Interest Margin — On-Balance Sheet*"). The increase in provisions for loan losses relates primarily to increases in charge-off expectations on Private Education Loans primarily as a result of the continued weakening of the U.S. economy (see "LENDING BUSINESS SEGMENT — Private Education Loan Losses — *Private Education Loan Delinquencies and Forbearance*" and "— *Allowance for Private Education Loan Losses*")



For the six months ended June 30, 2009, contingency fee, collections and guarantor servicing fee revenue totaled \$208 million, a \$103 million decrease from \$311 million in the year-ago period. This decrease was primarily due to a significantly smaller portfolio in the purchased paper businesses year-over-year as a result of winding down these businesses. In addition, the decline was the result of \$97 million of impairment on our purchased paper portfolios recorded in the six months ended June 30, 2009, comprised of \$81 million of impairment related to declines in the fair value of mortgage loans and real estate held by the Company's mortgage purchased paper subsidiary and \$16 million of impairment related to the Company's non-mortgage purchased paper subsidiary, compared to \$81 million of total impairment recorded in the six months ended June 30, 2008 (see "ASSET PERFORMANCE GROUP BUSINESS SEGMENT" and a separate discussion of "Other Income" at the end of this section).

There were no losses on sales of loans and securities in the first half of 2009, as compared to net losses of \$78 million incurred in the year-ago quarter. Prior to the fourth quarter of 2008, these losses were primarily the result of the Company's repurchase of delinquent Private Education Loans from the Company's off-balance sheet securitization trusts. As previously discussed, the Company no longer repurchases these loans.

Restructuring expenses of \$9 million and \$67 million were recognized in the six months ended June 30, 2009 and 2008, respectively, as previously discussed.

Operating expenses, excluding \$6 million of reorganization-related asset impairments recognized in the six months ended June 30, 2008, were \$617 million in the first half of 2009 compared to \$703 million in the first half of 2008. This decrease was primarily due to the Company's cost reduction efforts. The amortization of acquired intangibles totaled \$19 million and \$31 million for the six months ended June 30, 2009 and 2008, respectively.

#### Other Income

The following table summarizes the components of "Other income" in the consolidated statements of income for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Gains on debt repurchases	\$ 325	\$ 21	\$ 389	\$ 21
Late fees and forbearance fees	32	34	69	71
Asset servicing and other transaction fees	26	26	51	52
Loan servicing fees	9	6	19	12
Foreign currency translation gains (losses)	(6)	4	34	4
Other	14	18	29	42
<b>Total</b>	<b>\$ 400</b>	<b>\$ 109</b>	<b>\$ 591</b>	<b>\$ 202</b>

The increase in other income for the three and six months ended June 30, 2009 over the year-ago periods is primarily the result of the gains on debt repurchased. The Company began repurchasing its outstanding debt in the second quarter of 2008; and in the second quarter of 2009, the Company repurchased \$1.1 billion face amount of its senior unsecured notes compared to \$1.2 billion in the second quarter of 2008. The increase in the gain on debt repurchases between 2009 and 2008 was the result of differences in the characteristics of the debt repurchased and larger unsecured credit spreads in 2009. Since the second quarter of 2008, the Company has repurchased \$3.2 billion face amount of its senior unsecured notes in the aggregate, with maturity dates ranging from 2008 to 2014.

## BUSINESS SEGMENTS

The results of operations of the Company's Lending and Asset Performance Group ("APG") operating segments are presented below. These defined business segments operate in distinct business environments and are considered reportable segments under SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," based on quantitative thresholds applied to the Company's financial statements. In addition, we provide other complementary products and services, including guarantor and student loan servicing, through smaller operating segments that do not meet such thresholds and are aggregated in the Corporate and Other reportable segment for financial reporting purposes.

The management reporting process measures the performance of the Company's operating segments based on the management structure of the Company as well as the methodology used by management to evaluate performance and allocate resources. In accordance with the Rules and Regulations of the Securities and Exchange Commission ("SEC"), we prepare financial statements in accordance with GAAP. In addition to evaluating the Company's GAAP-based financial information, management, including the Company's chief operating decision makers, evaluates the performance of the Company's operating segments based on their profitability on a basis that, as allowed under SFAS No. 131, differs from GAAP. We refer to management's basis of evaluating our segment results as "Core Earnings" presentations for each business segment and we refer to these performance measures in our presentations with credit rating agencies and lenders. Accordingly, information regarding the Company's reportable segments is provided herein based on "Core Earnings," which are discussed in detail below.

Our "Core Earnings" are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. "Core Earnings" net income reflects only current period adjustments to GAAP net income as described below. Unlike financial accounting, there is no comprehensive, authoritative guidance for management reporting and as a result, our management reporting is not necessarily comparable with similar information for any other financial institution. The Company's operating segments are defined by the products and services they offer or the types of customers they serve, and they reflect the manner in which financial information is currently evaluated by management. Intersegment revenues and expenses are netted within the appropriate financial statement line items consistent with the income statement presentation provided to management. Changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial information.

"Core Earnings" are the primary financial performance measures used by management to develop the Company's financial plans, track results, and establish corporate performance targets. While "Core Earnings" are not a substitute for reported results under GAAP, the Company relies on "Core Earnings" in operating its business because "Core Earnings" permit management to make meaningful period-to-period comparisons of the operational and performance indicators that are most closely assessed by management. Management believes this information provides additional insight into the financial performance of the core business activities of our operating segments. Accordingly, the tables presented below reflect "Core Earnings" which is reviewed and utilized by management to manage the business for each of the Company's reportable segments. A further discussion regarding "Core Earnings" is included under "Limitations of 'Core Earnings'" and "Pre-tax Differences between 'Core Earnings' and GAAP by Business Segment."

The "LENDING BUSINESS SEGMENT" section includes all discussion of income and related expenses associated with the net interest margin, the student loan spread and its components, the provisions for loan losses, and other fees earned on our Managed portfolio of student loans. The "APG BUSINESS SEGMENT" section reflects the fees earned and expenses incurred in providing accounts receivable management and collection services. The "CORPORATE AND OTHER BUSINESS SEGMENT" section includes our remaining fee businesses and other corporate expenses that do not pertain directly to the primary operating segments identified above.

	Three Months Ended June 30, 2009		
	Lending	APG	Corporate and Other
Interest income:			
FFELP Stafford and Other Student Loans	\$ 310	\$ —	\$ —
FFELP Consolidation Loans	394	—	—
Private Education Loans	559	—	—
Other loans	18	—	—
Cash and investments	4	—	4
Total interest income	1,285	—	4
Total interest expense	824	5	3
Net interest income (loss)	461	(5)	1
Less: provisions for loan losses	402	—	—
Net interest income (loss) after provisions for loan losses	59	(5)	1
Contingency fee revenue	—	73	—
Collections revenue	—	22	—
Guarantor servicing fees	—	—	25
Other income	360	—	46
Total other income	360	95	71
Restructuring expenses	4	—	—
Operating expenses	141	80	85
Total expenses	145	80	85
Income (loss) before income tax expense (benefit)	274	10	(13)
Income tax expense (benefit)(1)	102	4	(5)
Less: net income attributable to noncontrolling interest	—	—	—
“Core Earnings” net income (loss) attributable to SLM Corporation	<u>\$ 172</u>	<u>\$ 6</u>	<u>\$ (8)</u>
Economic Floor Income (net of tax) not included in “Core Earnings”	<u>\$ 89</u>	<u>\$ —</u>	<u>\$ —</u>

(1) Income taxes are based on a percentage of net income before tax for each individual reportable segment.

	Three Months Ended June 30, 2008		
	Lending	APG	Corporate and Other
<b>Interest income:</b>			
FFELP Stafford and Other Student Loans	\$ 524	\$ —	\$ —
FFELP Consolidation Loans	908	—	—
Private Education Loans	665	—	—
Other loans	21	—	—
Cash and investments	81	—	5
<b>Total interest income</b>	<b>2,199</b>	<b>—</b>	<b>5</b>
Total interest expense	1,605	7	5
Net interest income (loss)	594	(7)	—
Less: provisions for loan losses	192	—	—
Net interest income (loss) after provisions for loan losses	402	(7)	—
Contingency fee revenue	—	84	—
Collections revenue	—	27	—
Guarantor servicing fees	—	—	24
Other income	62	—	45
<b>Total other income</b>	<b>62</b>	<b>111</b>	<b>69</b>
Restructuring expenses	31	5	11
Operating expenses	155	110	73
<b>Total expenses</b>	<b>186</b>	<b>115</b>	<b>84</b>
Income (loss) before income tax expense (benefit)	278	(11)	(15)
Income tax expense (benefit) <sup>(1)</sup>	103	(4)	(6)
Less: net income attributable to noncontrolling interest	—	3	—
<b>“Core Earnings” net income (loss) attributable to SLM Corporation</b>	<b>\$ 175</b>	<b>\$ (10)</b>	<b>\$ (9)</b>
Economic Floor Income (net of tax) not included in “Core Earnings”	\$ 22	\$ —	\$ —

(1) Income taxes are based on a percentage of net income before tax for each individual reportable segment.

Six Months Ended  
June 30, 2009

	Lending	APG	Corporate and Other
<b>Interest income:</b>			
FFELP Stafford and Other Student Loans	\$ 672	\$ —	\$ —
FFELP Consolidation Loans	833	—	—
Private Education Loans	1,122	—	—
Other loans	35	—	—
Cash and investments	6	—	9
<b>Total interest income</b>	<b>2,668</b>	<b>—</b>	<b>9</b>
Total interest expense	1,773	10	8
Net interest income (loss)	895	(10)	1
Less: provisions for loan losses	751	—	—
Net interest income (loss) after provisions for loan losses	144	(10)	1
Contingency fee revenue	—	148	—
Collections revenue	—	—	—
Guarantor servicing fees	—	—	59
Other income	461	—	96
<b>Total other income</b>	<b>461</b>	<b>148</b>	<b>155</b>
Restructuring expenses	5	2	2
Operating expenses	272	169	156
<b>Total expenses</b>	<b>277</b>	<b>171</b>	<b>158</b>
Income (loss) before income tax expense (benefit)	328	(33)	(2)
Income tax expense (benefit) <sup>(1)</sup>	122	(12)	(1)
Less: net income attributable to noncontrolling interest	—	—	—
<b>“Core Earnings” net income (loss) attributable to SLM Corporation</b>	<b>\$ 206</b>	<b>\$ (21)</b>	<b>\$ (1)</b>
Economic Floor Income (net of tax) not included in “Core Earnings”	\$ 168	\$ —	\$ —

(1) Income taxes are based on a percentage of net income before tax for each individual reportable segment.

	Six Months Ended June 30, 2008		
	Lending	APG	Corporate and Other
<b>Interest income:</b>			
FFELP Stafford and Other Student Loans	\$ 1,018	\$ —	\$ —
FFELP Consolidation Loans	1,896	—	—
Private Education Loans	1,415	—	—
Other loans	45	—	—
Cash and investments	222	—	11
<b>Total interest income</b>	<b>4,596</b>	<b>—</b>	<b>11</b>
Total interest expense	3,429	14	10
Net interest income (loss)	1,167	(14)	1
Less: provisions for loan losses	374	—	—
Net interest income (loss) after provisions for loan losses	793	(14)	1
Contingency fee revenue	—	169	—
Collections revenue	—	84	—
Guarantor servicing fees	—	—	58
Other income	106	—	97
<b>Total other income</b>	<b>106</b>	<b>253</b>	<b>155</b>
Restructuring expenses	46	6	15
Operating expenses	318	216	144
<b>Total expenses</b>	<b>364</b>	<b>222</b>	<b>159</b>
Income (loss) before income tax expense (benefit)	535	17	(3)
Income tax expense (benefit)(1)	197	6	(1)
Less: net income attributable to noncontrolling interest	—	3	—
<b>“Core Earnings” net income (loss) attributable to SLM Corporation</b>	<b>\$ 338</b>	<b>\$ 8</b>	<b>\$ (2)</b>
Economic Floor Income (net of tax) not included in “Core Earnings”	\$ 49	\$ —	\$ —

(1) Income taxes are based on a percentage of net income before tax for each individual reportable segment.

#### Limitations of “Core Earnings”

While GAAP provides a uniform, comprehensive basis of accounting, for the reasons described above, management believes that “Core Earnings” are an important additional tool for providing a more complete understanding of the Company’s results of operations. Nevertheless, “Core Earnings” are subject to certain general and specific limitations that investors should carefully consider. For example, as stated above, unlike financial accounting, there is no comprehensive, authoritative guidance for management reporting. Our “Core Earnings” are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. Unlike GAAP, “Core Earnings” reflect only current period adjustments to GAAP. Accordingly, the Company’s “Core Earnings” presentation does not represent a comprehensive basis of accounting. Investors, therefore, may not compare our Company’s performance with that of other financial services companies based upon “Core Earnings.” “Core Earnings” results are only meant to supplement GAAP results by providing additional information regarding the operational and performance indicators that are most closely used by management, the Company’s board of directors, rating agencies and lenders to assess performance.

Other limitations arise from the specific adjustments that management makes to GAAP results to derive “Core Earnings” results. For example, in reversing the unrealized gains and losses that result from SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” on derivatives that do not qualify for “hedge treatment,” as well as on derivatives that do qualify but are in part ineffective because they are not perfect hedges, we focus on the long-term economic effectiveness of those instruments relative to the underlying hedged item and isolate the effects of interest rate volatility, changing credit spreads and changes in our stock price on the fair value of such instruments during the period. Under GAAP, the effects of these factors on the fair value of the derivative instruments (but not on the underlying hedged item) tend to show more volatility in the short term. While our presentation of our results on a “Core Earnings” basis provides important information regarding the performance of our Managed portfolio, a limitation of this presentation is that we are presenting the ongoing spread income on loans that have been sold to a trust managed by us. While we believe that our “Core Earnings” presentation presents the economic substance of our Managed loan portfolio, it understates earnings volatility from securitization gains. Our “Core Earnings” results exclude certain Floor Income, which is real cash income, from our reported results and therefore may understate earnings in certain periods. Management’s financial planning and valuation of operating results, however, does not take into account Floor Income because of its inherent uncertainty, except when it is Fixed Rate Floor Income that is economically hedged through Floor Income Contracts.

#### Pre-tax differences between “Core Earnings” and GAAP by Business Segment

Our “Core Earnings” are the primary financial performance measures used by management to evaluate performance and to allocate resources. Accordingly, financial information is reported to management on a “Core Earnings” basis by reportable segment, as these are the measures used regularly by our chief operating decision makers. Our “Core Earnings” are used in developing our financial plans and tracking results, and also in establishing corporate performance targets and incentive compensation. Management believes this information provides additional insight into the financial performance of the Company’s core business activities. “Core Earnings” net income reflects only current period adjustments to GAAP net income, as described in the more detailed discussion of the differences between “Core Earnings” and GAAP that follows, which includes further detail on each specific adjustment required to reconcile our “Core Earnings” segment presentation to our GAAP earnings.

	Three Months Ended June 30,					
	2009			2008		
	Lending	APG	Corporate and Other	Lending	APG	Corporate and Other
<b>“Core Earnings” adjustments to GAAP:</b>						
Net impact of securitization accounting	\$ (25)	\$ —	\$ —	\$ (247)	\$ —	\$ —
Net impact of derivative accounting	(495)	—	—	451	—	—
Net impact of Floor Income	90	—	—	(19)	—	—
Net impact of acquired intangibles	(3)	(2)	(5)	(5)	(6)	(4)
Total “Core Earnings” adjustments to GAAP	<u>\$ (433)</u>	<u>\$ (2)</u>	<u>\$ (5)</u>	<u>\$ 180</u>	<u>\$ (6)</u>	<u>\$ (4)</u>

	Six Months Ended June 30,					
	2009			2008		
	Lending	APG	Corporate and Other	Lending	APG	Corporate and Other
<b>“Core Earnings” adjustments to GAAP:</b>						
Net impact of securitization accounting	\$ (224)	\$ —	\$ —	\$ (326)	\$ —	\$ —
Net impact of derivative accounting	(441)	—	—	87	—	—
Net impact of Floor Income	169	—	—	(24)	—	—
Net impact of acquired intangibles	(6)	(3)	(10)	(10)	(11)	(10)
Total “Core Earnings” adjustments to GAAP	<u>\$ (502)</u>	<u>\$ (3)</u>	<u>\$ (10)</u>	<u>\$ (273)</u>	<u>\$ (11)</u>	<u>\$ (10)</u>

1) **Securitization Accounting:** Under GAAP, certain securitization transactions in our Lending operating segment are accounted for as sales of assets. Under “Core Earnings” for the Lending operating segment, we present all securitization transactions on a “Core Earnings” basis as long-term non-recourse financings. The upfront “gains” on sale from securitization transactions, as well as ongoing “servicing and securitization revenue” presented in accordance with GAAP, are excluded from “Core Earnings” and are replaced by interest income, provisions for loan losses, and interest expense as earned or incurred on the securitization loans. We also exclude transactions with our off-balance sheet trusts from “Core Earnings” as they are considered intercompany transactions on a “Core Earnings” basis.

The following table summarizes the securitization adjustments in our Lending operating segment for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended		Six Months Ended	
	2009	2008	2009	2008
<b>“Core Earnings” securitization adjustments:</b>				
Net interest income on securitized loans, before provisions for loan losses and before intercompany transactions	\$ (236)	\$ (256)	\$ (438)	\$ (449)
Provisions for loan losses	124	49	222	93
Net interest income on securitized loans, after provisions for loan losses, before intercompany transactions	(112)	(207)	(216)	(356)
Intercompany transactions with off-balance sheet trusts	—	(42)	—	(79)
Net interest income on securitized loans, after provisions for loan losses	(112)	(249)	(216)	(435)
Servicing and securitization revenue	87	2	(8)	109
Total “Core Earnings” securitization adjustments <sup>(1)</sup>	\$ (25)	\$ (247)	\$ (224)	\$ (326)

(1) Negative amounts are subtracted from “Core Earnings” net income to arrive at GAAP net income and positive amounts are added to “Core Earnings” net income to arrive at GAAP net income.

“Intercompany transactions with off-balance sheet trusts” in the above table relate primarily to losses that result from the repurchase of delinquent loans from our off-balance sheet securitization trusts. When Private Education Loans in our securitization trusts settling before September 30, 2005 became 180 days delinquent, we previously exercised our contingent call option to repurchase these loans at par value out of the trust and recorded a loss for the difference in the par value paid and the fair market value of the loan at the time of purchase. We do not hold the contingent call option for any trusts settled after September 30, 2005. In October 2008, the Company decided to no longer exercise its contingent call option.

2) **Derivative Accounting:** “Core Earnings” exclude periodic unrealized gains and losses that are caused primarily by the one-sided mark-to-market derivative valuations prescribed by SFAS No. 133 on derivatives that do not qualify for “hedge treatment” under GAAP. These unrealized gains and losses occur in our Lending operating segment. In our “Core Earnings” presentation, we recognize the economic effect of these hedges, which generally results in any cash paid or received being recognized ratably as an expense or revenue over the hedged item’s life.

SFAS No. 133 requires that changes in the fair value of derivative instruments be recognized currently in earnings unless specific hedge accounting criteria, as specified by SFAS No. 133, are met. We believe that our derivatives are effective economic hedges, and as such, are a critical element of our interest rate risk management strategy. However, some of our derivatives, primarily Floor Income Contracts and certain basis swaps, do not qualify for “hedge treatment” as defined by SFAS No. 133, and the stand-alone derivative must be marked-to-market in the income statement with no consideration for the corresponding change in fair value of the hedged item. The gains and losses described in “Gains (losses) on derivative and hedging activities, net” are primarily caused by interest rate and foreign currency exchange rate volatility, and changing credit spreads during the period as well as the volume and term of derivatives not receiving hedge treatment.



Our Floor Income Contracts are written options that must meet more stringent requirements than other hedging relationships to achieve hedge effectiveness under SFAS No. 133. Specifically, our Floor Income Contracts do not qualify for hedge accounting treatment because the pay down of principal of the student loans underlying the Floor Income embedded in those student loans does not exactly match the change in the notional amount of our written Floor Income Contracts. Under SFAS No. 133, the upfront payment is deemed a liability and changes in fair value are recorded through income throughout the life of the contract. The change in the value of Floor Income Contracts is primarily caused by changing interest rates that cause the amount of Floor Income earned on the underlying student loans and paid to the counterparties to vary. This is economically offset by the change in value of the student loan portfolio, including our Retained Interests, earning Floor Income but that offsetting change in value is not recognized under SFAS No. 133. We believe the Floor Income Contracts are economic hedges because they effectively fix the amount of Floor Income earned over the contract period, thus eliminating the timing and uncertainty that changes in interest rates can have on Floor Income for that period. Prior to SFAS No. 133, we accounted for Floor Income Contracts as hedges and amortized the upfront cash compensation ratably over the lives of the contracts.

Basis swaps are used to convert floating rate debt from one floating interest rate index to another to better match the interest rate characteristics of the assets financed by that debt. We primarily use basis swaps to change the index and reset frequency of our floating rate debt to better match the cash flows of our student loan assets that are primarily indexed to a commercial paper, Prime or Treasury bill index. In addition, we use basis swaps to convert debt indexed to the Consumer Price Index to three-month month LIBOR debt. SFAS No. 133 requires that when using basis swaps, the change in the cash flows of the hedge effectively offset both the change in the cash flows of the asset and the change in the cash flows of the liability. Our basis swaps hedge variable interest rate risk; however, they generally do not meet this effectiveness test because the index of the swap does not exactly match the index of the hedged assets as required by SFAS No. 133. Additionally, some of our FFELP loans can earn at either a variable or a fixed interest rate depending on market interest rates. We also have basis swaps that do not meet the SFAS No. 133 effectiveness test that economically hedge off-balance sheet instruments. As a result, under GAAP these swaps are recorded at fair value with changes in fair value reflected currently in the income statement.

The table below quantifies the adjustments for derivative accounting under SFAS No. 133 on our net income for the three and six months ended June 30, 2009 and 2008, when compared with the accounting principles employed in all years prior to the SFAS No. 133 implementation.

	Three Months Ended		June 30, Ended	
	2009	2008	2009	2008
<b>“Core Earnings” derivative adjustments:</b>				
Gains (losses) on derivative and hedging activities, net, included in other income <sup>(1)</sup>	\$ (562)	\$ 362	\$ (458)	\$ 89
Less: Realized (gains) losses on derivative and hedging activities, net <sup>(1)</sup>	78	90	2	(1)
Unrealized gains (losses) on derivative and hedging activities, net <sup>(1)</sup>	(484)	452	(456)	88
Other pre-SFAS No. 133 accounting adjustments	(11)	(1)	15	(1)
Total net impact of SFAS No. 133 derivative accounting <sup>(2)</sup>	<u>\$ (495)</u>	<u>\$ 451</u>	<u>\$ (441)</u>	<u>\$ 87</u>

(1) See “Reclassification of Realized Gains (Losses) on Derivative and Hedging Activities” below for a detailed breakdown of the components of both the realized and unrealized losses on derivative and hedging activities.

(2) Negative amounts are subtracted from “Core Earnings” net income to arrive at GAAP net income and positive amounts are added to “Core Earnings” net income to arrive at GAAP net income.

#### Reclassification of Realized Gains (Losses) on Derivative and Hedging Activities

SFAS No. 133 requires net settlement income/expense on derivatives and realized gains/losses related to derivative dispositions (collectively referred to as “realized gains (losses) on derivative and hedging activities”) that do not qualify as hedges under SFAS No. 133 to be recorded in a separate income statement line item

below net interest income. The table below summarizes the realized losses on derivative and hedging activities, and the associated reclassification on a “Core Earnings” basis for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended		Six Months Ended	
	June 30, 2009	2008	June 30, 2009	2008
<b>Reclassification of realized gains (losses) on derivative and hedging activities:</b>				
Net settlement expense on Floor Income Contracts reclassified to net interest income	\$ (171)	\$ (175)	\$ (311)	\$ (315)
Net settlement income (expense) on interest rate swaps reclassified to net interest income	95	86	324	317
Foreign exchange derivatives gains (losses) reclassified to other income	(1)	(5)	(14)	(5)
Net realized gains (losses) on terminated derivative contracts reclassified to other income	(1)	4	(1)	4
Total reclassifications of realized (gains) losses on derivative and hedging activities	(78)	(90)	(2)	1
Add: Unrealized gains (losses) on derivative and hedging activities, net <sup>(1)</sup>	(484)	452	(456)	88
Gains (losses) on derivative and hedging activities, net	<u>\$ (562)</u>	<u>\$ 362</u>	<u>\$ (458)</u>	<u>\$ 89</u>

(1) “Unrealized gains (losses) on derivative and hedging activities, net” is comprised of the following unrealized mark-to-market gains (losses):

	Three Months Ended		Six Months Ended	
	June 30, 2009	2008	June 30, 2009	2008
Floor Income Contracts	\$ 236	\$ 569	\$ 402	\$ 274
Basis swaps	(217)	(157)	(532)	(289)
Foreign currency hedges	(361)	44	(280)	103
Other	(142)	(4)	(46)	—
Total unrealized gains (losses) on derivative and hedging activities, net	<u>\$ (484)</u>	<u>\$ 452</u>	<u>\$ (456)</u>	<u>\$ 88</u>

Unrealized gains and losses on Floor Income Contracts are primarily caused by changes in interest rates and the forward interest rate curve. In general, an increase in interest rates, or a steepening of the forward interest rate curve, results in an unrealized gain and vice versa. Unrealized gains and losses on basis swaps result from changes in the spread between indices and on changes in the forward interest rate curves that impact basis swaps hedging repricing risk between quarterly reset debt and daily reset assets. Unrealized gains (losses) on foreign currency hedges are primarily the result of ineffectiveness on cross-currency interest rate swaps hedging foreign currency denominated debt related to differences between forward and spot foreign currency exchange rates.

3) **Floor Income:** The timing and amount (if any) of Floor Income earned in our Lending operating segment is uncertain and in excess of expected spreads. Therefore, we only include such income in “Core Earnings” when it is Fixed Rate Floor Income that is economically hedged. We employ derivatives, primarily Floor Income Contracts, to economically hedge Floor Income. As discussed above in “Derivative Accounting,” these derivatives do not qualify as effective accounting hedges, and therefore, under GAAP, they are marked-to-market through the “gains (losses) on derivative and hedging activities, net” line in the consolidated statement of income with no offsetting gain or loss recorded for the economically hedged items. For “Core Earnings,” we reverse the fair value adjustments on the Floor Income Contracts economically hedging Floor Income and include in income the amortization of net premiums received on contracts economically hedging Fixed Rate Floor Income.

The following table summarizes the Floor Income adjustments in our Lending operating segment for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>“Core Earnings” Floor Income adjustments:</b>				
Floor Income earned on Managed loans, net of payments on Floor Income Contracts	\$ 120	\$ 25	\$ 227	\$ 58
Amortization of net premiums on Floor Income Contracts and futures in net interest income	(30)	(44)	(58)	(82)
Total “Core Earnings” Floor Income adjustments <sup>(1)(2)</sup>	<u>\$ 90</u>	<u>\$ (19)</u>	<u>\$ 169</u>	<u>\$ (24)</u>

(1) Negative amounts are subtracted from “Core Earnings” net income to arrive at GAAP net income and positive amounts are added to “Core Earnings” net income to arrive at GAAP net income.

(2) The following table summarizes the amount of Economic Floor Income earned during the three and six months ended June 30, 2009 and 2008 that is not included in “Core Earnings” net income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Floor Income earned on Managed loans, net of payments on Floor Income Contracts, not included in “Core Earnings”	\$ 120	\$ 25	\$ 227	\$ 58
Amortization of net premiums on Variable Rate Floor Income Contracts not included in “Core Earnings”	21	10	40	20
Amortization of net premiums on Fixed Rate Floor Income Contracts included in “Core Earnings”	30	44	58	82
Total Economic Floor Income earned	171	79	325	160
Less: Amortization of net premiums on Fixed Rate Floor Income Contracts included in “Core Earnings”	(30)	(44)	(58)	(82)
Total Economic Floor Income earned, not included in “Core Earnings”	<u>\$ 141</u>	<u>\$ 35</u>	<u>\$ 267</u>	<u>\$ 78</u>

4) **Acquired Intangibles:** Our “Core Earnings” exclude goodwill and intangible impairment and the amortization of acquired intangibles. These amounts totaled \$10 million and \$15 million, respectively, for the three months ended June 30, 2009 and 2008, and \$19 million and \$31 million, respectively, for the six months ended June 30, 2009 and 2008.

#### LENDING BUSINESS SEGMENT

In our Lending business segment, we originate and acquire federally guaranteed student loans and Private Education Loans, which are not federally guaranteed. Typically a Private Education Loan is made in conjunction with a FFELP Stafford loan and as a result is marketed through the same marketing channels as FFELP loans. While FFELP loans and Private Education Loans have different overall risk profiles due to the federal guarantee of the FFELP loans, they currently share many of the same characteristics such as similar repayment terms, the same marketing channel and sales force, and are originated and serviced on the same servicing platform. Finally, where possible, the borrower receives a single bill for both FFELP and Private Education Loans.

On a Managed Basis, the Company had \$113.9 billion, \$125.5 billion and \$127.2 billion as of June 30, 2009, March 31, 2009 and December 31, 2008, respectively, of FFELP loans indexed to three-month financial commercial paper rate (“CP”) funded with debt indexed to LIBOR. Due to the unintended consequences of government actions in other areas of the capital markets and limited issuances of qualifying financial commercial paper, the historic relationship between CP and LIBOR has been broken. For the fourth quarter of 2008, ED announced that for purposes of calculating the FFELP loan index from October 27, 2008 to the end of the fourth quarter, the Federal Reserve’s Commercial Paper Funding Facility (“CPFF”) rates would be

used for those days in which no CP was available. This resulted in a CP/LIBOR spread of 21 basis points in the fourth quarter of 2008. The CP/LIBOR spread would have been 62 basis points in the fourth quarter of 2008 if ED had not addressed this issue by using the CPFF rates. ED has decided that no such correction was required for the first and second quarters of 2009. This resulted in a CP/LIBOR spread of 52 basis points and 45 basis points in the first and second quarters of 2009, respectively, compared to the CP/LIBOR spread of 21 basis points in the fourth quarter of 2008 and the historic average spread through the third quarter of 2008 of approximately 10 basis points.

“Core Earnings” net interest income would have been \$139 million and \$105 million higher in the first and second quarters of 2009, respectively, at a historical CP/LIBOR spread of 10 basis points. Because of the low interest rate environment, the Company earned additional Economic Floor Income not included in “Core Earnings” of \$141 million in the second quarter of 2009 compared to \$126 million in the first quarter of 2009. Although we exclude these amounts from our “Core Earnings” presentation, the levels earned in both the first and second quarters of 2009 can be viewed as direct and significant offsets to the CP/LIBOR basis exposure in low interest rate environments where we earn Floor Income.

Additionally, the index paid on borrowings under ED’s Participation Program is based on the prior quarter’s CP rates, whereas the index earned on the underlying loans is based on the current quarter’s CP rates. The sharp decline in CP rates during the first and second quarters of 2009 resulted in \$40 million and \$13 million of higher interest expense in the first and second quarters of 2009, respectively.

The following table summarizes the “Core Earnings” results of operations for our Lending business segment.

	Three Months Ended June 30,		Increase (Decrease) 2009 vs. 2008	Six Months Ended June 30,		Increase (Decrease) 2009 vs. 2008
	2009	2008		2009	2008	
“Core Earnings” interest income:						
FFELP Stafford and Other Student Loans	\$ 310	\$ 524	(41)%	\$ 672	\$ 1,018	(34)%
FFELP Consolidation Loans	394	908	(57)	833	1,896	(56)
Private Education Loans	559	665	(16)	1,122	1,415	(21)
Other loans	18	21	(14)	35	45	(22)
Cash and investments	4	81	(95)	6	222	(97)
Total “Core Earnings” interest income	1,285	2,199	(42)	2,668	4,596	(42)
Total “Core Earnings” interest expense	824	1,605	(49)	1,773	3,429	(48)
Net “Core Earnings” interest income	461	594	(22)	895	1,167	(23)
Less: provisions for loan losses	402	192	109	751	374	101
Net “Core Earnings” interest income after provisions for loan losses	59	402	(85)	144	793	(82)
Other income	360	62	481	461	106	335
Restructuring expenses	4	31	(87)	5	46	(89)
Operating expenses	141	155	(9)	272	318	(14)
Total expenses	145	186	(22)	277	364	(24)
Income before income taxes and minority interest in net earnings of subsidiaries	274	278	(1)	328	535	(39)
Income tax expense	102	103	(1)	122	197	(38)
“Core Earnings” net income	\$ 172	\$ 175	(2)%	\$ 206	\$ 338	(39)%
Economic Floor Income (net of tax) not included in “Core Earnings”	\$ 89	\$ 22	305%	\$ 168	\$ 49	243%

## Net Interest Income

Changes to net interest income are primarily due to fluctuations in the student loan and other asset spread discussed below, the growth of our student loan portfolio, and changes in the level of cash and investments we hold on our balance sheet for liquidity purposes.

### Average Balance Sheets — On-Balance Sheet

The following table reflects the rates earned on interest-earning assets and paid on interest-bearing liabilities for the three and six months ended June 30, 2009 and 2008. This table reflects the net interest margin for the entire Company for our on-balance sheet assets. It is included in the Lending business segment discussion because this segment includes substantially all interest-earning assets and interest-bearing liabilities.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009		2008		2009		2008	
	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate
<b>Average Assets</b>								
FFELP Stafford and Other Student Loans	\$ 60,120	2.16%	\$ 41,666	4.80%	\$ 57,913	2.32%	\$ 40,008	4.84%
FFELP Consolidation Loans	70,456	2.62	73,509	4.21	70,881	2.70	73,654	4.39
Private Education Loans	23,012	6.85	18,573	8.86	22,842	6.89	17,882	9.59
Other loans	630	11.76	1,018	8.43	669	10.51	1,106	8.13
Cash and investments	10,383	.27	9,076	3.13	8,904	.29	10,670	3.66
Total interest-earning assets	164,601	2.93%	143,842	4.94%	161,209	3.06%	143,320	5.14%
Non-interest-earning assets	8,898		10,391		9,181		9,969	
Total assets	\$ 173,499		\$ 154,233		\$ 170,390		\$ 153,289	
<b>Average Liabilities and Equity</b>								
Short-term borrowings	\$ 44,550	1.99%	\$ 35,494	4.85%	\$ 44,198	2.48%	\$ 35,735	4.81%
Long-term borrowings	120,073	2.00	109,351	3.45	117,167	2.24	108,508	3.94
Total interest-bearing liabilities	164,623	2.00%	144,845	3.79%	161,365	2.31%	144,243	4.16%
Non-interest-bearing liabilities	3,799		3,888		3,894		3,671	
Equity	5,077		5,500		5,131		5,375	
Total liabilities and equity	\$ 173,499		\$ 154,233		\$ 170,390		\$ 153,289	
Net interest margin		.94%		1.13%		.75%		.95%

**Rate/Volume Analysis — On-Balance Sheet**

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

	Increase (Decrease)	Increase (Decrease) Attributable to Change in	
		Rate	Volume
<b>Three Months Ended June 30, 2009 vs. 2008</b>			
Interest income	\$ (565)	\$ (859)	\$ 294
Interest expense	(547)	(752)	205
Net interest income	<u>\$ (18)</u>	<u>\$ (107)</u>	<u>\$ 89</u>
<b>Six Months Ended June 30, 2009 vs. 2008</b>			
Interest income	\$ (1,215)	\$ (1,760)	\$ 545
Interest expense	(1,135)	(1,498)	363
Net interest income	<u>\$ (80)</u>	<u>\$ (262)</u>	<u>\$ 182</u>

**Net Interest Margin — On-Balance Sheet**

The following table reflects the net interest margin of our on-balance sheet interest-earning assets, before provisions for loan losses. (Certain percentages do not add or subtract down as they are based on average balances.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Student loan spread <sup>(1)(2)</sup>	1.32%	1.52%	1.14%	1.25%
Other asset spread <sup>(1)(3)</sup>	(2.08)	.28	(2.12)	.14
Net interest margin, before the impact of 2008 Asset-Backed Financing Facilities fees <sup>(1)</sup>	1.10	1.44	.95	1.16
Less: 2008 Asset-Backed Financing Facilities fees	(.16)	(.31)	(.20)	(.21)
Net interest margin	<u>.94%</u>	<u>1.13%</u>	<u>.75%</u>	<u>.95%</u>

(1) Before commitment and liquidity fees associated with the 2008 Asset-Backed Financing Facilities, which are referred to as the "2008 Asset-Backed Financing Facilities fees" (see "LIQUIDITY AND CAPITAL RESOURCES — Additional Funding for General Corporate Purposes — Asset-Backed Financing Facilities" for a further discussion).

(2) Composition of student loan spread:

Student loan yield, before Floor Income	3.21%	5.54%	3.38%	5.83%
Gross Floor Income	.56	.40	.53	.38
Consolidation Loan Rebate Fees	(.47)	(.57)	(.49)	(.58)
Repayment Borrower Benefits	(.09)	(.12)	(.09)	(.12)
Premium and discount amortization	(.14)	(.21)	(.14)	(.28)
Student loan net yield	3.07	5.04	3.19	5.23
Student loan cost of funds	(1.75)	(3.52)	(2.05)	(3.98)
Student loan spread, before 2008 Asset-Backed Financing Facilities fees	<u>1.32%</u>	<u>1.52%</u>	<u>1.14%</u>	<u>1.25%</u>

(3) Comprised of investments, cash and other loans.

**Student Loan Spread — On-Balance Sheet**

The student loan spread is impacted by changes in its various components, as reflected in footnote (2) to the "Net Interest Margin — On-Balance Sheet" table above. Gross Floor Income is impacted by interest rates and the percentage of the FFELP portfolio eligible to earn Floor Income. Floor Income Contracts used to

economically hedge Gross Floor Income do not qualify as SFAS No. 133 hedges and, as a result, the net settlements on such contracts are not recorded in net interest margin but rather in the “gains (losses) on derivative and hedging activities, net” line in the consolidated statements of income. The spread impact from Consolidation Loan Rebate Fees fluctuates as a function of the percentage of FFELP Consolidation Loans on our balance sheet. Repayment Borrower Benefits are generally impacted by the terms of the Repayment Borrower Benefits being offered as well as the payment behavior of the underlying loans. Premium and discount amortization is generally impacted by the prices previously paid for loans and amounts capitalized related to such purchases or originations. Premium and discount amortization is also impacted by prepayment behavior of the underlying loans.

The student loan spread, before 2008 Asset-Backed Financing Facilities fees, for the second quarter of 2009 decreased 20 basis points from the year-ago quarter. This decrease was primarily due to an increase in the Company’s cost of funds as discussed below. This decrease was partially offset by an increase in Floor Income resulting from a decrease in interest rates during the quarter.

The cost of funds for on-balance sheet student loans excludes the impact of basis swaps that are intended to economically hedge the re-pricing and basis mismatch between our funding and student loan asset indices, but do not receive hedge accounting treatment under SFAS No. 133. We use basis swaps to manage the basis risk associated with our interest rate sensitive assets and liabilities. These swaps generally do not qualify as accounting hedges, and as a result, are required to be accounted for in the “gains (losses) on derivatives and hedging activities, net” line in the consolidated statements of income, as opposed to being accounted for in interest expense. As a result, these basis swaps are not considered in the calculation of the cost of funds in the table above and therefore, in times of volatile movements of interest rates like those experienced in 2008 and 2009, the student loan spread can be volatile. See “*Core Earnings’ Net Interest Margin*” in the following table, which reflects these basis swaps in interest expense and demonstrates the economic hedge effectiveness of these basis swaps.

#### *Other Asset Spread — On-Balance Sheet*

The other asset spread is generated from cash and investments (both restricted and unrestricted) primarily in our liquidity portfolio and other loans. The Company invests its liquidity portfolio primarily in short-term securities with maturities of one week or less in order to manage counterparty credit risk and maintain available cash balances. The other asset spread for the second quarter of 2009 decreased 236 basis points from the year-ago quarter. Changes in the other asset spread primarily relate to differences in the index basis and reset frequency between the asset indices and funding indices. A portion of this risk is hedged with derivatives that do not receive hedge accounting treatment under SFAS No. 133 and will impact the other asset spread in a similar fashion as the impact to the on-balance sheet student loan spread as discussed above. In volatile interest rate environments, these spreads may move significantly from period to period and differ from the “*Core Earnings’ Basis Other Asset Spread*” discussed below.

#### *Net Interest Margin — On-Balance Sheet*

The net interest margin, before 2008 Asset-Backed Financing Facilities fees, for the second quarter of 2009 decreased 34 basis points from the year-ago quarter. This change primarily relates to the previously discussed changes in the on-balance sheet student loan and other asset spreads. The student loan portfolio as a percentage of the overall interest-earning asset portfolio did not change substantially between the periods.

See “LIQUIDITY AND CAPITAL RESOURCES — Additional Funding Sources for General Corporate Purposes — *Asset-Backed Financing Facilities*” for a discussion of the 2008 Asset-Backed Financing Facilities fees and related extensions.

#### **“Core Earnings” Net Interest Margin**

The following table analyzes the earnings from our portfolio of Managed interest-earning assets on a “Core Earnings” basis (see “BUSINESS SEGMENTS — Pre-tax Differences between ‘Core Earnings’ and GAAP”). The “*Core Earnings’ Net Interest Margin*” presentation and certain components used in the

calculation differ from the “Net Interest Margin — On-Balance Sheet” presentation. The “Core Earnings” presentation, when compared to our on-balance sheet presentation, is different in that it:

- Includes the net interest margin related to our off-balance sheet student loan securitization trusts. This includes any related fees or costs such as the Consolidation Loan Rebate Fees, premium/discount amortization and Repayment Borrower Benefits yield adjustments;
- Includes the reclassification of certain derivative net settlement amounts. The net settlements on certain derivatives that do not qualify as SFAS No. 133 hedges are recorded as part of the “gain (loss) on derivative and hedging activities, net” line in the consolidated statements of income and are therefore not recognized in the on-balance sheet student loan spread. Under this presentation, these gains and losses are reclassified to the income statement line item of the economically hedged item. For our “Core Earnings” net interest margin, this would primarily include: (a) reclassifying the net settlement amounts related to our written Floor Income Contracts to student loan interest income and (b) reclassifying the net settlement amounts related to certain of our basis swaps to debt interest expense;
- Excludes unhedged Floor Income and hedged Variable Rate Floor Income earned on the Managed student loan portfolio; and
- Includes the amortization of upfront payments on Fixed Rate Floor Income Contracts in student loan income that we believe are economically hedging the Floor Income.

The following table reflects the “Core Earnings” net interest margin, before provisions for loan losses. (Certain percentages do not add or subtract down as they are based on average balances.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
“Core Earnings” basis student loan spread(1):				
FFELP loan spread	.39%	.87%	.38%	.73%
Private Education Loan spread(2)	4.50	5.08	4.58	5.23
Total “Core Earnings” basis student loan spread(3)	1.17	1.65	1.19	1.56
“Core Earnings” basis other asset spread(1)(4)	(.91)	(.25)	(1.01)	(.21)
“Core Earnings” net interest margin, before 2008 Asset-Backed Financing Facilities fees(1)	1.04	1.52	1.06	1.42
Less: 2008 Asset-Backed Financing Facilities fees	(.13)	(.24)	(.16)	(.16)
“Core Earnings” net interest margin	.91%	1.28%	.90%	1.26%

(1) Before commitment and liquidity fees associated with the 2008 Asset-Backed Financing Facilities, which are referred to as the “2008 Asset-Backed Financing Facilities fees” (see “LIQUIDITY AND CAPITAL RESOURCES — Additional Funding for General Corporate Purposes — Asset-Backed Financing Facilities” for a further discussion).

(2) “Core Earnings” basis Private Education Loan Spread, before 2008 Asset-Backed Financing Facilities fees and after provision for loan losses .47% 3.02% .88% 3.15%

(3) Composition of “Core Earnings” basis student loan spread:

“Core Earnings” basis student loan yield	3.36%	5.75%	3.54%	6.06
Consolidation Loan Rebate Fees	(.47)	(.54)	(.48)	(.55)
Repayment Borrower Benefits	(.09)	(.12)	(.09)	(.12)
Premium and discount amortization	(.12)	(.18)	(.13)	(.27)
“Core Earnings” basis student loan net yield	2.68	4.91	2.84	5.12
“Core Earnings” basis student loan cost of funds	(1.51)	(3.26)	(1.65)	(3.56)
“Core Earnings” basis student loan spread, before 2008 Asset-Backed Financing Facilities fees	1.17%	1.65%	1.19%	1.56%

(4) Comprised of investments, cash and other loans

(5) The average balances of our Managed interest-earning assets for the respective periods are:

FFELP loans	\$ 152,482	\$ 140,033	\$ 150,960	\$ 138,891
Private Education Loans	36,008	31,890	35,913	31,323
Total student loans	188,490	171,923	186,873	170,214
Other interest-earning assets	12,336	12,427	10,987	14,211
Total Managed interest-earning assets	\$ 200,826	\$ 184,350	\$ 197,860	\$ 184,425



*“Core Earnings” Basis Student Loan Spread*

The “Core Earnings” basis student loan spread, before the 2008 Asset-Backed Financing Facilities fees, for the second quarter of 2009 decreased 48 basis points from the year-ago quarter. The “Core Earnings” basis student loan spread was negatively impacted by an increase in the Company’s cost of funds primarily resulting from both a 40 basis points widening of the CP/LIBOR spread between the current and year-ago quarter, and an increase in the credit spreads on the Company’s debt issued during the last year due to the current credit environment.

The “Core Earnings” basis FFELP loan spread for the second quarter of 2009 declined from the year-ago quarter primarily as a result of the increase in the cost of funds previously discussed, as well as the mix of the FFELP portfolio shifting towards loans originated subsequent to October 1, 2007 which have lower yields as a result of the CCRAA. The “Core Earnings” basis Private Education Loan spread before provision for loan losses for the second quarter of 2009 was negatively impacted by the increase in the cost of funds discussed previously. The changes in the “Core Earnings” basis Private Education Loan spread after provision for loan losses for all periods presented was primarily due to the timing and amount of provision associated with our allowance for Private Education Loan Losses as discussed below (see “Private Education Loan Losses — *Allowance for Private Education Loan Losses*”).

*“Core Earnings” Basis Other Asset Spread*

The “Core Earnings” basis other asset spread is generated from cash and investments (both restricted and unrestricted) primarily in our liquidity portfolio, and other loans. The Company invests its liquidity portfolio primarily in short-term securities with maturities of one week or less in order to manage counterparty credit risk and maintain available cash balances. The “Core Earnings” basis other asset spread for the second quarter of 2009 decreased 66 basis points from the year-ago quarter. Changes in this spread primarily relate to differences between the index basis and reset frequency of the asset indices and funding indices. In volatile interest rate environments, the asset and debt reset frequencies will lag each other. In addition, the current steepness of the yield curve is negatively impacting this spread. Changes in this spread are also a result of the increase in our cost of funds as previously discussed.

*“Core Earnings” Net Interest Margin*

The “Core Earnings” net interest margin, before the 2008 Asset-Backed Financing Facilities fees, for the second quarter of 2009 decreased 48 basis points from the year-ago quarter. This change primarily relates to the previously discussed changes in the “Core Earnings” basis student loan and other asset spreads. The Managed student loan portfolio as a percentage of the overall interest-earning asset portfolio did not change substantially between the periods.

See “LIQUIDITY AND CAPITAL RESOURCES — Additional Funding Sources for General Corporate Purposes — *Asset-Backed Financing Facilities*” for a discussion of the 2008 Asset-Backed Financing Facilities fees and related extensions.

## Summary of our Managed Student Loan Portfolio

The following tables summarize the components of our Managed student loan portfolio and show the changing composition of our portfolio.

### Ending Managed Student Loan Balances, net

	June 30, 2009				
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
<b>On-balance sheet:</b>					
In-school	\$ 21,588	\$ —	\$ 21,588	\$ 6,962	\$ 28,550
Grace and repayment	39,568	68,928	108,496	16,484	124,980
Total on-balance sheet, gross	61,156	68,928	130,084	23,446	153,530
On-balance sheet unamortized premium (discount)	1,151	1,224	2,375	(536)	1,839
On-balance sheet receivable for partially charged-off loans	—	—	—	338	338
On-balance sheet allowance for losses	(103)	(50)	(153)	(1,397)	(1,550)
Total on-balance sheet, net	62,204	70,102	132,306	21,851	154,157
<b>Off-balance sheet:</b>					
In-school	313	—	313	981	1,294
Grace and repayment	5,733	14,736	20,469	12,391	32,860
Total off-balance sheet, gross	6,046	14,736	20,782	13,372	34,154
Off-balance sheet unamortized premium (discount)	141	444	585	(355)	230
Off-balance sheet receivable for partially charged-off loans	—	—	—	148	148
Off-balance sheet allowance for losses	(17)	(10)	(27)	(544)	(571)
Total off-balance sheet, net	6,170	15,170	21,340	12,621	33,961
<b>Total Managed</b>	<b>\$ 68,374</b>	<b>\$ 85,272</b>	<b>\$ 153,646</b>	<b>\$ 34,472</b>	<b>\$ 188,118</b>
% of on-balance sheet FFELP	47%	53%	100%		
% of Managed FFELP	45%	53%	100%		
% of total	36%	46%	82%	18%	100%

(1) FFELP category is primarily Stafford loans, but also includes federally insured PLUS and HEAL loans.

December 31, 2008

	FFELP Stafford and Other <sup>(1)</sup>	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
<b>On-balance sheet:</b>					
In-school	\$ 18,961	\$ —	\$ 18,961	\$ 7,972	\$ 26,933
Grace and repayment	32,455	70,511	102,966	14,231	117,197
Total on-balance sheet, gross	51,416	70,511	121,927	22,203	144,130
On-balance sheet unamortized premium (discount)	1,151	1,280	2,431	(535)	1,896
On-balance sheet receivable for partially charged-off loans	—	—	—	222	222
On-balance sheet allowance for losses	(91)	(47)	(138)	(1,308)	(1,446)
Total on-balance sheet, net	52,476	71,744	124,220	20,582	144,802
<b>Off-balance sheet:</b>					
In-school	473	—	473	1,629	2,102
Grace and repayment	6,583	15,078	21,661	12,062	33,723
Total off-balance sheet, gross	7,056	15,078	22,134	13,691	35,825
Off-balance sheet unamortized premium (discount)	105	462	567	(361)	206
Off-balance sheet receivable for partially charged-off loans	—	—	—	92	92
Off-balance sheet allowance for losses	(18)	(9)	(27)	(505)	(532)
Total off-balance sheet, net	7,143	15,531	22,674	12,917	35,591
<b>Total Managed</b>	<b>\$ 59,619</b>	<b>\$ 87,275</b>	<b>\$ 146,894</b>	<b>\$ 33,499</b>	<b>\$ 180,393</b>
% of on-balance sheet FFELP	42%	58%	100%		
% of Managed FFELP	41%	59%	100%		
% of total	33%	48%	81%	19%	100%

(1) FFELP category is primarily Stafford loans, but also includes federally insured PLUS and HEAL loans.

**Student Loan Average Balances (net of unamortized premium/discount)**

The following tables summarize the components of our Managed student loan portfolio and show the changing composition of our portfolio.

Three Months Ended June 30, 2009

	FFELP Stafford and Other <sup>(1)</sup>	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
On-balance sheet	\$ 60,120	\$ 70,456	\$ 130,576	\$ 23,012	\$ 153,588
Off-balance sheet	6,661	15,245	21,906	12,996	34,902
<b>Total Managed</b>	<b>\$ 66,781</b>	<b>\$ 85,701</b>	<b>\$ 152,482</b>	<b>\$ 36,008</b>	<b>\$ 188,490</b>
% of on-balance sheet FFELP	46%	54%	100%		
% of Managed FFELP	44%	56%	100%		
% of total	35%	46%	81%	19%	100%

(1) FFELP category is primarily Stafford loans, but also includes federally insured PLUS and HEAL loans.

**Three Months Ended June 30, 2008**

	<b>FFELP Stafford and Other<sup>(1)</sup></b>	<b>FFELP Consolidation Loans</b>	<b>Total FFELP</b>	<b>Private Education Loans</b>	<b>Total</b>
On-balance sheet	\$ 41,666	\$ 73,509	\$ 115,175	\$ 18,573	\$ 133,748
Off-balance sheet	8,736	16,122	24,858	13,317	38,175
<b>Total Managed</b>	<b>\$ 50,402</b>	<b>\$ 89,631</b>	<b>\$ 140,033</b>	<b>\$ 31,890</b>	<b>\$ 171,923</b>
% of on-balance sheet FFELP	36%	64%	100%		
% of Managed FFELP	36%	64%	100%		
% of total	29%	52%	81%	19%	100%

**Six Months Ended June 30, 2009**

	<b>FFELP Stafford and Other<sup>(1)</sup></b>	<b>FFELP Consolidation Loans</b>	<b>Total FFELP</b>	<b>Private Education Loans</b>	<b>Total</b>
On-balance sheet	\$ 57,913	\$ 70,881	\$ 128,794	\$ 22,842	\$ 151,636
Off-balance sheet	6,828	15,338	22,166	13,071	35,237
<b>Total Managed</b>	<b>\$ 64,741</b>	<b>\$ 86,219</b>	<b>\$ 150,960</b>	<b>\$ 35,913</b>	<b>\$ 186,873</b>
% of on-balance sheet FFELP	45%	55%	100%		
% of Managed FFELP	43%	57%	100%		
% of total	35%	46%	81%	19%	100%

**Six Months Ended June 30, 2008**

	<b>FFELP Stafford and Other<sup>(1)</sup></b>	<b>FFELP Consolidation Loans</b>	<b>Total FFELP</b>	<b>Private Education Loans</b>	<b>Total</b>
On-balance sheet	\$ 40,008	\$ 73,654	\$ 113,662	\$ 17,882	\$ 131,544
Off-balance sheet	8,998	16,231	25,229	13,441	38,670
<b>Total Managed</b>	<b>\$ 49,006</b>	<b>\$ 89,885</b>	<b>\$ 138,891</b>	<b>\$ 31,323</b>	<b>\$ 170,214</b>
% of on-balance sheet FFELP	35%	65%	100%		
% of Managed FFELP	35%	65%	100%		
% of total	29%	53%	82%	18%	100%

<sup>(1)</sup> FFELP category is primarily Stafford loans, but also includes federally insured PLUS and HEAL loans.

### Floor Income — Managed Basis

The following table analyzes the ability of the FFELP loans in our Managed portfolio to earn Floor Income after June 30, 2009 and 2008, based on interest rates as of those dates.

(Dollars in billions)	June 30, 2009			June 30, 2008		
	Fixed Borrower Rate	Variable Borrower Rate	Total	Fixed Borrower Rate	Variable Borrower Rate	Total
Student loans eligible to earn Floor Income:						
On-balance sheet student loans	\$ 113.5	\$ 15.7	\$ 129.2	\$ 97.1	\$ 16.0	\$ 113.1
Off-balance sheet student loans	14.7	6.0	20.7	15.5	8.3	23.8
Managed student loans eligible to earn Floor Income	128.2	21.7	149.9	112.6	24.3	136.9
Less: post-March 31, 2006 disbursed loans required to rebate Floor Income	(74.0)	(1.3)	(75.3)	(55.5)	(1.4)	(56.9)
Less: economically hedged Floor Income Contracts	(30.0)	—	(30.0)	(25.8)	—	(25.8)
Net Managed student loans eligible to earn Floor Income	\$ 24.2	\$ 20.4	\$ 44.6	\$ 31.3	\$ 22.9	\$ 54.2
Net Managed student loans earning Floor Income	\$ 16.7	\$ 1.6	\$ 18.3	\$ 0.5	\$ 0.1	\$ 0.6

We have sold Floor Income Contracts to hedge the potential Floor Income from specifically identified pools of FFELP Consolidation Loans that are eligible to earn Floor Income.

The following table presents a projection of the average Managed balance of FFELP Consolidation Loans for which Fixed Rate Floor Income has already been economically hedged through Floor Income Contracts for the period from April 1, 2009 to June 30, 2013. These loans are both on-balance sheet and off-balance sheet, and the related hedges do not qualify under SFAS No. 133 accounting as effective hedges.

(Dollars in billions)	July 1, 2009 to	2010	2011	2012	2013
	December 31, 2009				
Average balance of FFELP Consolidation Loans whose Floor Income is economically hedged (Managed Basis)	\$ 21	\$ 19	\$ 17	\$ 16	\$ 5

### Private Education Loan Losses

#### On-Balance Sheet versus Managed Basis Presentation

All Private Education Loans are initially acquired on-balance sheet. The securitization of Private Education Loans prior to 2009 has been accounted for off-balance sheet under SFAS No. 140. For our Managed Basis presentation in the table below, when loans are securitized, we reduce the on-balance sheet allowance for loan losses for amounts previously provided and then increase the allowance for loan losses for these loans off-balance sheet, with the total of both on-balance sheet and off-balance sheet being the Managed Basis allowance for loan losses.

When Private Education Loans in our securitized trusts settling before September 30, 2005, became 180 days delinquent, we previously exercised our contingent call option to repurchase these loans at par value out of the trust and recorded a loss for the difference in the par value paid and the fair market value of the loan at the time of purchase. We account for these loans in accordance with the American Institute of Certified Public Accountants' ("AICPA") Statement of Position ("SOP") 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer." Revenue is recognized over the anticipated remaining life of the loan based upon the amount and timing of anticipated cash flows. Beginning in October 2008, the Company decided to no longer exercise its contingent call option. On a Managed Basis, the losses recorded under GAAP for loans

repurchased at day 180 were reversed and the full amount is charged-off at day 212 of delinquency. We do not hold the contingent call option for any trusts settled after September 30, 2005.

When measured as a percentage of ending loans in repayment, the off-balance sheet allowance for loan losses percentage is lower than the on-balance sheet percentage because of the different mix and aging of loans on-balance sheet and off-balance sheet.

#### Private Education Loan Delinquencies and Forbearance

The tables below present our Private Education Loan delinquency trends as of June 30, 2009 and 2008. Delinquencies have the potential to adversely impact earnings as they are an initial indication of the borrower's potential to possibly default and as a result command a higher loan loss reserve than loans in current status. Delinquent loans also require increased servicing and collection efforts, resulting in higher operating costs.

	On-Balance Sheet Private Education Loan Delinquencies			
	June 30, 2009		June 30, 2008	
	Balance	%	Balance	%
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 10,355		\$ 9,662	
Loans in forbearance <sup>(2)</sup>	945		1,178	
Loans in repayment and percentage of each status:				
Loans current	10,294	84.8%	7,720	89.7%
Loans delinquent 31-60 days <sup>(3)</sup>	504	4.2	326	3.8
Loans delinquent 61-90 days <sup>(3)</sup>	335	2.7	210	2.4
Loans delinquent greater than 90 days <sup>(3)</sup>	1,013	8.3	353	4.1
Total Private Education Loans in repayment	12,146	100%	8,609	100%
Total Private Education Loans, gross	23,446		19,449	
Private Education Loan unamortized discount	(537)		(508)	
Total Private Education Loans	22,909		18,941	
Private Education Loan receivable for partially charged-off loans	338		159	
Private Education Loan allowance for losses	(1,396)		(1,129)	
Private Education Loans, net	\$ 21,851		\$ 17,971	
Percentage of Private Education Loans in repayment		51.8%		44.3%
Delinquencies as a percentage of Private Education Loans in repayment		15.2%		10.3%
Loans in forbearance as a percentage of loans in repayment and forbearance		7.2%		12.0%

(1) Loans for borrowers who may be attending school or engaging 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 borrowers who have used their allowable deferment time or do not qualify for deferment, and need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors, consistent with the established loan program servicing policies and procedures.

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

**Off-Balance Sheet Private Education  
Loan Delinquencies**

	June 30, 2009		June 30, 2008	
	Balance	%	Balance	%
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 2,974		\$ 4,159	
Loans in forbearance <sup>(2)</sup>	583		1,339	
Loans in repayment and percentage of each status:				
Loans current	8,874	90.4%	7,871	95.1%
Loans delinquent 31-60 days <sup>(3)</sup>	261	2.7	178	2.2
Loans delinquent 61-90 days <sup>(3)</sup>	174	1.8	102	1.2
Loans delinquent greater than 90 days <sup>(3)</sup>	505	5.1	124	1.5
Total Private Education Loans in repayment	<u>9,814</u>	<u>100%</u>	<u>8,275</u>	<u>100%</u>
Total Private Education Loans, gross	13,371		13,773	
Private Education Loan unamortized discount	(355)		(356)	
Total Private Education Loans	13,016		13,417	
Private Education Loan receivable for partially charged-off loans	149		58	
Private Education Loan allowance for losses	(544)		(377)	
Private Education Loans, net	<u>\$ 12,621</u>		<u>\$ 13,098</u>	
Percentage of Private Education Loans in repayment		73.4%		60.1%
Delinquencies as a percentage of Private Education Loans in repayment		9.6%		4.9%
Loans in forbearance as a percentage of loans in repayment and forbearance		<u>5.6%</u>		<u>13.9%</u>

**Managed Basis Private Education  
Loan Delinquencies**

	June 30, 2009		June 30, 2008	
	Balance	%	Balance	%
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 13,329		\$ 13,821	
Loans in forbearance <sup>(2)</sup>	1,528		2,517	
Loans in repayment and percentage of each status:				
Loans current	19,168	87.3%	15,591	92.3%
Loans delinquent 31-60 days <sup>(3)</sup>	765	3.5	504	3.0
Loans delinquent 61-90 days <sup>(3)</sup>	509	2.3	312	1.9
Loans delinquent greater than 90 days <sup>(3)</sup>	1,518	6.9	477	2.8
Total Private Education Loans in repayment	<u>21,960</u>	<u>100%</u>	<u>16,884</u>	<u>100%</u>
Total Private Education Loans, gross	36,817		33,222	
Private Education Loan unamortized discount	(892)		(864)	
Total Private Education Loans	35,925		32,358	
Private Education Loan receivable for partially charged-off loans	487		217	
Private Education Loan allowance for losses	(1,940)		(1,506)	
Private Education Loans, net	<u>\$ 34,472</u>		<u>\$ 31,069</u>	
Percentage of Private Education Loans in repayment		59.7%		50.8%
Delinquencies as a percentage of Private Education Loans in repayment		12.7%		7.7%
Loans in forbearance as a percentage of loans in repayment and forbearance		<u>6.5%</u>		<u>13.0%</u>

(1) Loans for borrowers who may be attending school or engaging 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 borrowers who have used their allowable deferment time or do not qualify for deferment, and need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors, consistent with the established loan program servicing policies and procedures.

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

**Allowance for Private Education Loan Losses**

The following table summarizes changes in the allowance for Private Education Loan losses for the three and six months ended June 30, 2009 and 2008.

	Activity in Allowance for Private Education Loan Losses					
	On-Balance Sheet		Off-Balance Sheet		Managed Basis	
	Three Months Ended		Three Months Ended		Three Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Allowance at beginning of period	\$ 1,384	\$ 1,074	\$ 539	\$ 373	\$ 1,923	\$ 1,447
Provision for Private Education						
Loan losses	242	120	120	43	362	163
Charge-offs	(239)	(73)	(116)	(40)	(355)	(113)
Reclassification of interest reserve(1)	9	8	1	1	10	9
Allowance at end of period	\$ 1,396	\$ 1,129	\$ 544	\$ 377	\$ 1,940	\$ 1,506
Charge-offs as a percentage of average loans in repayment (annualized)	8.2%	3.6%	4.8%	2.1%	6.7%	2.9%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	7.6%	3.2%	4.6%	1.8%	6.3%	2.5%
Allowance as a percentage of the ending total loan balance	5.9%	5.8%	4.0%	2.7%	5.2%	4.5%
Allowance as a percentage of ending loans in repayment	11.5%	13.1%	5.5%	4.6%	8.8%	8.9%
Average coverage of charge-offs (annualized)	1.5	3.9	1.2	2.3	1.4	3.3
Ending total loans(2)	\$ 23,784	\$ 19,608	\$ 13,520	\$ 13,831	\$ 37,304	\$ 33,439
Average loans in repayment	\$ 11,700	\$ 7,992	\$ 9,630	\$ 7,811	\$ 21,330	\$ 15,803
Ending loans in repayment	\$ 12,146	\$ 8,609	\$ 9,814	\$ 8,275	\$ 21,960	\$ 16,884

(1) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan's principal balance.

(2) Ending total loans represents gross Private Education Loans, plus the receivable for partially charged-off loans.



**Activity in Allowance for Private Education Loan Losses**

	On-Balance Sheet Six Months Ended		Off-Balance Sheet Six Months Ended		Managed Basis Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Allowance at beginning of period	\$ 1,308	\$ 1,004	\$ 505	\$ 362	\$ 1,813	\$ 1,366
Provision for Private Education						
Loan losses	445	238	214	85	659	323
Charge-offs	(378)	(129)	(179)	(73)	(557)	(202)
Reclassification of interest reserve <sup>(1)</sup>	21	16	4	3	25	19
Allowance at end of period	<u>\$ 1,396</u>	<u>\$ 1,129</u>	<u>\$ 544</u>	<u>\$ 377</u>	<u>\$ 1,940</u>	<u>\$ 1,506</u>
Charge-offs as a percentage of average loans in repayment (annualized)	6.7%	3.5%	3.8%	1.9%	5.4%	2.7%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	6.2%	3.0%	3.6%	1.6%	5.0%	2.3%
Allowance as a percentage of the ending total loan balance	5.9%	5.8%	4.0%	2.7%	5.2%	4.5%
Allowance as a percentage of ending loans in repayment	11.5%	13.1%	5.5%	4.6%	8.8%	8.9%
Average coverage of charge-offs (annualized)	1.8	4.3	1.5	2.6	1.7	3.7
Ending total loans <sup>(2)</sup>	\$ 23,784	\$ 19,608	\$ 13,520	\$ 13,831	\$ 37,304	\$ 33,439
Average loans in repayment	\$ 11,405	\$ 7,544	\$ 9,522	\$ 7,638	\$ 20,927	\$ 15,182
Ending loans in repayment	\$ 12,146	\$ 8,609	\$ 9,814	\$ 8,275	\$ 21,960	\$ 16,884

(1) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan's principal balance.

(2) Ending total loans represents gross Private Education Loans, plus the receivable for partially charged-off loans.

The following table provides the detail for our traditional and non-traditional Managed Private Education Loans at June 30, 2009 and 2008.

	June 30, 2009			June 30, 2008		
	Traditional	Non-Traditional	Total	Traditional	Non-Traditional	Total
Ending total loans <sup>(1)</sup>	\$ 32,326	\$ 4,978	\$ 37,304	\$ 28,452	\$ 4,987	\$ 33,439
Ending loans in repayment	18,980	2,980	21,960	14,433	2,451	16,884
Private Education Loan allowance for losses	967	973	1,940	574	932	1,506
Charge-offs as a percentage of average loans in repayment (annualized)	3.9%	24.0%	6.7%	1.4%	11.5%	2.9%
Allowance as a percentage of ending total loan balance	3.0%	19.6%	5.2%	2.0%	18.7%	4.5%
Allowance as a percentage of ending loans in repayment	5.1%	32.7%	8.8%	4.0%	38.0%	8.9%
Average coverage of charge-offs (annualized)	1.4	1.4	1.4	3.1	3.5	3.3
Delinquencies as a percentage of Private Education Loans in repayment	9.5%	33.5%	12.7%	4.9%	24.0%	7.7%
Delinquencies greater than 90 days as a percentage of Private Education Loans in repayment	4.8%	20.6%	6.9%	1.6%	9.8%	2.8%
Loans in forbearance as a percentage of loans in repayment and forbearance	6.1%	8.9%	6.5%	12.0%	18.5%	13.0%

(1) Ending total loans represents gross Private Education Loans, plus the receivable for partially charged-off loans.

Managed provision expense was \$163 million in the second quarter of 2008, \$297 million in the first quarter of 2009 and \$362 million in the second quarter of 2009. The increase in provision expense from the year-ago period relates primarily to an increase in charge-off expectations as a result of the continued weakening of the U.S. economy. Provision expense remained elevated in the second quarter of 2009 compared to the first quarter of 2009 due to the continued uncertainty of the U.S. economy. The Private Education Loan portfolio had experienced a significant increase in delinquencies through the first quarter of 2009; however, delinquencies declined from the first quarter of 2009 to the second quarter of 2009. The Company expects a continued increase in charge-off levels in the near term. This increase in charge-off levels was generally anticipated and was previously reflected in our allowance for loan losses as of March 31, 2009 and December 31, 2008. Managed delinquencies as a percentage of Private Education Loans in repayment decreased from 13.4 percent as of March 31, 2009 to 12.7 percent as of June 30, 2009. Managed Private Education Loans in forbearance as a percentage of loans in repayment and forbearance decreased from 6.7 percent as of March 31, 2009 to 6.5 percent at June 30, 2009. On a year-over-year basis, overall delinquencies as a percentage of loans in repayment increased from 7.7 percent to 12.7 percent, while forbearances decreased from 13.0 percent to 6.5 percent.

Borrowers use the proceeds of Private Education Loans to obtain higher education, which increases the likelihood of obtaining employment at higher income levels than would be available without the additional education. As a result, borrowers' repayment capability is expected to improve between the time the loan is made and the time they enter the post-education work force. Consistent with FFELP loans, we generally allow the loan repayment period on higher education Private Education Loans to begin six months after the borrower graduates (or "grace period"). This provides the borrower time after graduation to obtain a job to service the debt. For borrowers that need more time or experience hardships, we offer periods of forbearance similar to that provided to borrowers in the FFELP.

Forbearance involves granting the borrower a temporary cessation of payments (or temporary acceptance of smaller than scheduled payments) for a specified period of time. Using forbearance in this manner

effectively extends the original term of the loan. Forbearance does not grant any reduction in the total repayment obligation (principal or interest). While a loan is in forbearance status, interest continues to accrue and is capitalized to principal when the loan re-enters repayment status. Our forbearance policies include limits on the number of forbearance months granted consecutively and limits on the total number of forbearance months granted over the life of the loan. In some instances, we require good-faith payments before granting the forbearance. Exceptions to forbearance policies are permitted when such exceptions are judged to increase the likelihood of ultimate collection of the loan. Forbearance as a collection tool is used most effectively when applied based on a borrower's unique situation, including assumptions based on historical information and judgments. We combine borrower information with a risk-based segmentation model to assist in our decision making as to who will be granted forbearance based on our expectation as to a borrower's ability and willingness to repay their obligation. This strategy is aimed at mitigating the overall risk of the portfolio as well as encouraging cash resolution of delinquent loans.

Forbearance may be granted to borrowers who are exiting their grace period to provide additional time to obtain employment and income to support their obligations, or to current borrowers who are faced with a hardship and request forbearance time to provide temporary payment relief. In these circumstances, a borrower'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 their granted forbearance period, the borrower will enter repayment status as current and is expected to begin making their scheduled monthly payments on a go-forward basis.

Forbearance may also be granted to borrowers who are delinquent in their payments. In these circumstances, the forbearance cures the delinquency and the borrower is returned to a current repayment status. In more limited instances, delinquent borrowers will also be granted additional forbearance time. As we have obtained further experience about the effectiveness of forbearance, we have reduced the amount of time a loan will spend in forbearance, thereby increasing our ongoing contact with the borrower to encourage consistent repayment behavior once the loan is returned to a current repayment status. As a result, the balance of loans in a forbearance status as of month end has decreased over the course of 2008 and 2009, while the monthly average amount of loans granted forbearance in the second quarter of 2009 was consistent with the year-ago quarter at 5 percent of loans in repayment and forbearance. As of June 30, 2009, 2 percent of loans in current status were delinquent as of the end of the prior month, but were granted a forbearance that made them current during June. The majority of these borrowers would have previously received a forbearance which resulted in their loan being reflected in the forbearance status at month end, and eventually entering repayment status as current at the end of the forbearance period. These borrowers are now being placed in repayment status earlier than they previously would have been.

The table below reflects the historical effectiveness of using forbearance. Our experience has shown that three years after being granted forbearance for the first time, over 70 percent of the loans are current, paid in full, or receiving an in-school grace or deferment, and 13 percent have defaulted. The default experience associated with loans which utilize forbearance is considered in our allowance for loan losses.

**Tracking by First Time in Forbearance Compared to All Loans Entering Repayment**

	Status distribution 36 months after being granted forbearance for the first time	Status distribution 36 months after entering repayment (all loans)	Status distribution 36 months after entering repayment for loans never entering forbearance
In-school/grace/deferment	8.1%	8.0%	2.6%
Current	53.8	59.0	65.2
Delinquent 31-60 days	3.2	2.0	.4
Delinquent 61-90 days	1.8	1.0	.2
Delinquent greater than 90 days	3.6	2.2	.3
Forbearance	6.6	4.6	—
Defaulted	13.0	6.8	4.9
Paid	9.9	16.4	26.4
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The tables below show the composition and status of the Managed Private Education Loan portfolio aged by number of months in active repayment status (months for which a scheduled monthly payment was due). As indicated in the tables, the percentage of loans in forbearance decreases the longer the loans have been in active repayment status. At June 30, 2009, loans in forbearance status as a percentage of loans in repayment and forbearance are 8.5 percent for loans that have been in active repayment status for less than 25 months. The percentage drops to 2.0 percent for loans that have been in active repayment status for more than 48 months. Approximately 88 percent of our Managed Private Education Loans in forbearance status have been in active repayment status less than 25 months.

June 30, 2009	Monthly Scheduled Payments Due			Not Yet in Repayment	Total
	0 to 24	25 to 48	More than 48		
Loans in-school/grace/deferment	\$ —	\$ —	\$ —	\$ 13,329	\$ 13,329
Loans in forbearance	1,349	125	54	—	1,528
Loans in repayment — current	12,238	4,403	2,527	—	19,168
Loans in repayment — delinquent 31-60 days	612	103	50	—	765
Loans in repayment — delinquent 61-90 days	420	60	29	—	509
Loans in repayment — delinquent greater than 90 days	1,304	147	67	—	1,518
<b>Total</b>	<b>\$ 15,923</b>	<b>\$ 4,838</b>	<b>\$ 2,727</b>	<b>\$ 13,329</b>	<b>36,817</b>
Unamortized discount					(892)
Receivable for partially charged-off loans					487
Allowance for loan losses					(1,940)
<b>Total Managed Private Education Loans, net</b>					<b>\$ 34,472</b>
Loans in forbearance as a percentage of loans in repayment and forbearance	8.5%	2.6%	2.0%	—%	6.5%

June 30, 2008	Monthly Scheduled Payments Due			Not Yet in Repayment	Total
	0 to 24	25 to 48	More than 48		
Loans in-school/grace/deferment	\$ —	\$ —	\$ —	\$ 13,821	\$ 13,821
Loans in forbearance	2,342	125	50	—	2,517
Loans in repayment — current	10,632	3,124	1,835	—	15,591
Loans in repayment — delinquent 31-60 days	415	58	31	—	504
Loans in repayment — delinquent 61-90 days	264	31	17	—	312
Loans in repayment — delinquent greater than 90 days	394	51	32	—	477
<b>Total</b>	<b>\$ 14,047</b>	<b>\$ 3,389</b>	<b>\$ 1,965</b>	<b>\$ 13,821</b>	<b>33,222</b>
Unamortized discount					(864)
Receivable for partially charged-off loans					217
Allowance for loan losses					(1,506)
<b>Total Managed Private Education Loans, net</b>					<b>\$ 31,069</b>
Loans in forbearance as a percentage of loans in repayment and forbearance	16.7%	3.7%	2.5%	—%	13.0%

The table below stratifies the portfolio of Managed Private Education Loans in forbearance status as of the dates indicated by the cumulative number of months the borrower has used forbearance. As detailed in the table below, 6 percent of loans currently in forbearance have cumulative forbearance of more than 24 months.

Cumulative number of months borrower has used forbearance	June 30, 2009		June 30, 2008	
	Forbearance Balance	% of Total	Forbearance Balance	% of Total
Up to 12 months	\$ 1,031	68%	\$ 1,643	65%
13 to 24 months	403	26	736	29
More than 24 months	94	6	138	6
<b>Total</b>	<b>\$ 1,528</b>	<b>100%</b>	<b>\$ 2,517</b>	<b>100%</b>

**FFELP Loan Losses**

**FFELP Delinquencies and Forbearance**

The tables below present our FFELP loan delinquency trends as of June 30, 2009 and 2008. Delinquencies have the potential to adversely impact earnings as they are an initial indication of the borrower's potential to possibly default and as a result command a higher loan loss reserve than loans in current status. Delinquent loans also require increased servicing and collection efforts, resulting in higher operating costs.

	On-Balance Sheet FFELP Loan Delinquencies			
	June 30, 2009		June 30, 2008	
	Balance	%	Balance	%
Loans in-school/grace/deferment(1)	\$ 46,644		\$ 35,136	
Loans in forbearance(2)	13,428		12,245	
Loans in repayment and percentage of each status:				
Loans current	58,746	83.9%	57,046	85.5%
Loans delinquent 31-60 days(3)	3,996	5.7	3,573	5.4
Loans delinquent 61-90 days(3)	1,959	2.8	1,662	2.5
Loans delinquent greater than 90 days(3)	5,311	7.6	4,406	6.6
Total FFELP loans in repayment	70,012	100%	66,687	100%
Total FFELP loans, gross	130,084		114,068	
FFELP loan unamortized premium	2,375		2,347	
Total FFELP loans	132,459		116,415	
FFELP loan allowance for losses	(153)		(97)	
FFELP loans, net	\$ 132,306		\$ 116,318	
Percentage of FFELP loans in repayment		53.8%		58.5%
Delinquencies as a percentage of FFELP loans in repayment		16.1%		14.5%
FFELP loans in forbearance as a percentage of loans in repayment and forbearance		16.1%		15.5%

(1) Loans for borrowers who may be attending school or engaging 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, as well as, loans for borrowers who have requested extension of grace period during employment transition or who have temporarily ceased making full payments due to hardship or other factors.

(2) Loans for borrowers who have used their allowable deferment time or do not qualify for deferment, and need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors, consistent with the established loan program servicing policies and procedures.

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

**Off-Balance Sheet FFELP  
Loan Delinquencies**

	June 30, 2009		June 30, 2008	
	Balance	%	Balance	%
Loans in-school/grace/deferment(1)	\$ 3,799		\$ 4,520	
Loans in forbearance(2)	2,834		3,084	
Loans in repayment and percentage of each status:				
Loans current	11,840	83.7%	13,413	82.0%
Loans delinquent 31-60 days(3)	778	5.5	958	5.8
Loans delinquent 61-90 days(3)	396	2.8	473	2.9
Loans delinquent greater than 90 days(3)	1,135	8.0	1,521	9.3
Total FFELP loans in repayment	<u>14,149</u>	<u>100%</u>	<u>16,365</u>	<u>100%</u>
Total FFELP loans, gross	20,782		23,969	
FFELP loan unamortized premium	586		574	
Total FFELP loans	21,368		24,543	
FFELP loan allowance for losses	(28)		(26)	
FFELP loans, net	<u>\$ 21,340</u>		<u>\$ 24,517</u>	
Percentage of FFELP loans in repayment		<u>68.1%</u>		<u>68.3%</u>
Delinquencies as a percentage of FFELP loans in repayment		<u>16.3%</u>		<u>18.0%</u>
FFELP loans in forbearance as a percentage of loans in repayment and forbearance		<u>16.7%</u>		<u>15.9%</u>

**Managed Basis FFELP  
Loan Delinquencies**

	June 30, 2009		June 30, 2008	
	Balance	%	Balance	%
Loans in-school/grace/deferment(1)	\$ 50,443		\$ 39,656	
Loans in forbearance(2)	16,262		15,329	
Loans in repayment and percentage of each status:				
Loans current	70,586	83.9%	70,459	84.8%
Loans delinquent 31-60 days(3)	4,774	5.7	4,531	5.5
Loans delinquent 61-90 days(3)	2,355	2.8	2,135	2.6
Loans delinquent greater than 90 days(3)	6,446	7.6	5,927	7.1
Total FFELP loans in repayment	<u>84,161</u>	<u>100%</u>	<u>83,052</u>	<u>100%</u>
Total FFELP loans, gross	150,866		138,037	
FFELP loan unamortized premium	2,961		2,921	
Total FFELP loans	153,827		140,958	
FFELP loan allowance for losses	(181)		(123)	
FFELP loans, net	<u>\$ 153,646</u>		<u>\$ 140,835</u>	
Percentage of FFELP loans in repayment		<u>55.8%</u>		<u>60.2%</u>
Delinquencies as a percentage of FFELP loans in repayment		<u>16.1%</u>		<u>15.2%</u>
FFELP loans in forbearance as a percentage of loans in repayment and forbearance		<u>16.2%</u>		<u>15.6%</u>

(1) Loans for borrowers who may be attending school or engaging 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, as well as, loans for borrowers who have requested extension of grace period during employment transition or who have temporarily ceased making full payments due to hardship or other factors.

(2) Loans for borrowers who have used their allowable deferment time or do not qualify for deferment, and need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors, consistent with the established loan program servicing policies and procedures.

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

**Allowance for FFELP Loan Losses**

The provision for FFELP loan losses represents the periodic expense of maintaining an allowance sufficient to absorb incurred Risk Sharing losses in the portfolio of FFELP loans.

The following table summarizes changes in the allowance for FFELP loan losses for the three and six months ended June 30, 2009 and 2008.

	Activity in Allowance for FFELP Loan Losses					
	On-Balance Sheet		Off-Balance Sheet		Managed Basis	
	Three Months Ended		Three Months Ended		Three Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Allowance at beginning of period	\$ 153	\$ 94	\$ 28	\$ 27	\$ 181	\$ 121
Provision for FFELP loan losses	25	19	4	6	29	25
Charge-offs	(25)	(16)	(4)	(7)	(29)	(23)
Student loan sales and securitization activity	—	—	—	—	—	—
Allowance at end of period	\$ 153	\$ 97	\$ 28	\$ 26	\$ 181	\$ 123
Charge-offs as a percentage of average loans in repayment (annualized)	.1%	.1%	.1%	.2%	.1%	.1%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.1%	.1%	.1%	.1%	.1%	.1%
Allowance as a percentage of the ending total loan balance	.1%	.1%	.1%	.1%	.1%	.1%
Allowance as a percentage of ending loans in repayment	.2%	.1%	.2%	.2%	.2%	.1%
Average coverage of charge-offs (annualized)	1.5	1.5	1.7	.9	1.6	1.3
Ending total loans, gross	\$ 130,084	\$ 114,068	\$ 20,782	\$ 23,969	\$ 150,866	\$ 138,037
Average loans in repayment	\$ 68,658	\$ 65,967	\$ 14,441	\$ 16,574	\$ 83,099	\$ 82,541
Ending loans in repayment	\$ 70,012	\$ 66,687	\$ 14,149	\$ 16,365	\$ 84,161	\$ 83,052



	Activity in Allowance for FFELP Loan Losses					
	On-Balance Sheet Six Months Ended		Off-Balance Sheet Six Months Ended		Managed Basis Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Allowance at beginning of period	\$ 138	\$ 89	\$ 27	\$ 29	\$ 165	\$ 118
Provision for FFELP loan losses	60	35	9	9	69	44
Charge-offs	(44)	(27)	(8)	(12)	(52)	(39)
Student loan sales and securitization activity	(1)	—	—	—	(1)	—
Allowance at end of period	\$ 153	\$ 97	\$ 28	\$ 26	\$ 181	\$ 123
Charge-offs as a percentage of average loans in repayment (annualized)	.1%	.1%	.1%	.1%	.1%	.1%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.1%	.1%	.1%	.1%	.1%	.1%
Allowance as a percentage of the ending total loan balance	.1%	.1%	.1%	.1%	.1%	.1%
Allowance as a percentage of ending loans in repayment	.2%	.1%	.2%	.2%	.2%	.1%
Average coverage of charge-offs (annualized)	1.7	1.8	1.6	1.0	1.7	1.6
Ending total loans, gross	\$ 130,084	\$ 114,068	\$ 20,782	\$ 23,969	\$ 150,866	\$ 138,037
Average loans in repayment	\$ 68,950	\$ 65,102	\$ 14,670	\$ 16,647	\$ 83,620	\$ 81,749
Ending loans in repayment	\$ 70,012	\$ 66,687	\$ 14,149	\$ 16,365	\$ 84,161	\$ 83,052

#### Total Provisions for Loan Losses

The following tables summarize the total provisions for loan losses on both an on-balance sheet basis and a Managed Basis for the three and six months ended June 30, 2009 and 2008.

#### Total on-balance sheet loan provisions

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Private Education Loans	\$ 242	\$ 120	\$ 445	\$ 238
FFELP Loans	25	19	60	35
Mortgage and consumer loans	11	4	23	7
Total on-balance sheet provisions for loan losses	\$ 278	\$ 143	\$ 528	\$ 280

**Total Managed Basis loan provisions**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Private Education Loans	\$ 362	\$ 163	\$ 659	\$ 323
FFELP Loans	29	25	69	44
Mortgage and consumer loans	11	4	23	7
Total Managed Basis provisions for loan losses	<u>\$ 402</u>	<u>\$ 192</u>	<u>\$ 751</u>	<u>\$ 374</u>

Provision expense for Private Education Loans was previously discussed above (see "Private Education Loan Losses — Allowance for Private Education Loan Losses").

Provision expense for FFELP loans has increased for the three and six months ended June 30, 2009 versus the three and six months ended June 30, 2008 as a result of an expected increase in FFELP loan charge-offs arising from the continued weakening of the U.S. economy.

**Total Loan Charge-offs**

The following tables summarize the total loan charge-offs on both an on-balance sheet basis and a Managed Basis for the three and six months ended June 30, 2009 and 2008.

**Total on-balance sheet loan charge-offs**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Private Education Loans	\$ 239	\$ 73	\$ 378	\$ 129
FFELP Loans	25	16	44	27
Mortgage and consumer loans	8	2	13	7
Total on-balance sheet loan net charge-offs	<u>\$ 272</u>	<u>\$ 91</u>	<u>\$ 435</u>	<u>\$ 163</u>

**Total Managed loan charge-offs**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Private Education Loans	\$ 355	\$ 113	\$ 557	\$ 202
FFELP Loans	29	23	52	39
Mortgage and consumer loans	8	2	13	7
Total Managed loan charge-offs	<u>\$ 392</u>	<u>\$ 138</u>	<u>\$ 622</u>	<u>\$ 248</u>

The increase in charge-offs on FFELP loans for the periods presented is the result of the impact of the weakening U.S. economy and to higher loan balances. See "Private Education Loan Losses — Allowance for Private Education Loan Losses," above, for a discussion of charge-offs related to our Private Education Loans.

### Receivable for Partially Charged-Off Loans

The Company charges off the estimated loss of a defaulted loan balance. Actual recoveries are applied against the remaining loan balance that was not charged off. We refer to this remaining loan balance as the "receivable for partially charged off loans." If actual periodic recoveries are less than expected, the difference is charged off and immediately included in provision expense.

The following tables summarize the activity in the receivable for partially charged-off loans (see "Allowance for Private Education Loan Losses" below for a further discussion) for the three and six months ended June 30, 2009 and 2008.

	Activity in Receivable for Partially Charged-Off Loans					
	On-balance sheet		Off-balance sheet		Managed Basis	
	Three Months Ended		Three Months Ended		Three Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Receivable at beginning of period	\$ 265.3	\$ 134.9	\$ 108.5	\$ 41.2	\$ 373.8	\$ 176.1
Expected future recoveries of current period defaults	82.3	32.4	44.4	18.9	126.7	51.3
Recoveries	(9.2)	(8.4)	(4.5)	(2.1)	(13.7)	(10.5)
Receivable at end of period	\$ 338.4	\$ 158.9	\$ 148.4	\$ 58.0	\$ 486.8	\$ 216.9

	Activity in Receivable for Partially Charged-Off Loans					
	On-balance sheet		Off-balance sheet		Managed Basis	
	Six Months Ended		Six Months Ended		Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Receivable at beginning of period	\$ 222.4	\$ 118.0	\$ 91.1	\$ 27.6	\$ 313.5	\$ 145.6
Expected future recoveries of current period defaults	135.3	59.2	64.0	34.3	199.3	93.5
Recoveries	(19.3)	(18.3)	(6.7)	(3.9)	(26.0)	(22.2)
Receivable at end of period	\$ 338.4	\$ 158.9	\$ 148.4	\$ 58.0	\$ 486.8	\$ 216.9

### Student Loan Acquisitions

The following tables summarize the components of our student loan acquisition activity for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended		
	June 30, 2009		
	FFELP	Private	Total
Internal lending brands and Lender Partners	\$ 4,102	\$ 494	\$ 4,596
Other commitment clients	123	—	123
Spot purchases	871	—	871
Consolidations from third parties	—	—	—
Consolidations and clean-up calls of off-balance sheet securitized loans	426	1	427
Capitalized interest, premiums and discounts	641	239	880
Total on-balance sheet student loan acquisitions	6,163	734	6,897
Consolidations and clean-up calls of off-balance sheet securitized loans	(426)	(1)	(427)
Capitalized interest, premiums and discounts — off-balance sheet securitized trusts	86	127	213
Total Managed student loan acquisitions	\$ 5,823	\$ 860	\$ 6,683

	Three Months Ended June 30, 2008		
	FFELP	Private	Total
Internal lending brands and Lender Partners	\$ 3,361	\$ 1,117	\$ 4,478
Other commitment clients	259	—	259
Spot purchases	133	—	133
Consolidations from third parties	11	55	66
Consolidations and clean-up calls of off-balance sheet securitized loans	12	76	88
Capitalized interest, premiums and discounts	588	219	807
Total on-balance sheet student loan acquisitions	4,364	1,467	5,831
Consolidations and clean-up calls of off-balance sheet securitized loans	(12)	(76)	(88)
Capitalized interest, premiums and discounts — off-balance sheet securitized trusts	121	197	318
Total Managed student loan acquisitions	<u>\$ 4,473</u>	<u>\$ 1,588</u>	<u>\$ 6,061</u>

	Six Months Ended June 30, 2009		
	FFELP	Private	Total
Internal lending brands and Lender Partners	\$ 11,207	\$ 1,894	\$ 13,101
Other commitment clients	203	—	203
Spot purchases	985	—	985
Consolidations from third parties	—	—	—
Consolidations and clean-up calls of off-balance sheet securitized loans	1,954	667	2,621
Capitalized interest, premiums and discounts	1,206	433	1,639
Total on-balance sheet student loan acquisitions	15,555	2,994	18,549
Consolidations and clean-up calls of off-balance sheet securitized loans	(1,954)	(667)	(2,621)
Capitalized interest, premiums and discounts — off-balance sheet securitized trusts	175	244	419
Total Managed student loan acquisitions	<u>\$ 13,776</u>	<u>\$ 2,571</u>	<u>\$ 16,347</u>

	Six Months Ended June 30, 2008		
	FFELP	Private	Total
Internal lending brands and Lender Partners	\$ 9,022	\$ 3,416	\$ 12,438
Other commitment clients	444	—	444
Spot purchases	155	—	155
Consolidations from third parties	461	146	607
Consolidations and clean-up calls of off-balance sheet securitized loans	120	245	365
Capitalized interest, premiums and discounts	1,130	383	1,513
Total on-balance sheet student loan acquisitions	11,332	4,190	15,522
Consolidations and clean-up calls of off-balance sheet securitized loans	(120)	(245)	(365)
Capitalized interest, premiums and discounts — off-balance sheet securitized trusts	219	354	573
Total Managed student loan acquisitions	<u>\$ 11,431</u>	<u>\$ 4,299</u>	<u>\$ 15,730</u>

### Total On-Balance Sheet Assets — Lending Business Segment

The following table includes on-balance sheet asset information for our Lending business segment.

	June 30, 2009	December 31, 2008
FFELP Stafford and Other Student Loans, net	\$ 44,045	\$ 44,025
FFELP Stafford Loans Held-for-Sale	18,159	8,451
FFELP Consolidation Loans, net	70,102	71,744
Private Education Loans, net	21,851	20,582
Other loans, net	489	729
Investments(1)	13,202	8,445
Retained Interest in off-balance sheet securitized loans	1,821	2,200
Other(2)	9,179	9,947
<b>Total assets</b>	<b>\$ 178,848</b>	<b>\$ 166,123</b>

(1) Investments include cash and cash equivalents, short and long-term investments, restricted cash and investments, leveraged leases, and municipal bonds.

(2) Other assets include accrued interest receivable, goodwill and acquired intangible assets, and other non-interest earning assets.

### Loan Originations

The Company originates loans under its own brand names, which we refer to as internal lending brands, and also through Lender Partners under forward contracts to purchase loans at contractual prices.

Our FFELP internal brand originations were up sharply in the second quarter of 2009, increasing 76 percent from the year-ago quarter. Our FFELP Lender Partner originations declined 30 percent over the same period. A number of these Lender Partners, including some of our largest originators, have converted to third-party servicing arrangements in which we service loans on their behalf.

Private Education Loan originations declined 57 percent from the year-ago period to \$.4 billion in the quarter ended June 30, 2009, as a result of our current lending policies and withdrawal from certain markets.

At June 30, 2009, the Company was committed to purchase \$1.3 billion of loans originated by our Lender Partners (\$.6 billion of FFELP loans and \$.7 billion of Private Education Loans). Approximately \$.3 billion of these FFELP loans were originated prior to CCRAA. Approximately \$.2 billion of these FFELP loans are eligible for ED's Purchase and Participation Programs (see "LIQUIDITY AND CAPITAL RESOURCES — ED Funding Programs").

The following tables summarize our loan originations by type of loan and source.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Loan Originations — Internal lending brands</b>				
Stafford	\$ 3,008	\$ 1,650	\$ 7,932	\$ 4,509
PLUS	162	127	759	673
GradPLUS	160	113	436	307
Total FFELP	3,330	1,890	9,127	5,489
Private Education Loans	372	854	1,728	3,078
<b>Total</b>	<b>\$ 3,702</b>	<b>\$ 2,744</b>	<b>\$ 10,855</b>	<b>\$ 8,567</b>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Loan Originations — Lender Partners</b>				
Stafford	\$ 351	\$ 513	\$ 1,126	\$ 2,621
PLUS	16	18	66	290
GradPLUS	9	5	26	47
Total FFELP	376	536	1,218	2,958
Private Education Loans	15	37	174	291
<b>Total</b>	<b>\$ 391</b>	<b>\$ 573</b>	<b>\$ 1,392</b>	<b>\$ 3,249</b>

## Student Loan Activity

The following tables summarize the activity in our on-balance sheet, off-balance sheet and Managed portfolios of FFELP loans and Private Education Loans and highlight the effects of Consolidation Loan activity on our FFELP loan portfolios.

### On-Balance Sheet Three Months Ended June 30, 2009

	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total On- Balance Sheet Portfolio
Beginning balance	\$ 57,844	\$ 70,885	\$ 128,729	\$ 21,645	\$ 150,374
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(163)	(73)	(236)	1	(235)
Net consolidations	(163)	(73)	(236)	1	(235)
Acquisitions	5,456	281	5,737	733	6,470
Net acquisitions	5,293	208	5,501	734	6,235
Internal consolidations(2)	—	—	—	—	—
Securitization-related(3)	425	—	425	—	425
Repayments/claims/resales/other	(1,358)	(991)	(2,349)	(528)	(2,877)
Ending balance	\$ 62,204	\$ 70,102	\$ 132,306	\$ 21,851	\$ 154,157

### Off-Balance Sheet Three Months Ended June 30, 2009

	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Off- Balance Sheet Portfolio
Beginning balance	\$ 6,846	\$ 15,343	\$ 22,189	\$ 12,772	\$ 34,961
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(72)	(17)	(89)	(5)	(94)
Net consolidations	(72)	(17)	(89)	(5)	(94)
Acquisitions	36	50	86	127	213
Net acquisitions	(36)	33	(3)	122	119
Internal consolidations(2)	—	—	—	—	—
Securitization-related(3)	(425)	—	(425)	—	(425)
Repayments/claims/resales/other	(215)	(206)	(421)	(273)	(694)
Ending balance	\$ 6,170	\$ 15,170	\$ 21,340	\$ 12,621	\$ 33,961

### Managed Portfolio Three Months Ended June 30, 2009

	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	\$ 64,690	\$ 86,228	\$ 150,918	\$ 34,417	\$ 185,335
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(235)	(90)	(325)	(4)	(329)
Net consolidations	(235)	(90)	(325)	(4)	(329)
Acquisitions	5,492	331	5,823	860	6,683
Net acquisitions	5,257	241	5,498	856	6,354
Internal consolidations(2)	—	—	—	—	—
Securitization-related(3)	—	—	—	—	—
Repayments/claims/resales/other	(1,573)	(1,197)	(2,770)	(801)	(3,571)
Ending balance(4)	\$ 68,374	\$ 85,272	\$ 153,646	\$ 34,472	\$ 188,118
Total Managed Acquisitions(5)	\$ 5,492	\$ 331	\$ 5,823	\$ 860	\$ 6,683

(1) FFELP category is primarily Stafford loans and also includes PLUS and HEAL loans.

(2) Represents loans that we either own on-balance sheet or loans that we consolidated from our off-balance sheet securitization trusts.

(3) Represents loans within securitization trusts that we are required to consolidate under GAAP once the trusts' loan balances are below the clean-up call threshold.

(4) As of June 30, 2009, the ending balance includes \$23.9 billion of FFELP Stafford and Other Loans and \$2.6 billion of FFELP Consolidation Loans disbursed on or after October 1, 2007, which are impacted by CCRAA legislation.

(5) The Total Managed Acquisitions line includes incremental consolidations from third parties and acquisitions.

**On-Balance Sheet**  
**Three Months Ended June 30, 2008**

	<b>FFELP Stafford and Other(1)</b>	<b>FFELP Consolidation Loans</b>	<b>Total FFELP</b>	<b>Total Private Education Loans</b>	<b>Total On- Balance Sheet Portfolio</b>
Beginning balance	\$ 40,168	\$ 73,868	\$ 114,036	\$ 16,977	\$ 131,013
Net consolidations:					
Incremental consolidations from third parties	—	11	11	55	66
Consolidations to third parties	(100)	(51)	(151)	(9)	(160)
Net consolidations	(100)	(40)	(140)	46	(94)
Acquisitions	4,003	338	4,341	1,336	5,677
Net acquisitions	3,903	298	4,201	1,382	5,583
Internal consolidations(2)	(32)	36	4	67	71
Repayments/claims/resales/other	(892)	(1,031)	(1,923)	(455)	(2,378)
Ending balance	\$ 43,147	\$ 73,171	\$ 116,318	\$ 17,971	\$ 134,289

**Off-Balance Sheet**  
**Three Months Ended June 30, 2008**

	<b>FFELP Stafford and Other(1)</b>	<b>FFELP Consolidation Loans</b>	<b>Total FFELP</b>	<b>Total Private Education Loans</b>	<b>Total Off- Balance Sheet Portfolio</b>
Beginning balance	\$ 9,011	\$ 16,237	\$ 25,248	\$ 13,214	\$ 38,462
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(30)	(9)	(39)	(12)	(51)
Net consolidations	(30)	(9)	(39)	(12)	(51)
Acquisitions	73	48	121	197	318
Net acquisitions	43	39	82	185	267
Internal consolidations(2)	(2)	(2)	(4)	(67)	(71)
Repayments/claims/resales/other	(577)	(232)	(809)	(234)	(1,043)
Ending balance	\$ 8,475	\$ 16,042	\$ 24,517	\$ 13,098	\$ 37,615

**Managed Portfolio**  
**Three Months Ended June 30, 2008**

	<b>FFELP Stafford and Other(1)</b>	<b>FFELP Consolidation Loans</b>	<b>Total FFELP</b>	<b>Total Private Education Loans</b>	<b>Total Managed Basis Portfolio</b>
Beginning balance	\$ 49,179	\$ 90,105	\$ 139,284	\$ 30,191	\$ 169,475
Net consolidations:					
Incremental consolidations from third parties	—	11	11	55	66
Consolidations to third parties	(130)	(60)	(190)	(21)	(211)
Net consolidations	(130)	(49)	(179)	34	(145)
Acquisitions	4,076	386	4,462	1,533	5,995
Net acquisitions	3,946	337	4,283	1,567	5,850
Internal consolidations(2)	(34)	34	—	—	—
Repayments/claims/resales/other	(1,469)	(1,263)	(2,732)	(689)	(3,421)
Ending balance(3)	\$ 51,622	\$ 89,213	\$ 140,835	\$ 31,069	\$ 171,904
Total Managed Acquisitions(4)	\$ 4,076	\$ 397	\$ 4,473	\$ 1,588	\$ 6,061

(1) FFELP category is primarily Stafford loans and also includes PLUS and HEAL loans.

(2) Represents loans that we either own on-balance sheet or loans that we consolidated from our off-balance sheet securitization trusts.

(3) As of June 30, 2008, the ending balance includes \$5.5 billion of FFELP Stafford and Other Loans and \$2.7 billion of FFELP Consolidation Loans disbursed on or after October 1, 2007, which are impacted by CCAA legislation.

(4) The Total Managed Acquisitions line includes incremental consolidations from third parties and acquisitions.



**On-Balance Sheet**  
Six Months Ended June 30, 2009

	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total On- Balance Sheet Portfolio
Beginning balance	\$ 52,476	\$ 71,744	\$ 124,220	\$ 20,582	\$ 144,802
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(406)	(194)	(600)	(3)	(603)
Net consolidations	(406)	(194)	(600)	(3)	(603)
Acquisitions	13,046	555	13,601	2,327	15,928
Net acquisitions	12,640	361	13,001	2,324	15,325
Internal consolidations(2)	—	—	—	—	—
Securitization-related(3)	425	—	425	—	425
Repayments/claims/resales/other	(3,337)	(2,003)	(5,340)	(1,055)	(6,395)
Ending balance	<u>\$ 62,204</u>	<u>\$ 70,102</u>	<u>\$ 132,306</u>	<u>\$ 21,851</u>	<u>\$ 154,157</u>

**Off-Balance Sheet**  
Six Months Ended June 30, 2009

	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Off- Balance Sheet Portfolio
Beginning balance	\$ 7,143	\$ 15,531	\$ 22,674	\$ 12,917	\$ 35,591
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(182)	(43)	(225)	(8)	(233)
Net consolidations	(182)	(43)	(225)	(8)	(233)
Acquisitions	77	98	175	244	419
Net acquisitions	(105)	55	(50)	236	186
Internal consolidations(2)	—	—	—	—	—
Securitization-related(3)	(425)	—	(425)	—	(425)
Repayments/claims/resales/other	(443)	(416)	(859)	(532)	(1,391)
Ending balance	<u>\$ 6,170</u>	<u>\$ 15,170</u>	<u>\$ 21,340</u>	<u>\$ 12,621</u>	<u>\$ 33,961</u>

**Managed Portfolio**  
Six Months Ended June 30, 2009

	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	\$ 59,619	\$ 87,275	\$ 146,894	\$ 33,499	\$ 180,393
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(588)	(237)	(825)	(11)	(836)
Net consolidations	(588)	(237)	(825)	(11)	(836)
Acquisitions	13,123	653	13,776	2,571	16,347
Net acquisitions	12,535	416	12,951	2,560	15,511
Internal consolidations(2)	—	—	—	—	—
Securitization-related(3)	—	—	—	—	—
Repayments/claims/resales/other	(3,780)	(2,419)	(6,199)	(1,587)	(7,786)
Ending balance(4)	<u>\$ 68,374</u>	<u>\$ 85,272</u>	<u>\$ 153,646</u>	<u>\$ 34,472</u>	<u>\$ 188,118</u>
Total Managed Acquisitions(5)	<u>\$ 13,123</u>	<u>\$ 653</u>	<u>\$ 13,776</u>	<u>\$ 2,571</u>	<u>\$ 16,347</u>

(1) FFELP category is primarily Stafford loans and also includes PLUS and HEAL loans.

(2) Represents loans that we either own on-balance sheet or loans that we consolidated from our off-balance sheet securitization trusts.

(3) Represents loans within securitization trusts that we are required to consolidate under GAAP once the trusts' loan balances are below the clean-up call threshold.

(4) As of June 30, 2009, the ending balance includes \$23.9 billion of FFELP Stafford and Other Loans and \$2.6 billion of FFELP Consolidation Loans disbursed on or after October 1, 2007, which are impacted by CCAA legislation.

(5) The Total Managed Acquisitions line includes incremental consolidations from third parties and acquisitions.

**On-Balance Sheet**  
Six Months Ended June 30, 2008

	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total On- Balance Sheet Portfolio
Beginning balance	\$ 35,726	\$ 73,609	\$ 109,335	\$ 14,818	\$ 124,153
Net consolidations:					
Incremental consolidations from third parties	—	461	461	146	607
Consolidations to third parties	(341)	(122)	(463)	(25)	(488)
Net consolidations	(341)	339	(2)	121	119
Acquisitions	10,061	690	10,751	3,799	14,550
Net acquisitions	9,720	1,029	10,749	3,920	14,669
Internal consolidations(2)	(409)	529	120	225	345
Repayments/claims/resales/other	(1,890)	(1,996)	(3,886)	(992)	(4,878)
Ending balance	<u>\$ 43,147</u>	<u>\$ 73,171</u>	<u>\$ 116,318</u>	<u>\$ 17,971</u>	<u>\$ 134,289</u>

**Off-Balance Sheet**  
Six Months Ended June 30, 2008

	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Off- Balance Sheet Portfolio
Beginning balance	\$ 9,472	\$ 16,441	\$ 25,913	\$ 13,510	\$ 39,423
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(82)	(23)	(105)	(43)	(148)
Net consolidations	(82)	(23)	(105)	(43)	(148)
Acquisitions	122	97	219	354	573
Net acquisitions	40	74	114	311	425
Internal consolidations(2)	(84)	(36)	(120)	(225)	(345)
Repayments/claims/resales/other	(953)	(437)	(1,390)	(498)	(1,888)
Ending balance	<u>\$ 8,475</u>	<u>\$ 16,042</u>	<u>\$ 24,517</u>	<u>\$ 13,098</u>	<u>\$ 37,615</u>

**Managed Portfolio**  
Six Months Ended June 30, 2008

	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	\$ 45,198	\$ 90,050	\$ 135,248	\$ 28,328	\$ 163,576
Net consolidations:					
Incremental consolidations from third parties	—	461	461	146	607
Consolidations to third parties	(423)	(145)	(568)	(68)	(636)
Net consolidations	(423)	316	(107)	78	(29)
Acquisitions	10,183	787	10,970	4,153	15,123
Net acquisitions	9,760	1,103	10,863	4,231	15,094
Internal consolidations(2)	(493)	493	—	—	—
Repayments/claims/resales/other	(2,843)	(2,433)	(5,276)	(1,490)	(6,766)
Ending balance(3)	<u>\$ 51,622</u>	<u>\$ 89,213</u>	<u>\$ 140,835</u>	<u>\$ 31,069</u>	<u>\$ 171,904</u>
Total Managed Acquisitions(4)	<u>\$ 10,183</u>	<u>\$ 1,248</u>	<u>\$ 11,431</u>	<u>\$ 4,299</u>	<u>\$ 15,730</u>

(1) FFELP category is primarily Stafford loans and also includes PLUS and HEAL loans.

(2) Represents loans that we either own on-balance sheet or loans that we consolidated from our off-balance sheet securitization trusts.

(3) As of June 30, 2008, the ending balance includes \$5.5 billion of FFELP Stafford and Other Loans and \$2.7 billion of FFELP Consolidation Loans disbursed on or after October 1, 2007, which are impacted by CCAA legislation.

(4) The Total Managed Acquisitions line includes incremental consolidations from third parties and acquisitions.

**Other Income — Lending Business Segment**

The following table summarizes the components of “Core Earnings” other income, net, for our Lending business segment for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Gains on debt repurchases	\$ 325	\$ 21	\$ 389	\$ 21
Late fees and forbearance fees	32	34	69	71
Gains (losses) on sales of loans and securities, net	—	1	—	1
Other	3	6	3	13
Total other income, net	<u>\$ 360</u>	<u>\$ 62</u>	<u>\$ 461</u>	<u>\$ 106</u>

The Company repurchased \$1.1 billion and \$1.2 billion face amount of its unsecured debt in the three months ended June 30, 2009 and 2008, respectively. The increase in the gain on debt repurchases between 2009 and 2008 was the result of differences in the characteristics of the debt repurchased and larger unsecured credit spreads in 2009. Since the second quarter of 2008, the Company has repurchased \$3.2 billion face amount of its senior unsecured notes in the aggregate, with maturity dates ranging from 2008 to 2014.

**Operating Expense — Lending Business Segment**

The following table summarizes the components of operating expenses for our Lending business segment for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Sales and originations	\$ 54	\$ 64	\$ 103	\$ 138
Servicing	59	58	115	122
Corporate overhead	28	33	54	58
Total operating expenses	<u>\$ 141</u>	<u>\$ 155</u>	<u>\$ 272</u>	<u>\$ 318</u>

Operating expenses for our Lending business segment include costs incurred to acquire student loans and service our Managed student loan portfolio, as well as other general and administrative expenses. For the three months ended June 30, 2009 and 2008, operating expenses for the Lending business segment, excluding \$4 million in other reorganization-related asset impairments recognized in the second quarter of 2008, totaled \$141 million and \$151 million, respectively. The decrease in operating expenses for the second quarter of 2009 versus the year-ago quarter was primarily due to the Company’s cost reduction efforts.

**ASSET PERFORMANCE GROUP (“APG”) BUSINESS SEGMENT**

The following table includes the “Core Earnings” results of operations for our APG business segment.

	Three Months Ended June 30, 2009			
	Purchased Paper- Non- Mortgage	Purchased Paper- Mortgage/ Properties	Contingency & Other	Total APG
Contingency fee income	\$ —	\$ —	\$ 73	\$ 73
Collections revenue (loss)	24	(2)	—	22
Total income (loss)	24	(2)	73	95
Restructuring expenses	(1)	1	—	—
Operating expenses	33	7	40	80
Total expenses	32	8	40	80
Net interest expense	2	1	2	5
Income (loss) before income tax expense (benefit) and noncontrolling interest	(10)	(11)	31	10
Income tax expense (benefit)	(3)	(4)	11	4
Income (loss) before noncontrolling interest	(7)	(7)	20	6
Noncontrolling interest	—	—	—	—
“Core Earnings” net income (loss)	<u>\$ (7)</u>	<u>\$ (7)</u>	<u>\$ 20</u>	<u>\$ 6</u>

	Three Months Ended June 30, 2008			
	Purchased Paper- Non- Mortgage	Purchased Paper- Mortgage/ Properties	Contingency & Other	Total APG
Contingency fee income	\$ 3	\$ —	\$ 81	\$ 84
Collections revenue (loss)	57	(30)	—	27
Total income (loss)	60	(30)	81	111
Restructuring expenses	1	—	4	5
Operating expenses	51	10	49	110
Total expenses	52	10	53	115
Net interest expense	4	1	2	7
Income (loss) before income tax expense (benefit) and noncontrolling interest	4	(41)	26	(11)
Income tax expense (benefit)	1	(15)	10	(4)
Income (loss) before noncontrolling interest	3	(26)	16	(7)
Noncontrolling interest	3	—	—	3
“Core Earnings” net income (loss)	<u>\$ —</u>	<u>\$ (26)</u>	<u>\$ 16</u>	<u>\$ (10)</u>

## Six Months Ended June 30, 2009

	Purchased Paper- Non- Mortgage	Purchased Paper- Mortgage/ Properties	Contingency & Other	Total APG
Contingency fee income	\$ 2	\$ —	\$ 146	\$ 148
Collections revenue (loss)	67	(67)	—	—
Total income (loss)	69	(67)	146	148
Restructuring expenses	—	2	—	2
Operating expenses	73	13	83	169
Total expenses	73	15	83	171
Net interest expense	5	2	3	10
Income (loss) before income tax expense (benefit) and noncontrolling interest	(9)	(84)	60	(33)
Income tax expense (benefit)	(3)	(31)	22	(12)
Income (loss) before noncontrolling interest	(6)	(53)	38	(21)
Noncontrolling interest	—	—	—	—
“Core Earnings” net income (loss)	\$ (6)	\$ (53)	\$ 38	\$ (21)

## Six Months Ended June 30, 2008

	Purchased Paper- Non- Mortgage	Purchased Paper- Mortgage/ Properties	Contingency & Other	Total APG
Contingency fee income	\$ 6	\$ —	\$ 163	\$ 169
Collections revenue (loss)	109	(25)	—	84
Total income (loss)	115	(25)	163	253
Restructuring expenses	1	—	5	6
Operating expenses	104	19	93	216
Total expenses	105	19	98	222
Net interest expense	7	3	4	14
Income (loss) before income tax expense (benefit) and noncontrolling interest	3	(47)	61	17
Income tax expense (benefit)	1	(17)	22	6
Income (loss) before noncontrolling interest	2	(30)	39	11
Noncontrolling interest	3	—	—	3
“Core Earnings” net income (loss)	\$ (1)	\$ (30)	\$ 39	\$ 8

The Company has concluded that its APG purchased paper businesses are no longer a strategic fit. The Company sold its international Purchased Paper — Non-Mortgage business in the first quarter of 2009. The Company continues to wind down the domestic side of its Purchased Paper — Non-Mortgage and Purchased Paper — Mortgage/Properties businesses. The Company will continue to consider opportunities to sell these businesses at acceptable prices in the future.

The Company’s domestic Purchased Paper — Non-Mortgage business has certain forward purchase obligations under which the Company was committed to buy purchased paper through April 2009. The Company will not buy any additional purchased paper in excess of these obligations. The Company recognized \$13 million and \$7 million of impairment in the second quarter of 2009 and 2008, respectively. The total impairment for the year ended December 31, 2008 was \$55 million.

The Company's Purchased Paper — Mortgage/Properties business has not purchased any new mortgage/property assets since March 2008 and will work-out and liquidate its portfolio as quickly and economically as possible. During 2009, real estate values continued to decline as a result of the weakening U.S. economy and expected future resolution time-frames were extended. As a result, the Company recorded impairment of \$8 million and \$51 million in the second quarter of 2009 and 2008, respectively. The total impairment for the year ended December 31, 2008 was \$262 million.

#### Purchased Paper — Non-Mortgage

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Face value of purchases for the period	\$ 2	\$ 1,349	\$ 390	\$ 2,878
Purchase price for the period	1	125	30	268
Purchase price as a percentage of face value purchased	32.1%	9.3%	7.6%	9.3%
Gross Cash Collections ("GCC")	\$ 87	\$ 172	\$ 243	\$ 331
Collections revenue (loss)	24	57	67	109
Collections revenue (loss) as a percentage of GCC	28%	33%	28%	33%
Carrying value of purchased paper	\$ 418	\$ 633	\$ 418	\$ 633

#### Purchased Paper — Mortgage/Properties

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Face value of purchases for the period	\$ —	\$ —	\$ —	\$ 39
Collections revenue (loss), net of impairments	(2)	(30)	(67)	(25)
Collateral value of purchases	—	—	—	29
Purchase price for the period	—	—	—	19
Purchase price as a percentage of collateral fair value	—%	—%	—%	66%
Carrying value of purchased paper	\$ 437	\$ 1,013	\$ 437	\$ 1,013
Carrying value of purchased paper as a percentage of collateral fair value	68%	77%	68%	77%

The carrying value of purchased paper (the basis we carry on our balance sheet) as a percentage of collateral fair value has decreased in the second quarter of 2009 as a result of the impairment recognized this quarter.

#### Contingency Inventory

The following table presents the outstanding inventory of receivables that are currently being serviced through our APG business segment.

	June 30, 2009	December 31, 2008	June 30, 2008
Contingency:			
Student loans	\$ 9,182	\$ 8,498	\$ 8,730
Other	1,140	1,752	1,692
Total	\$ 10,322	\$ 10,250	\$ 10,422

### Operating Expenses — APG Business Segment

For the quarters ended June 30, 2009 and 2008, operating expenses for the APG business segment, excluding \$1 million in other reorganization-related asset impairments recognized in the second quarter of 2008, totaled \$80 million and \$109 million, respectively. The decrease in operating expenses from the year-ago quarter was primarily due to the Company's continued cost reduction efforts and the reduction in the purchased paper portfolios.

### Total On-Balance Sheet Assets — APG Business Segment

At June 30, 2009 and December 31, 2008, the APG business segment had total assets of \$1.5 billion and \$2.1 billion, respectively.

### CORPORATE AND OTHER BUSINESS SEGMENT

The following table includes "Core Earnings" results of operations for our Corporate and Other business segment.

	Three Months Ended June 30,		% Increase (Decrease) 2009 vs. 2008	Six Months Ended June 30,		% Increase (Decrease) 2009 vs. 2008
	2009	2008		2009	2008	
Net interest income after provisions for loan losses	\$ 1	\$ —	100%	\$ 1	\$ 1	—
Guarantor servicing fees	25	24	4	59	58	2
Loan servicing fees	9	5	80	19	11	73
Upromise	26	26	—	51	52	(2)
Other	11	14	(21)	26	34	(24)
Total other income	71	69	3	155	155	—
Restructuring expenses	—	11	(100)	2	15	(87)
Operating expenses	85	73	16	156	144	8
Total expenses	85	84	1	158	159	(1)
Loss before income tax expense	(13)	(15)	(13)	(2)	(3)	(33)
Income tax benefit	(5)	(6)	(17)	(1)	(1)	—
"Core Earnings" net loss	<u>\$ (8)</u>	<u>\$ (9)</u>	<u>(11)%</u>	<u>\$ (1)</u>	<u>\$ (2)</u>	<u>(50)%</u>

United Student Aid Funds, Inc. ("USA Funds"), the nation's largest guarantee agency, accounted for 84 percent and 86 percent, respectively, of guarantor servicing fees and 1 percent and 12 percent, respectively, of revenues associated with other products and services for the quarters ended June 30, 2009 and 2008.

### Operating Expenses — Corporate and Other Business Segment

The following table summarizes the components of operating expenses for our Corporate and Other business segment for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Operating expenses	\$ 26	\$ 20	\$ 48	\$ 43
Upromise	22	24	44	47
General and administrative expenses	37	29	64	54
Total operating expenses	<u>\$ 85</u>	<u>\$ 73</u>	<u>\$ 156</u>	<u>\$ 144</u>

Operating expenses for our Corporate and Other business segment include direct costs incurred to service loans for unrelated third parties, perform guarantor servicing on behalf of guarantor agencies, operate our Upromise subsidiary, as well as information technology expenses related to these functions. Operating expenses also include unallocated corporate overhead expenses for centralized headquarters functions. The increase in operating expenses for the second quarter of 2009 versus the year-ago quarter was primarily the result of start-up costs related to the ED Servicing Contract awarded to the Company on June 17, 2009 to service FFELP loans that will be put to ED and future Direct Loan Servicing.

#### **Total On-Balance Sheet Assets — Corporate and Other Business Segment**

At June 30, 2009 and December 31, 2008, the Corporate and Other business segment had total assets of \$794 million and \$685 million, respectively.

#### **LIQUIDITY AND CAPITAL RESOURCES**

The following "LIQUIDITY AND CAPITAL RESOURCES" discussion concentrates on our Lending business segment. Our APG contingency collections and Corporate and Other business segments are not capital intensive businesses and, as such, a minimal amount of debt capital is allocated to these segments.

Historically, we funded new loan originations with a combination of term unsecured debt and student loan asset-backed securities. Following the Proposed Merger announcement in April 2007, we temporarily suspended issuance of unsecured debt and began funding loan originations primarily through the issuance of student loan asset-backed securities and short-term secured student loan financing facilities. In June 2008, the Company re-entered the corporate bond market with a \$2.5 billion issue of 10-year senior unsecured notes. In August 2008, we began funding new FFELP Stafford and PLUS student loan originations for AY 2008-2009 pursuant to ED's Loan Participation Program. During the fourth quarter of 2008, the Company began retaining its Private Education Loan originations in its banking subsidiary, Sallie Mae Bank, and funding these assets with term bank deposits. In May 2009, we began using the ED Conduit Program. We discuss these liquidity sources below.

In the near term, we expect to continue to use ED's Purchase and Participation Programs to fund future FFELP Stafford and PLUS loan originations and to use deposits at Sallie Mae Bank to fund Private Education Loan originations. We plan to use term asset-backed securities, asset-backed financing facilities, cash flows provided by earnings and repayment of principal on our unencumbered student loan assets, as well as other sources, to refinance maturing debt and provide cash for operations and other needs.

#### **ED Funding Programs**

In August 2008, ED implemented the Loan Purchase Commitment Program ("Purchase Program") and the Loan Purchase Participation Program ("Participation Program") pursuant to ECASLA. Under the Purchase Program, ED purchases eligible FFELP loans at a price equal to the sum of (i) par value, (ii) accrued interest, (iii) the one-percent origination fee paid to ED, and (iv) a fixed amount of \$75 per loan. Under the Participation Program, ED provides short-term liquidity to FFELP lenders by purchasing participation interests in pools of FFELP loans. FFELP lenders are charged at a rate of commercial paper plus 0.50 percent on the principal amount of participation interests outstanding. AY 2008-2009 loans funded under the Participation Program must be either refinanced by the lender or sold to ED pursuant to the Participation Program under identical economies to the Purchase Program prior to its expiration on September 30, 2009, or shortly thereafter. Given the state of the credit markets, we currently expect to sell all of the loans we fund under the Participation Program to ED on or before the program's expiration date. Loans eligible for the Participation or Purchase Programs were originally limited to FFELP Stafford or PLUS, first disbursed on or after May 1, 2008 but no later than July 1, 2009, with no ongoing borrower benefits, other than permitted rate reductions of 0.25 percent for automatic payment processing. On October 7, 2008, legislation was enacted extending ED's authority to address FFELP Stafford and PLUS loans made for AY's 2009-2010, and allowing for the extension of ED's Purchase and Participation Programs from September 30, 2009 to September 30, 2010. On November 8, 2008, ED formally announced new purchase and participation programs which cover eligible



loans originated for the AY 2009-2010. On January 15, 2009, ED announced that the terms of the programs for AY 2009-2010 will replicate in all material respects the terms of the programs for AY 2008-2009. The Company applied for these AY 2009-2010 funding programs in June 2009 and its participation was approved on July 31, 2009.

On August 14, 2008, the Company received its initial advance under the Participation Program. As of June 30, 2009, the Company had \$17.2 billion of advances outstanding under the Participation Program.

Also pursuant to ECASLA, on January 15, 2009, ED published summary terms under which it will purchase eligible FFELP Stafford and PLUS loans from a conduit vehicle established to provide funding for eligible student lenders (the "ED Conduit Program"). Loans eligible for the ED Conduit Program must be first disbursed on or after October 1, 2003, but not later than July 1, 2009, and fully disbursed before September 30, 2009, and meet certain other requirements including with respect to borrower benefits. The ED Conduit was launched on May 11, 2009. Funding for the ED Conduit Program is provided by the capital markets at a cost based on market rates, with the Company being advanced 97 percent of the student loan face amount. The ED Conduit Program has a term of five years and will expire on January 19, 2014. The Student Loan Short-Term Notes ("SLST Notes"), issued by the ED Conduit, are supported by a combination of i) Funding Notes backed by FFELP student loans, ii) the Liquidity Agreement with the Federal Financing Bank ("FFB"), and iii) the Put Agreement provided by ED. If the conduit does not have sufficient funds to pay all SLST Notes, then those SLST Notes will be repaid with funds from the FFB. The FFB will hold the notes for a short period of time and, if at the end of that time, the SLST Notes still cannot be paid off, the underlying FFELP loans that serve as collateral to the ED Conduit will be sold to ED through the Put Agreement at a price of 97% of the face amount of the loans. Approximately \$15.5 billion of our Stafford and PLUS loans (excluding loans currently in the Participation Program) are eligible for funding under the ED Conduit Program. As of June 30, 2009, \$11.4 billion of these assets have been funded through this program with a weighted average issuance cost of approximately .74 percent.

#### **Additional Funding Sources for General Corporate Purposes**

The Company has encountered many challenges to its business model over the course of the last several years. In order to continue to meet our mission of providing access to higher education, we have worked with Congress, ED and the Treasury Department to find solutions to those challenges that have been created by market conditions.

In addition to funding FFELP loans through ED's Participation and Purchase Programs and the ED Conduit Program, the Company employs other financing sources for general corporate purposes, which includes originating Private Education Loans, repurchases and repayments of unsecured debt obligations.

Secured borrowings, including securitizations, asset-backed commercial paper ("ABCP") borrowings and indentured trusts, comprised 80 percent of our Managed debt outstanding at June 30, 2009 versus 76 percent at June 30, 2008.

#### ***Sallie Mae Bank***

During the fourth quarter of 2008, Sallie Mae Bank, our Utah banking subsidiary, began expanding its deposit base to fund new Private Education Loan originations. Sallie Mae Bank raises deposits primarily through intermediaries in the retail brokered CD market. In the second quarter of 2009, Sallie Mae Bank raised \$3.4 billion of term bank deposits with a weighted average life of 3.2 years and a weighted average fixed cost of approximately 3.16 percent. As of June 30, 2009, total term bank deposits were \$6.1 billion. As of June 30, 2009, \$3.7 billion of Private Education Loans were held at Sallie Mae Bank. We ultimately expect to raise long-term financing, through Private Education Loan securitizations or otherwise, to fund these loans. In the near term, we expect Sallie Mae Bank to continue to fund newly originated Private Education Loans through term bank deposits.

### **ABS Transactions**

On January 6, 2009, we closed a \$1.5 billion 12.5 year asset-backed securities (“ABS”) based facility. This facility is used to provide up to \$1.5 billion term financing for Private Education Loans. The fully-utilized cost of financing obtained under this facility is expected to be LIBOR plus 5.75 percent. In connection with this facility, we completed one Private Education Loan term ABS transaction totaling \$1.5 billion in the first quarter of 2009. The net funding received under the asset-backed securities based facility for this issuance was \$1.1 billion.

In April 2009, we completed three FFELP term ABS transactions totaling \$5.1 billion. The FFELP transactions were both public and private transactions composed primarily of FFELP consolidation loans which were not eligible for the ED Conduit Program or the Term Asset-Backed Securities Loan Facility (“TALF”) discussed below. Although we have demonstrated our access to the ABS market in 2009 and we expect ABS financing to remain a primary source of funding over the long term, we expect our transaction volumes to be more limited and pricing less favorable than prior to the credit market dislocation that began in the summer of 2007, with significantly reduced opportunities to place subordinated tranches of ABS with investors. At present, we are unable to predict when market conditions will allow for more regular, reliable and cost-effective access to the term ABS market. In May 2009, we completed a \$2.6 billion Private Education Loan term ABS issue. In July 2009, we completed a \$1.1 billion Private Education Loan term ABS issue. These transactions were private placements and TALF-eligible. See “*Term Asset-Backed Securities Loan Facility (“TALF”)*” below for additional details.

### **Asset-Backed Financing Facilities**

During the first quarter of 2008, the Company entered into three new asset-backed financing facilities (the “2008 Asset-Backed Financing Facilities”): (i) a \$26.0 billion FFELP student loan ABCP conduit facility (the “2008 FFELP ABCP Facility”); (ii) a \$5.9 billion Private Education Loan ABCP conduit facility (the “2008 Private Education Loan ABCP Facility”) (collectively, the “2008 ABCP Facilities”); and (iii) a \$2.0 billion secured FFELP loan facility (the “2008 Asset-Backed Loan Facility”). The initial term of the 2008 Asset-Backed Financing Facilities was 364 days. The underlying cost of borrowing under the 2008 ABCP Facilities was approximately LIBOR plus 0.68 percent for the FFELP loan facilities and LIBOR plus 1.55 percent for the Private Education Loan facility, excluding up-front and unused commitment fees. All-in pricing on the 2008 ABCP Facilities varies based on usage. For the full year 2008, the combined, all-in cost of borrowings related to the 2008 Asset-Backed Financing Facilities, including amortized up-front fees and unused commitment fees, was three-month LIBOR plus 2.47 percent. The primary use of the 2008 Asset-Backed Financing Facilities was to refinance comparable ABCP facilities incurred in connection with the Proposed Merger, with the expectation that outstanding balances under the 2008 Asset-Backed Financing Facilities would be reduced through securitization of the underlying student loan collateral in the term ABS market.

On February 2, 2009, the Company extended the maturity date of the 2008 ABCP Facilities from February 28, 2009 to April 28, 2009 for a \$61 million upfront fee. The other terms of the facilities remained materially unchanged.

On February 27, 2009, the Company extended the maturity date of the 2008 Asset-Backed Loan Facility from February 28, 2009 to April 28, 2009 for a \$4 million upfront fee. The other terms of this facility remained materially unchanged.

On April 24, 2009, the Company extended the maturity of \$21.8 billion of the 2008 FFELP ABCP Facility for one year to April, 23, 2010. The Company also extended its 2008 Asset-Backed Loan Facility in the amount of \$1.5 billion. The 2008 Asset-Backed Loan Facility matured on June 26, 2009 and was paid in full. A total of \$86 million in fees were paid related to these extensions. The 2008 Private Education Loan ABCP Facility was paid off and terminated on April 24, 2009. The stated borrowing rate of the 2008 FFELP ABCP Facility is the applicable funding rate plus 130 basis points excluding upfront fees. The applicable funding rate generally will be either a LIBOR or commercial paper rate. The terms of the 2008 FFELP ABCP Facility call for an increase in the applicable funding spread to 300 basis points if the outstanding borrowing

amount is not reduced to \$15.2 billion and \$10.9 billion as of June 30, 2009 and September 30, 2009, respectively. If the Company does not negotiate an extension or pay off all outstanding amounts of the 2008 FFELP ABCP Facility at maturity, the facility will extend by 90 days with the interest rate generally increasing to LIBOR plus 250 basis points to 550 basis points over the 90 day period. The other terms of the facilities remained materially unchanged.

The maximum amount the Company may borrow under the 2008 FFELP ABCP Facility is limited based on certain factors, including market conditions and the fair value of student loans in the facility. As of June 30, 2009, the maximum borrowing amount was approximately \$14.8 billion under the 2008 FFELP ABCP Facility. Funding under the 2008 FFELP ABCP Facility is subject to usual and customary conditions. The 2008 FFELP ABCP Facility is subject to termination under certain circumstances, including the Company's failure to comply with the principal financial covenants in its unsecured revolving credit facilities.

Borrowings under the 2008 FFELP ABCP Facility are nonrecourse to the Company. As of June 30, 2009, the Company had \$12.5 billion outstanding in connection with the 2008 FFELP ABCP Facility. The book basis of the assets securing this facility as of June 30, 2009 was \$14.2 billion.

#### ***Term Asset-Backed Securities Loan Facility ("TALF")***

On February 6, 2009, the Federal Reserve Bank of New York published proposed terms for a program designed to facilitate renewed issuance of consumer and small business ABS at lower interest rate spreads. TALF was initiated on March 17, 2009 and currently provides investors with funding of up to five years for eligible ABS rated by two or more rating agencies in the highest investment-grade rating category. Eligible ABS include 'AAA' rated student loan ABS backed by FFELP and private student loans first disbursed since May 1, 2007. As of June 30, 2009, we had approximately \$12.7 billion book basis (\$13.4 billion face amount) of student loans eligible to serve as collateral for ABS funded under TALF; this amount does not include loans eligible for ECASLA financing programs. The Federal Reserve Bank launched the TALF program on March 3, 2009. While TALF has improved our access to and reduced our cost of ABS funding relative to 2009 pre-TALF levels, we are unable to predict, at this time, the full impact TALF will ultimately have on our funding activities.

On May 5, 2009, we priced a \$2.6 billion Private Education Loan securitization which closed on May 12, 2009. The issue bears a coupon of 1-month LIBOR plus 6.0 percent and is callable at the issuer's option at 93 percent of the outstanding balance of the ABS between November 15, 2011 and April 15, 2012. If the issue is called on November 15, 2011, we expect the effective cost of the bond financing will be approximately 1-month LIBOR plus 3.7 percent. This transaction was TALF-eligible.

On July 2, 2009, we priced a \$1.1 billion Private Education Loan securitization which closed on July 14, 2009. The issue bears a coupon of Prime plus 1.25 percent and is callable at the issuer's option at 94 percent of the outstanding balance of the ABS between January 15, 2012 and June 15, 2012. If the issue is called on January 15, 2012, we expect the effective cost of the bond financing will be approximately Prime minus 0.71 percent. This transaction was TALF-eligible.

#### ***Auction Rate Securities***

At June 30, 2009, we had \$3.3 billion of taxable and \$1.3 billion of tax-exempt auction rate securities outstanding in securitizations and indentured trusts, respectively, on a Managed Basis. Since February 2008, an imbalance of supply and demand in the auction rate securities market as a whole led to failures of the auctions pursuant to which certain of our auction rate securities' interest rates are set. As a result, all of the Company's auction rate securities as of June 30, 2009 bore interest at the maximum rate allowable under their terms. The maximum allowable interest rate on our \$3.3 billion of taxable auction rate securities is generally LIBOR plus 1.50 percent. The maximum allowable interest rate on many of the Company's \$1.3 billion of tax-exempt auction rate securities is a formula driven rate, which produced various maximum rates up to 3.40 percent during the second quarter of 2009.

#### **Reset Rate Notes**

Certain tranches of our term ABS are reset rate notes. Reset rate notes are subject to periodic remarketing, at which time the interest rates on the reset rate notes are reset. The Company also has the option to repurchase the reset rate note prior to a failed remarketing and hold it as an investment until such time it can be remarketed. In the event a reset rate note cannot be remarketed on its remarketing date, and is not repurchased, the interest rate generally steps up to and remains at LIBOR plus 0.75 percent, until such time as the bonds are successfully remarketed or repurchased. The Company's repurchase of a reset rate note requires additional funding, the availability and pricing of which may be less favorable to the Company than it was at the time the reset rate note was originally issued. Unlike the repurchase of a reset rate note, the occurrence of a failed remarketing does not require additional funding. As a result of the ongoing dislocation in the capital markets, at June 30, 2009, \$1.5 billion of our reset rate notes bore interest at, or were swapped to LIBOR plus 0.75 percent due to a failed remarketing. Until capital markets conditions improve, it is possible additional reset rate notes will experience failed remarketings. As of June 30, 2009, on a Managed Basis, the Company had \$2.5 billion and \$2.5 billion of reset rate notes due to be remarketed in 2009 and 2010, respectively, and an additional \$8.5 billion to be remarketed thereafter.

#### **Primary Sources of Liquidity and Available Capacity**

We expect to fund our ongoing liquidity needs, including the origination of new loans and the repayment of \$2.6 billion of the senior unsecured notes maturing in the remainder of 2009, through our current cash and investment portfolio, cash flow provided by earnings and repayment of principal on unencumbered student loan assets, the liquidity facilities made available by ED, TALF, the 2008 Asset-Backed Financing Facilities, the issuance of term ABS, term bank deposits, and, to a lesser extent, if possible, unsecured debt and other sources.

To supplement our funding sources, we maintained an additional \$3.5 billion in unsecured revolving credit facilities as of June 30, 2009; \$1.9 billion of our unsecured revolving facilities matures in October 2010 and \$1.6 billion matures in October 2011. These figures do not include a \$215 million commitment from a subsidiary of Lehman Brothers Holdings Inc. On April 24, 2009, in conjunction with the extension of the 2008 ABCP Facilities, a \$1.4 billion revolving credit facility maturing in October 2009 was retired and a \$1.9 billion revolving credit facility maturing in October 2011 was reduced to \$1.6 billion. The principal financial covenants in the unsecured revolving credit facilities require the Company to maintain tangible net worth of at least \$1.38 billion at all times. Consolidated tangible net worth as calculated for purposes of this covenant was \$2.9 billion as of June 30, 2009. The covenants also require the Company to meet either a minimum interest coverage ratio or a minimum net adjusted revenue test based on the four preceding quarters' adjusted "Core Earnings" financial performance. The Company was compliant with both of the minimum interest coverage ratio and the minimum net adjusted revenue tests as of the quarter ended June 30, 2009. In the past, we have not relied upon our unsecured revolving credit facilities as a primary source of liquidity. Although we have never borrowed under these facilities, they are available to be drawn upon for general corporate purposes.

During the quarter, the Company completed several new financing transactions and acquired new financing sources. Combined, this activity generated excess liquidity which was used to repurchase \$1.1 billion of the Company's senior unsecured notes, generating a pre-tax gain of \$325 million.

The following table details our primary sources of primary and stand-by liquidity and the available capacity at June 30, 2009 and December 31, 2008.

	June 30, 2009 Available Capacity	December 31, 2008 Available Capacity
<b>Sources of primary liquidity available for new FFELP Stafford and PLUS loan originations:</b>		
ED Purchase and Participation Programs <sup>(1)</sup>	<i>Unlimited<sup>(1)</sup></i>	<i>Unlimited<sup>(1)</sup></i>
<b>Sources of primary liquidity for general corporate purposes:</b>		
<b>Unrestricted cash and liquid investments:</b>		
Cash and cash equivalents	\$ 6,140	\$ 4,070
U.S. Treasury-backed securities	—	—
Commercial paper and asset-backed commercial paper	1,050	801
Certificates of deposit	—	—
Other <sup>(2)</sup>	152	133
Total unrestricted cash and liquid investments <sup>(3)(4)(5)</sup>	7,342	5,004
Unused commercial paper and bank lines of credit <sup>(6)</sup>	3,485	5,192
2008 FFELP ABCP Facilities	2,294	807
2008 Private Education Loan ABCP Facility	—	332
Total sources of primary liquidity for general corporate purposes	13,121	11,335
<b>Sources of stand-by liquidity:</b>		
Unencumbered FFELP loans <sup>(7)</sup>	3,110	5,222
<b>Total sources of primary and stand-by liquidity for general corporate purposes<sup>(8)</sup></b>	<b>\$ 16,231</b>	<b>\$ 16,557</b>

(1) The ED Purchase and Participation Programs provide unlimited funding for eligible FFELP Stafford and PLUS loans made by the Company for the academic years 2008-2009 and 2009-2010. See "ED Funding Programs" discussed earlier in this section.

(2) At June 30, 2009 and December 31, 2008, includes \$42 million and \$97 million, respectively, due from The Reserve Primary Fund (see "Counterparty Exposure" below).

(3) At June 30, 2009 and December 31, 2008, excludes \$27 million and \$26 million, respectively, of investments pledged as collateral related to certain derivative positions and \$843 million and \$82 million, respectively, of other non-liquid investments, classified as cash and investments on our balance sheet in accordance with GAAP.

(4) At June 30, 2009 and December 31, 2008, includes \$0 and \$1.6 billion, respectively, of cash collateral pledged by derivative counterparties and held by the Company in unrestricted cash.

(5) At June 30, 2009 and December 31, 2008, includes \$3.5 billion and \$1.1 billion, respectively, of cash and liquid investments at Sallie Mae Bank, which Sallie Mae Bank is not authorized to dividend to the Company without FDIC approval. This cash will be used primarily to originate or acquire student loans.

(6) At June 30, 2009 and December 31, 2008, excludes commitments of \$215 million and \$308 million, respectively, from Lehman Brothers Bank, FSB, a subsidiary of Lehman Brothers Holdings Inc. Lehman Brothers Holdings Inc. declared bankruptcy on September 15, 2008.

(7) The balance at June 30, 2009 and December 31, 2008 included approximately \$687 million and \$241 million, respectively, of unencumbered FFELP loans qualified to be financed by ED's Participation Program. Additionally, at June 30, 2009, \$1.1 billion of loans qualified to be financed in the ED Conduit Program.

(8) General corporate purposes primarily include originating Private Education Loans and repaying unsecured debt as it matures.

In addition to the assets listed in the table above, we hold on-balance sheet a number of other unencumbered assets, consisting primarily of Private Education Loans, Retained Interests and other assets. At June 30, 2009, we had a total of \$36.6 billion of unencumbered assets, including goodwill and acquired intangibles. Student loans, net, comprised \$19.2 billion of this unencumbered asset total.

#### Counterparty Exposure

As of June 30, 2009, the Company had certain exposures to counterparties impacted by the ongoing credit market dislocation. 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 the Company.

Lehman Brothers Bank, FSB, a subsidiary of Lehman Brothers Holdings Inc., is a party to the Company's unsecured revolving credit facilities under which they provide the Company with a \$215 million commitment as of June 30, 2009. Lehman Brothers Holdings Inc. declared bankruptcy on September 15, 2008. The Company is operating under the assumption that the lending commitment of Lehman Brothers Bank, FSB, will not be honored if drawn upon.

To provide liquidity for future cash needs, SLM invests in high quality money market investments. At June 30, 2009, the Company had investments of \$42 million with The Reserve Primary Fund ("The Fund"). In September 2008, the Company requested redemption of all monies invested in The Fund prior to The Fund's announcement that it suspended distributions as a result of The Fund's exposure to Lehman Brothers Holdings Inc.'s bankruptcy filing and The Fund's net asset value being below one dollar per share. The Company was originally informed by The Fund that the Company would receive its entire investment amount. Subsequently, the SEC granted The Fund an indefinite extension to pay distributions as The Fund is being liquidated. The Company has received, to date, a total of \$450 million of an initial investment of \$500 million from The Fund. The Company anticipates further delay of remaining distributions and a potential loss on its investments, even though the Company is legally entitled to receive 100 percent of its remaining investment amount. In the fourth quarter of 2008, we recorded an impairment of \$8 million related to our investment in the Fund.

Protection against counterparty risk in derivative transactions is generally provided by the International Swaps and Derivatives Association, Inc. ("ISDA") Credit Support Annexes ("CSAs"). CSAs require a counterparty to post collateral if a potential default would expose the other party to a loss. The Company is a party to derivative contracts for its corporate purposes and also within its securitization trusts. The Company has CSAs and collateral requirements with all of its corporate derivative counterparties requiring collateral to be exchanged based on the net fair value of derivatives with each counterparty above a threshold. Additionally, credit downgrades below a preset level can eliminate this threshold. The Company's securitization trusts require collateral in all cases if the counterparty's credit rating is withdrawn or downgraded below a certain level. If the counterparty does not post the required collateral or is downgraded further, the counterparty must find a suitable replacement counterparty or provide the trust with a letter of credit or a guaranty from an entity that has the required credit ratings. Failure to post the collateral or find a replacement counterparty could result in a termination event under the derivative contract. The Company considers counterparties' credit risk when determining the fair value of derivative positions on its exposure net of collateral. Securitizations involving foreign currency notes issued after November 2005 also require the counterparty to post collateral to the trust based on the fair value of the derivative regardless of credit rating. The trusts are not required to post collateral to the counterparties. If we were unable to collect from a counterparty related to SLM Corporation and on-balance sheet trust derivatives, we would have a loss equal to the amount the derivative is recorded on our balance sheet. If we were unable to collect from a counterparty related to an off-balance sheet trust derivative, the value of our Residual Interest on our balance sheet would be reduced through earnings.

The Company has liquidity exposure related to collateral movements between SLM Corporation and its derivative counterparties. The collateral movements can increase or decrease our primary liquidity depending on the nature of the collateral (whether cash or securities), and on movements in the value of the derivatives, which are primarily impacted by changes in interest rate and foreign exchange rates. These movements may require the Company to return cash collateral posted or may require the Company to access primary liquidity to post collateral to counterparties. In May 2009, following the reduction of SLM's ratings by Moody's Investor Service to below investment grade, we were required to segregate the majority of our collateral position and categorize the cash as restricted on our balance sheet. As of June 30, 2009, the Company did not hold any cash collateral in unrestricted cash accounts.

The table below highlights exposure related to our derivative counterparties at June 30, 2009.

	SLM Corporation Contracts	On-Balance Sheet Securitizations Contracts	Off-Balance Sheet Securitizations Contracts
Exposure, net of collateral	\$ 221	\$ 1,154	\$ 600
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3	68%	39%	34%
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's A3	0%	0%	0%

#### Managed Borrowings

The following tables present the ending balances of our Managed borrowings at June 30, 2009 and 2008, and the average balances and average interest rates of our Managed borrowings for the three and six months ended June 30, 2009 and 2008. The average interest rates include derivatives that are economically hedging the underlying debt but do not qualify for hedge accounting treatment under SFAS No. 133. (See "BUSINESS SEGMENTS — Pre-tax Differences between 'Core Earnings' and GAAP by Business Segment — Derivative Accounting — Reclassification of Realized Gains (Losses) on Derivative and Hedging Activities.")

#### Ending Balances

	As of June 30,					
	2009			2008		
	Ending Balance		Total Managed Basis	Ending Balance		Total Managed Basis
	Short Term	Long Term		Short Term	Long Term	
Unsecured borrowings	\$ 4,249	\$ 28,416	\$ 32,665	\$ 7,557	\$ 34,167	\$ 41,724
Term bank deposits	901	5,199	6,100	617	—	617
Indentured trusts (on-balance sheet)	8	1,761	1,769	73	2,310	2,383
ABCP borrowings (on-balance sheet)(1)	12,476	—	12,476	26,273	—	26,273
ED Participation Program facility (on-balance sheet)(2)	17,236	—	17,236	—	—	—
ED Conduit Program facility (on-balance sheet)	11,095	—	11,095	—	—	—
Securitizations (on-balance sheet)	—	87,386	87,386	—	76,309	76,309
Securitizations (off-balance sheet)	—	35,211	35,211	—	39,741	39,741
Other	1,358	—	1,358	2,668	—	2,668
Total	\$ 47,323	\$ 157,973	\$ 205,296	\$ 37,188	\$ 152,527	\$ 189,715

(1) Includes \$0 and \$2.0 billion outstanding in the 2008 Asset-Backed Loan Facility at June 30, 2009 and 2008, respectively.

(2) The Company has the option of paying off this amount with cash or by putting the loans to ED as previously discussed.

**Average Balances**

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009		2008		2009		2008	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Unsecured borrowings	\$ 33,159	1.97%	\$ 39,629	3.44%	\$ 34,290	2.13%	\$ 41,302	3.78%
Term bank deposits	4,522	3.61	683	4.11	3,630	3.73	572	4.32
Indentured trusts (on-balance sheet)	1,870	1.11	2,424	3.88	1,921	1.29	2,478	4.37
ABCP Borrowings(on-balance sheet) <sup>(1)</sup>	20,040	2.97	25,385	5.45	22,643	3.06	25,633	5.26
ED Participation Program facility (on-balance sheet)	15,990	1.26	—	—	13,569	2.03	—	—
ED Conduit Program facility (on-balance sheet)	2,757	.74	—	—	1,386	.74	—	—
Securitized (on-balance sheet)	85,419	1.57	74,127	3.12	82,806	1.62	71,938	3.36
Securitized (off-balance sheet)	35,944	.95	40,416	3.14	36,367	1.08	40,942	3.49
Other	866	.19	2,597	2.15	1,120	.48	2,320	2.67
Total	\$ 200,567	1.66%	\$ 185,261	3.51%	\$ 197,732	1.83%	\$ 185,185	3.75%

(1) Includes the 2008 Asset-Backed Loan Facility.

**Unsecured On-Balance Sheet Financing Activities**

The following table presents the senior unsecured credit ratings assigned by major rating agencies as of August 4, 2009.

	Moody's	S&P	Fitch
Short-term unsecured debt	Not Prime	A-3 <sup>(1)</sup>	F3 <sup>(1)</sup>
Long-term senior unsecured debt	Ba1	BBB <sup>(1)</sup>	BBB <sup>(1)</sup>

(1) Under review for potential downgrade.

The table below presents our unsecured on-balance sheet funding by funding source for the three and six months ended June 30, 2009 and 2008.

	Debt Issued For the Three Months Ended June 30,		Debt Issued For the Six Months Ended June 30,		Outstanding at June 30,	
	2009	2008	2009	2008	2009	2008
	Retail notes	\$ —	\$ —	\$ —	\$ —	\$ 3,691
Foreign currency denominated notes <sup>(1)</sup>	—	—	—	—	10,236	12,797
Extendible notes	—	—	—	—	21	2,445
Global notes (Institutional)	—	2,437	—	2,437	18,131	21,750
Medium-term notes (Institutional)	—	—	—	—	586	597
Total unsecured corporate borrowings	—	2,437	—	2,437	32,665	41,724
Term bank deposits	3,375	241	4,531	703	6,100	617
Total	\$ 3,375	\$ 2,678	\$ 4,531	\$ 3,140	\$ 38,765	\$ 42,341

(1) All foreign currency denominated notes are hedged using derivatives that exchange the foreign denomination for U.S. dollars.



## Securitization Activities

### Securitization Program

The following table summarizes our securitization activity for the three and six months ended June 30, 2009 and 2008. Those securitizations listed as sales are off-balance sheet transactions and those listed as financings remain on-balance sheet.

	Three Months Ended June 30,							
	2009				2008			
	No. of Transactions	Loan Amount Securitized	Pre-Tax Gain	Gain%	No. of Transactions	Loan Amount Securitized	Pre-Tax Gain	Gain%
Securitizations — sales:								
FFELP Stafford/PLUS loans	—	\$ —	\$ —	—%	—	\$ —	\$ —	—%
FFELP Consolidation Loans	—	—	—	—	—	—	—	—
Private Education Loans	—	—	—	—	—	—	—	—
Total securitizations — sales	—	—	\$ —	—%	—	—	\$ —	—%
Securitizations — financings:								
FFELP Stafford/PLUS loans <sup>(1)</sup>	—	—	—	—	3	7,125	—	—
FFELP Consolidation Loans <sup>(1)</sup>	2	4,524	—	—	—	—	—	—
Private Education Loans <sup>(1)</sup>	1	3,527	—	—	—	—	—	—
Total securitizations — financings	3	8,051	—	—	3	7,125	—	—
Total securitizations	3	\$ 8,051	—	—	3	\$ 7,125	—	—
Six Months Ended June 30,								
	2009				2008			
	No. of Transactions	Loan Amount Securitized	Pre-Tax Gain	Gain%	No. of Transactions	Loan Amount Securitized	Pre-Tax Gain	Gain%
Securitizations — sales:								
FFELP Stafford/PLUS loans	—	\$ —	\$ —	—%	—	\$ —	\$ —	—%
FFELP Consolidation Loans	—	—	—	—	—	—	—	—
Private Education Loans	—	—	—	—	—	—	—	—
Total securitizations — sales	—	—	\$ —	—%	—	—	\$ —	—%
Securitizations — financings:								
FFELP Stafford/PLUS loans <sup>(1)</sup>	—	—	—	—	6	11,825	—	—
FFELP Consolidation Loans <sup>(1)</sup>	2	4,524	—	—	—	—	—	—
Private Education Loans <sup>(1)</sup>	2	6,419	—	—	—	—	—	—
Total securitizations — financings	4	10,943	—	—	6	11,825	—	—
Total securitizations	4	\$ 10,943	—	—	6	\$ 11,825	—	—

<sup>(1)</sup> In certain securitizations there are terms within the deal structure that result in such securitizations not qualifying for sale treatment and accordingly, they are accounted for on-balance sheet as variable interest entities ("VIEs"). Terms that prevent sale treatment include: (1) allowing the Company to hold certain rights that can affect the remarketing of certain bonds, (2) allowing the trust to enter into interest rate cap agreements after initial settlement of the securitization, which do not relate to the reissuance of third-party beneficial interests or (3) allowing the Company to hold an unconditional call option related to a certain percentage of the securitized assets.

### Retained Interest in Securitized Receivables

The following tables summarize the fair value of the Company's Residual Interests, included in the Company's Retained Interest (and the assumptions used to value such Residual Interests), along with the underlying off-balance sheet student loans that relate to those securitizations in transactions that were treated as sales as of June 30, 2009, December 31, 2008 and June 30, 2008.

	As of June 30, 2009			
	FFELP Stafford and PLUS	Consolidation Loan Trusts(1)	Private Education Loan Trusts	Total
Fair value of Residual Interests(2)	\$ 272	\$ 721	\$ 827	\$ 1,820
Underlying securitized loan balance	6,046	14,736	13,372	34,154
Weighted average life	3.1 yrs.	8.0 yrs.	6.4 yrs.	
Prepayment speed (annual rate)(3)				
Interim status	0%	N/A	0%	
Repayment status	2-19%	1-6%	2-15%	
Life of loan — repayment status	12%	4%	6%	
Expected remaining credit losses (% of outstanding student loan principal)(4)	.10%	.22%	5.76%	
Residual cash flows discount rate	11.5%	13.0%	32.4%	

	As of December 31, 2008			
	FFELP Stafford and PLUS	Consolidation Loan Trusts(1)	Private Education Loan Trusts	Total
Fair value of Residual Interests(2)	\$ 250	\$ 918	\$ 1,032	\$ 2,200
Underlying securitized loan balance	7,057	15,077	13,690	35,824
Weighted average life	3.0 yrs.	8.1 yrs.	6.4 yrs.	
Prepayment speed (annual rate)(3)				
Interim status	0%	N/A	0%	
Repayment status	2-19%	1-6%	2-15%	
Life of loan — repayment status	12%	4%	6%	
Expected remaining credit losses (% of outstanding student loan principal)(4)	.11%	.23%	5.22%	
Residual cash flows discount rate	13.1%	11.9%	26.3%	

	As of June 30, 2008			
	FFELP Stafford and PLUS	Consolidation Loan Trusts(1)	Private Education Loan Trusts	Total
Fair value of Residual Interests(2)	\$ 410	\$ 619	\$ 1,516	\$ 2,545
Underlying securitized loan balance	8,383	15,586	13,773	37,742
Weighted average life	2.8 yrs.	7.3 yrs.	6.6 yrs.	
Prepayment speed (annual rate)(3)				
Interim status	0%	N/A	0%	
Repayment status	0-30%	3-8%	1-30%	
Life of loan — repayment status	17%	6%	9%	
Expected remaining credit losses (% of outstanding student loan principal)(4)	.10%	.20%	5.36%	
Residual cash flows discount rate	12.0%	10.0%	16.4%	

(1) Includes \$529 million, \$762 million, and \$295 million related to the fair value of the Embedded Floor Income as of June 30, 2009, December 31, 2008, and June 30, 2008, respectively. Changes in the fair value of the Embedded Floor Income are primarily due to changes in the interest rates and the paydown of the underlying loans.

(2) The Company had no unrealized gains (pre-tax) in accumulated other comprehensive income that related to the Retained Interests for any of the periods presented.

(3) The Company uses CPR curves for Residual Interest valuations that are based on seasoning (the number of months since entering repayment). Under this methodology, a different CPR is applied to each year of a loan's seasoning. Repayment status CPR used is based on the number of months since first entering repayment (seasoning). Life of loan CPR is related to repayment status only and does not include the impact of the loan while in interim status. The CPR assumption used for all periods includes the impact of projected defaults.

(4) Remaining expected credit losses as of the respective balance sheet date.

### Off-Balance Sheet Net Assets

The following table summarizes our off-balance sheet net assets at June 30, 2009 and December 31, 2008 on a basis equivalent to our GAAP on-balance sheet trusts, which presents the assets and liabilities in the off-balance sheet trusts as if they were being accounted for on-balance sheet rather than off-balance sheet. This presentation, therefore, includes a theoretical calculation of the premiums on student loans, the allowance for loan losses, and the discounts and deferred financing costs on the debt. However, this presentation does not include any impact of accounting under SFAS No. 133 or SFAS No. 52 for trust derivatives or foreign currency denominated debt. This presentation is not, nor is it intended to be, a liquidation basis of accounting. (See also "LENDING BUSINESS SEGMENT — Summary of our Managed Student Loan Portfolio — *Ending Managed Student Loan Balances, net*" and "LIQUIDITY AND CAPITAL RESOURCES — Managed Borrowings — *Ending Balances*" earlier in this section.)

	June 30, 2009	December 31, 2008
<b>Off-Balance Sheet Assets:</b>		
Total student loans, net	\$ 33,946	\$ 35,591
Restricted cash and investments	1,198	1,557
Accrued interest receivable	711	937
<b>Total off-balance sheet assets</b>	<b>35,855</b>	<b>38,085</b>
<b>Off-Balance Sheet Liabilities:</b>		
Debt, par value	35,188	37,228
Debt, unamortized discount and deferred issuance costs	(51)	(69)
<b>Total debt</b>	<b>35,137</b>	<b>37,159</b>
Accrued interest payable	55	166
<b>Total off-balance sheet liabilities</b>	<b>35,192</b>	<b>37,325</b>
<b>Off-Balance Sheet Net Assets</b>	<b>\$ 663</b>	<b>\$ 760</b>

### Servicing and Securitization Revenue

Servicing and securitization revenue, the ongoing revenue from securitized loan pools accounted for off-balance sheet as Qualifying Special Purpose Entities ("QSPEs"), includes the interest earned on the Residual Interest asset and the revenue we receive for servicing the loans in the securitization trusts. Interest income recognized on the Residual Interest is based on our anticipated yield determined by estimating future cash flows each quarter.

The following table summarizes the components of servicing and securitization revenue for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended		Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Servicing revenue	\$ 57	\$ 63	\$ 116	\$ 127
Securitization revenue, before net Embedded Floor Income, impairment and unrealized fair value adjustment	79	76	159	161
Servicing and securitization revenue, before net Embedded Floor Income, impairment and unrealized fair value adjustment	136	139	275	288
Embedded Floor Income	84	74	157	136
Less: Floor Income previously recognized in gain calculation	(54)	(19)	(100)	(35)
Net Embedded Floor Income	30	55	57	101
Servicing and securitization revenue, before impairment and unrealized fair value adjustment	166	194	332	389
Unrealized fair value adjustment	(90)	(192)	(351)	(280)
Gain on consolidation of off-balance sheet trusts	11	—	11	—
Retained Interest impairment	—	—	—	—
Total servicing and securitization revenue (loss)	\$ 87	\$ 2	\$ (8)	\$ 109
Average off-balance sheet student loans	\$ 34,902	\$ 38,175	\$ 35,238	\$ 38,669
Average balance of Retained Interest	\$ 1,875	\$ 2,716	\$ 2,006	\$ 2,844
Servicing and securitization revenue as a percentage of the average balance of off-balance sheet student loans (annualized)	1.01%	.02%	(.04)%	.57%

Servicing and securitization revenue is primarily driven by the average balance of off-balance sheet student loans, the amount of and the difference in the timing of Embedded Floor Income recognition on off-balance sheet student loans and the unrealized fair value adjustments.

The Company recorded net unrealized mark-to-market losses of \$90 million and \$192 million in the second quarter of 2009 and second quarter of 2008, respectively, related to the Residual Interest.

As of June 30, 2009, the Company did not change any significant assumptions compared to those used as of March 31, 2009, to determine the fair value of the Residual Interests. The \$90 million unrealized mark-to-market loss in the second quarter of 2009 was primarily a result of an increase in forward interest rates which resulted in a higher discount rate used to value the Residual Interests as well as a reduction in the fair value of the Embedded Fixed Rate Floor Income.

The \$192 million mark-to-market loss in the second quarter of 2008 was primarily related to increases in forward interest rates during the quarter reducing the value of Embedded Fixed Rate Floor Income (\$137 million decrease) and increasing the discount rate used to value the Residual Interests (\$57 million decrease). Additionally, the Company increased the spread to LIBOR component of the Private Education discount rate formula to better reflect current market conditions which resulted in a \$113 million Residual Interest mark-to-market loss. Actual quarterly experience, including improved forward curve spreads used in the valuation of the Residual Interests, partially mitigated these mark-to-market losses.

## Interest Rate Risk Management

### Asset and Liability Funding Gap

The tables below present our assets and liabilities (funding) arranged by underlying indices as of June 30, 2009. In the following GAAP presentation, the funding gap only includes derivatives that qualify as effective SFAS No. 133 hedges (those derivatives which are reflected in net interest margin, 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 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.

Management analyzes interest rate risk on a Managed basis, which consists of both on-balance sheet and off-balance sheet assets and liabilities and includes all derivatives that are economically hedging our debt whether they qualify as effective hedges under SFAS No. 133 or not. Accordingly, we are also presenting the asset and liability funding gap on a Managed basis in the table that follows the GAAP presentation.

#### GAAP Basis

Index (Dollars in billions)	Frequency of Variable Resets	Assets	Funding(1)	Funding Gap
3-month Commercial paper(2)	daily	\$ 123.2	\$ 17.3	\$ 105.9
3-month Treasury bill	weekly	6.8	.1	6.7
Prime	annual	.5	—	.5
Prime	quarterly	1.4	—	1.4
Prime	monthly	17.3	—	17.3
PLUS Index	annual	.5	—	.5
3-month LIBOR	daily	—	—	—
3-month LIBOR	quarterly	.1	108.0	(107.9)
1-month LIBOR	monthly	3.9	2.6	1.3
CMT/CPI Index	monthly/quarterly	—	2.8	(2.8)
Non Discrete reset(3)	monthly	—	25.8	(25.8)
Non Discrete reset(4)	daily/weekly	13.3	1.9	11.4
Fixed Rate(5)		14.2	22.7	(8.5)
Total		<u>\$ 181.2</u>	<u>\$ 181.2</u>	<u>\$ —</u>

(1) Funding includes all derivatives that qualify as hedges under SFAS No. 133.

(2) Funding includes \$17.2 billion of ED Participation Program facility which resets based on the prior quarter student loan commercial paper index.

(3) Funding consists of auction rate securities, the 2008 ABCP Facilities and the ED Conduit Program facility.

(4) Assets include restricted and non-restricted cash equivalents and other overnight type instruments.

(5) Assets include receivables and other assets (including Retained Interests, goodwill and acquired intangibles). Funding includes other liabilities and stockholders' equity (excluding series B Preferred Stock).

The "Funding Gaps" in the above table are primarily interest rate mismatches in short-term indices between our assets and liabilities. We address this issue typically through the use of basis swaps that typically convert quarterly three-month LIBOR to other indices that are more correlated to our asset indices. These basis swaps do not qualify as effective hedges under SFAS No. 133 and as a result the effect on the funding index is not included in our interest margin and is therefore excluded from the GAAP presentation.

Managed Basis

Index (Dollars in billions)	Frequency of Variable Resets	Assets	Funding <sup>(1)</sup>	Funding Gap
3-month Commercial paper <sup>(2)</sup>	daily	\$ 142.3	\$ 17.3	\$ 125.0
3-month Treasury bill	weekly	9.0	6.5	2.5
Prime	annual	1.0	—	1.0
Prime	quarterly	6.3	3.5	2.8
Prime	monthly	25.2	14.5	10.7
PLUS Index	annual	.6	.1	.5
3-month LIBOR <sup>(3)</sup>	daily	—	96.6	(96.6)
3-month LIBOR	quarterly	—	30.1	(30.1)
1-month LIBOR	monthly	3.9	0.0	3.9
Non Discrete reset <sup>(4)</sup>	monthly	—	25.6	(25.6)
Non Discrete reset <sup>(5)</sup>	daily/weekly	14.5	1.4	13.1
Fixed Rate <sup>(6)</sup>		10.7	17.9	(7.2)
<b>Total</b>		<b>\$ 213.5</b>	<b>\$ 213.5</b>	<b>\$ —</b>

(1) Funding includes all derivatives that management considers economic hedges of interest rate risk and reflects how we internally manage our interest rate exposure.

(2) Funding includes \$17.2 billion of ED Participation Program facility which resets based on the prior quarter student loan commercial paper index.

(3) Funding includes \$2.5 billion of auction rate securities.

(4) Funding consists of auction rate securities, the 2008 ABCP Facilities and the ED Conduit Program facility.

(5) Assets include restricted and non-restricted cash equivalents and other overnight type instruments.

(6) Assets include receivables and other assets (including Retained Interests, goodwill and acquired intangibles). Funding includes other liabilities and stockholders' equity (excluding series B Preferred Stock).

We use interest rate swaps and other derivatives to achieve our risk management objectives. To the extent possible, we fund our assets with debt (in combination with derivatives) that has the same underlying index (index type and index reset frequency). When it is more economical, we also fund our assets with debt that has a different index and/or reset frequency than the asset, but only in instances where we believe there is a high degree of correlation between the interest rate movement of the two indices. For example, we use daily reset three-month LIBOR to fund a large portion of our daily reset three-month commercial paper indexed assets. In addition, we use quarterly reset three-month LIBOR to fund a portion of our quarterly reset Prime rate indexed Private Education Loans. We also use our monthly Non Discrete reset and 1-month LIBOR funding to fund various asset types. In using different index types and different index reset frequencies to fund our assets, we are exposed to interest rate risk in the form of basis risk and repricing risk, which is the risk that the different indices that may reset at different frequencies will not move in the same direction or at the same magnitude. While we believe that 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 can lead to a temporary divergence between indices as was experienced beginning in the second half of 2007 to the present with the commercial paper and LIBOR indices. As of June 30, 2009, on a Managed Basis, we have approximately \$113.9 billion of FFELP loans indexed to three-month commercial paper ("3M CP") that are funded with debt indexed to LIBOR. We believe there is broad market recognition that, due to the unintended consequences of government action in other areas of the capital markets, the 3M CP index and its relationship to LIBOR is broken (see "LENDING BUSINESS SEGMENT" for a further discussion).

When compared with the GAAP presentation, the Managed basis presentation includes all of our off-balance sheet assets and funding, and also includes basis swaps that primarily convert quarterly three-month LIBOR to other indices that are more correlated to our asset indices.

### Weighted Average Life

The following table reflects the weighted average life of our Managed earning assets and liabilities at June 30, 2009.

(Averages in Years)	On-Balance Sheet	Managed
<b>Earning assets</b>		
Student loans	7.7	7.7
Other loans	6.4	6.4
Cash and investments	.1	.1
<b>Total earning assets</b>	<b>7.0</b>	<b>7.1</b>
<b>Borrowings</b>		
Short-term borrowings	.4	.4
Long-term borrowings	6.5	6.5
<b>Total borrowings</b>	<b>4.8</b>	<b>5.1</b>

Long-term debt issuances likely to be called by us or putable by the investor have been categorized according to their call or put dates rather than their maturity dates.

### COMMON STOCK

The following table summarizes the Company's common share repurchases and issuances for the three and six months ended June 30, 2009 and 2008.

(Shares in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Common shares repurchased:				
Benefit plans(1)	—	.2	.1	.5
Total shares repurchased	—	.2	.1	.5
Average purchase price per share	\$ —	\$ 23.74	\$ 23.84	\$ 20.98
Common shares issued	.1	.3	.4	1.5
Authority remaining at end of period for repurchases	38.8	38.8	38.8	38.8

(1) Includes 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.

The closing price of the Company's common stock on June 30, 2009 was \$10.27.

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

#### Interest Rate Sensitivity Analysis

The Company's interest rate risk management seeks to limit the impact of short-term movements in interest rates on our results of operations and financial position. The following tables summarize the effect on earnings for the three and six months ended June 30, 2009 and 2008 and the effect on fair values at June 30, 2009 and December 31, 2008, based upon a sensitivity analysis performed by management assuming a hypothetical increase in market interest rates of 100 basis points and 300 basis points while funding spreads remain constant. Additionally, as it relates to the effect on earnings, a sensitivity analysis was performed assuming the funding index increases 25 basis points while holding the asset index constant, if the funding index is different than the asset index. Both of these analyses do not consider any potential mark-to-market

losses that may occur related to our Residual Interests that may result from asset and funding basis divergence or a higher discount rate that would be used to compute the present value of the cash flows if long-term interest rates increased. See Note 6, "Student Loan Securitization," to the consolidated financial statements, which details the potential decrease to the fair value of the Residual Interest that could occur under the referenced interest rate environment.

	Three Months Ended June 30, 2009					
	Interest Rates:				Asset and Funding Index Mismatches(1)	
	Change from Increase of 100 Basis Points		Change from Increase of 300 Basis Points		Increase of 25 Basis Points	
	\$	%	\$	%	\$	%
<b>Effect on Earnings</b>						
Increase/(decrease) in pre-tax net income before unrealized gains (losses) on derivative and hedging activities	\$ (44)	(13)%	\$ (57)	(17)%	\$ (84)	(24)%
Unrealized gains (losses) on derivative and hedging activities	120	23	139	27	98	19
Increase in net income before taxes	\$ 76	45%	\$ 82	49%	\$ 14	8%
Increase in diluted earnings per common share	<u>.163</u>	<u>51%</u>	<u>\$ .176</u>	<u>55%</u>	<u>\$ .030</u>	<u>9%</u>

	Three Months Ended June 30, 2008					
	Interest Rates:				Asset and Funding Index Mismatches(1)	
	Change from Increase of 100 Basis Points		Change from Increase of 300 Basis Points		Increase of 25 Basis Points	
	\$	%	\$	%	\$	%
<b>Effect on Earnings</b>						
Increase/(decrease) in pre-tax net income before unrealized gains (losses) on derivative and hedging activities	\$ 3	46%	\$ 11	158%	\$ (71)	(1,026)%
Unrealized gains (losses) on derivative and hedging activities	234	54	459	107	77	18
Increase in net income before taxes	\$ 237	56%	\$ 470	112%	\$ 6	1%
Increase in diluted earnings per common share	<u>\$.457</u>	<u>91%</u>	<u>\$.908</u>	<u>182%</u>	<u>\$.011</u>	<u>2%</u>

(1) If an asset is not funded with the same index/frequency reset of the asset then it is assumed the funding index increases 25 basis points while holding the asset index constant.



## Six Months Ended June 30, 2009

	Interest Rates:				Asset and Funding Index Mismatches <sup>(1)</sup>	
	Change from Increase of 100 Basis Points		Change from Increase of 300 Basis Points		Increase of 25 Basis Points	
	\$	%	\$	%	\$	%
<b>Effect on Earnings</b>						
Increase/(decrease) in pre-tax net income before unrealized gains (losses) on derivative and hedging activities	\$ (97)	(35)%	\$ (121)	(44)%	\$ (163)	(59)%
Unrealized gains (losses) on derivative and hedging activities	120	24	139	28	98	20
Increase in net income before taxes	\$ 23	10%	\$ 18	8%	\$ (65)	(29)%
Increase in diluted earnings per common share	<u>.049</u>	<u>12%</u>	<u>\$ .039</u>	<u>9%</u>	<u>\$ (.139)</u>	<u>(33)%</u>

## Six Months Ended June 30, 2008

	Interest Rates:				Asset and Funding Index Mismatches <sup>(1)</sup>	
	Change from Increase of 100 Basis Points		Change from Increase of 300 Basis Points		Increase of 25 Basis Points	
	\$	%	\$	%	\$	%
<b>Effect on Earnings</b>						
Increase/(decrease) in pre-tax net income before unrealized gains (losses) on derivative and hedging activities	\$ (2)	(1)%	\$ 7	3%	\$ (141)	(74)%
Unrealized gains (losses) on derivative and hedging activities	234	363	459	713	77	120
Increase in net income before taxes	\$ 232	91%	\$ 466	182%	\$ (64)	(25)%
Increase in diluted earnings per common share	<u>\$ .495</u>	<u>215%</u>	<u>\$ .996</u>	<u>433%</u>	<u>\$ (.138)</u>	<u>(60)%</u>

<sup>(1)</sup> If an asset is not funded with the same index/frequency reset of the asset then it is assumed the funding index increases 25 basis points while holding the asset index constant.

(Dollars in millions)	At June 30, 2009				
	Fair Value	Interest Rates:			
		Change from Increase of 100 Basis Points	%	Change from Increase of 300 Basis Points	%
<b>Effect on Fair Values</b>		\$	%	\$	%
<b>Assets</b>					
Total FFELP student loans	\$ 127,239	\$ (454)	—%	\$ (953)	(1)%
Private Education Loans	18,035	—	—	—	—
Other earning assets	13,822	(4)	—	(11)	—
Other assets	13,080	(723)	(6)	(1,338)	(10)
<b>Total assets</b>	<b>\$ 172,176</b>	<b>\$ (1,181)</b>	<b>(1)%</b>	<b>\$ (2,302)</b>	<b>(1)%</b>
<b>Liabilities</b>					
Interest bearing liabilities	\$ 157,987	\$ (743)	—%	\$ (2,016)	(1)%
Other liabilities	3,121	(111)	(4)	394	(13)
<b>Total liabilities</b>	<b>\$ 161,108</b>	<b>\$ (854)</b>	<b>(1)%</b>	<b>\$ (1,622)</b>	<b>(1)%</b>

(Dollars in millions)	At December 31, 2008				
	Fair Value	Interest Rates:			
		Change from Increase of 100 Basis Points	%	Change from Increase of 300 Basis Points	%
<b>Effect on Fair Values</b>		\$	%	\$	%
<b>Assets</b>					
Total FFELP student loans	\$ 107,319	\$ (758)	(1)%	\$ (1,602)	(1)%
Private Education Loans	14,141	—	—	—	—
Other earning assets	9,265	(9)	—	(25)	—
Other assets	14,590	(848)	(6)	(2,108)	(14)
<b>Total assets</b>	<b>\$ 145,315</b>	<b>\$ (1,615)</b>	<b>(1)%</b>	<b>\$ (3,735)</b>	<b>(3)%</b>
<b>Liabilities</b>					
Interest bearing liabilities	\$ 135,070	\$ (837)	(1)%	\$ (2,500)	(2)%
Other liabilities	3,604	(293)	(8)	(273)	(8)
<b>Total liabilities</b>	<b>\$ 138,674</b>	<b>\$ (1,130)</b>	<b>(1)%</b>	<b>\$ (2,773)</b>	<b>(2)%</b>

A primary objective in our funding is to minimize our sensitivity to changing interest rates by generally funding our floating rate student loan portfolio with floating rate debt. However, as discussed under "LENDING BUSINESS SEGMENT — Summary of our Managed Student Loan Portfolio — *Floor Income — Managed Basis*," we can have a fixed versus floating mismatch in funding if the student loan earns at the fixed borrower rate and the funding remains floating. In addition, we can have a mismatch in the index (including the frequency of reset) of floating rate debt versus floating rate assets.

During the three and six months ended June 30, 2009 and 2008, certain FFELP loans were earning Floor Income and we locked in a portion of that Floor Income through the use of Floor Income Contracts. The

result of these hedging transactions was to convert a portion of the fixed rate nature of student loans to variable rate, and to fix the relative spread between the student loan asset rate and the variable rate liability.

In the above table, under the scenario where interest rates increase 100 and 300 basis points, the change in pre-tax net income before the unrealized gains (losses) on derivative and hedging activities is primarily due to the impact of (i) our unhedged on-balance sheet loans being in a fixed rate mode due to the Embedded Floor Income, while being funded with variable debt in low interest rate environments; and (ii) a portion of our variable assets being funded with fixed debt. Item (i) will generally cause income to decrease when interest rates increase from a low interest rate environment, whereas, item (ii) will generally offset this decrease. In the 100 and 300 basis point scenario for the three and six months ended June 30, 2009, the decreases in income resulted from the unhedged Floor Income discussed in item (i) above due to the low interest rate environment. The increase in income in the three and six months ended June 30, 2008, resulted from item (ii) discussed above. Item (i) did not have as great an impact due to the higher interest rate environment in the first half of 2008.

Under the scenario in the tables above, called "Asset and Funding Index Mismatches," the main driver of the decrease in pre-tax income before unrealized gains (losses) on derivative and hedging activities is the result of LIBOR-based debt funding commercial paper-indexed assets. See "LIQUIDITY AND CAPITAL RESOURCES — Interest Rate Risk Management — *Asset and Liability Funding Gap*" for a further discussion. Increasing the spread between indices will also impact the unrealized gains (losses) on derivatives and hedging activities as it relates to basis swaps. Basis swaps used to convert LIBOR-based debt to indices that we believe are economic hedges of the indices of the assets being funded resulted in an unrealized loss of \$(124) million for the three and six months ended June 30, 2009, and an unrealized loss of \$(116) million for the three and six months ended June 30, 2008. Offsetting this unrealized loss, are basis swaps that economically hedge our off-balance sheet Private Education Loan securitization trusts. Unrealized gains for these basis swaps totaled \$222 million for the three and six months ended June 30, 2009, and \$193 million for the three and six months ended June 30, 2008. The net impact of both of these items was an unrealized gain for all periods presented.

In addition to interest rate risk addressed in the preceding tables, the Company is also exposed to risks related to foreign currency exchange rates. Foreign currency exchange risk is primarily the result of foreign currency denominated debt issued by the Company. As it relates to the Company's corporate unsecured and securitization debt programs used to fund the Company's business, the Company's policy is to use cross currency interest rate swaps to swap all foreign currency denominated debt payments (fixed and floating) to U.S. dollar LIBOR using a fixed exchange rate. In the tables above, there would be an immaterial impact on earnings if exchange rates were to decrease or increase, due to the terms of the hedging instrument and hedged items matching. The balance sheet interest bearing liabilities would be affected by a change in exchange rates; however, the change would be materially offset by the cross currency interest rate swaps in other assets or other liabilities. In the current economic environment, volatility in the spread between spot and forward foreign exchange rates has resulted in material mark-to-market impacts to current-period earnings which have not been factored into the above analysis. The earnings impact is noncash, and at maturity of the instruments, the cumulative mark-to-market impact will be zero.

## RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

See Note 1, “Significant Accounting Policies — *Recently Issued Accounting Pronouncements*,” to the consolidated financial statements.

### Item 4. Controls and Procedures

#### Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief 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, 2009. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer, concluded that, as of June 30, 2009, 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 Chief Executive Officer and Chief 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, 2009 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

On April 20, 2009, the Company received a letter on behalf of a shareholder, SEIU Pension Plans Master Trust, demanding, among other things, that the Company's Board of Directors take action to recover Company funds it alleges were "unjustly paid to certain current and former employees and executive officers of the Company" from 2005 to the present, file civil lawsuits against former and current executives, revise the executive compensation structure, and offer shareholders an annual nonbinding "say on pay." Twenty-nine financial services companies received similar letters that same week. This letter was referred to the Board of Directors.

On August 3, 2009, the Company received the final audit report of ED's Office of the Inspector General ("OIG") related to the Company's billing practices for special allowance payments. Among other things, the OIG recommended that ED instruct the Company to return approximately \$22 million in alleged special allowance overpayments. The Company continues to believe that its practices are consistent with longstanding ED guidance and all applicable rules and regulations and intends to continue disputing these findings. The OIG has audited other industry participants with regard to special allowance payments for loans funded by tax exempt obligations and in certain cases the Secretary of ED has disagreed with the OIG's recommendations.

We are also subject to various claims, lawsuits and other actions that arise in the normal course of business. Most of these matters are claims by borrowers disputing the manner in which their loans have been processed or the accuracy of our reports to credit bureaus. In addition, the collections subsidiaries in our APG segment are routinely named in individual plaintiff or class action lawsuits in which the plaintiffs allege that we have violated a federal or state law in the process of collecting their accounts. Management believes that these claims, lawsuits and other actions will not have a material adverse effect on our business, financial condition or results of operations. Finally, from time to time, we receive information and document requests from state attorneys general and Congressional committees concerning certain of our business practices. Our practice has been and continues to be to cooperate with the state attorneys general and Congressional committees and to be responsive to any such requests.

### Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008.

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

The following table summarizes the Company's common share repurchases during the second quarter of 2009 in connection with the exercise of stock options and vesting of restricted stock to satisfy minimum statutory tax withholding obligations and shares tendered by employees to satisfy option exercise costs. See Note 9, "Equity," to the consolidated financial statements.

(Common shares in millions)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
<b>Period:</b>				
April 1 — April 30, 2009	—	\$ —	—	38.8
May 1 — May 31, 2009	—	—	—	38.8
June 1 — June 30, 2009	—	—	—	38.8
<b>Total second quarter of 2009</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	

### Item 3. Defaults upon Senior Securities

Nothing to report.

**Item 4. Submission of Matters to a Vote of Security Holders**

At the Company's annual meeting of shareholders held on May 22, 2009, the following proposals were approved by the margins indicated:

1. The vote on the election of the following named persons to serve as Directors of the Company for the ensuing year, was as follows:

	Number of Shares		
	Votes For	Votes Against	Abstain
Ann Torre Bates	393,358,216	12,544,011	21,014,377
W. M. Diefenderfer III	397,513,431	8,385,197	21,017,976
Diane Suiitt Gilleland	386,100,208	19,783,549	21,012,847
Earl A. Goode	396,632,946	9,297,759	20,985,899
Ronald F. Hunt	396,901,279	9,003,976	21,011,349
Albert L. Lord	396,024,643	9,957,234	20,934,727
Michael E. Martin	398,175,693	7,756,512	20,984,399
Barry A Munitz	395,495,706	10,403,724	21,017,174
Howard H. Newman	398,314,566	7,616,925	20,985,113
A. Alexander Porter, Jr.	386,244,824	19,654,152	21,017,628
Frank C. Puleo	398,333,646	7,598,014	20,984,944
Wolfgang Schoellkopf	385,267,362	20,632,922	21,016,320
Steven L. Shapiro	385,735,973	20,170,038	21,010,593
J. Terry Strange	389,528,583	16,406,536	20,981,485
Anthony P. Terracciano	398,112,766	7,825,125	20,978,713
Barry L. Williams	394,735,513	11,165,644	21,015,447

2. The vote on adoption of the SLM Corporation Directors Equity Plan was as follows:

Number of Shares		Abstain
Votes For	Votes Against	
341,627,230	28,698,124	25,044,937

3. The vote on adoption of the SLM Corporation 2009-2012 Incentive Plan was as follows:

Number of Shares		Abstain
Votes For	Votes Against	
337,107,821	33,218,333	25,044,137

4. The vote on ratification of PricewaterhouseCoopers LLP as independent registered public accounting firm for the fiscal year ending December 31, 2009, was as follows:

Number of Shares		Abstain
Votes For	Votes Against	
402,719,331	3,184,110	21,013,163

**Item 5. Other Information**

Nothing to report.

**Item 6. Exhibits**

The following exhibits are furnished or filed, as applicable:

- 10.1 Confidential Agreement and Release - C.E. Andrews
- 10.2 Confidential Agreement and Release - Robert Autor
- 10.3 Amended and Restated Note Purchase and Security Agreement: Bluemont Funding I; the Conduit Lenders, the Alternate Lenders; the LIBOR lenders; the Managing Agents; Bank of America, N.A.; JPMorgan Chase Bank, N.A.; Banc of America Securities LLC; J.P. Morgan Securities Inc., The Bank of New York Mellon Trust Company, National Association; Sallie Mae, Inc.
- 10.4 Schedule of Contracts Substantially Identical to Exhibit 10.3 in all Material Respects: Town Center Funding I LLC and Town Hall Funding I LLC
- 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 The following materials from SLM Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, formatted in XBRL ("Extensible Business Reporting Language"): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Changes in Stockholders' Equity; (iv) the Consolidated Statements of Cash Flows; and (v) Notes to the Consolidated Financial Statements, tagged as blocks of text.

**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/ John F. Remondi

John F. Remondi  
*Vice Chairman and Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

Date: August 5, 2009



## GLOSSARY

Listed below are definitions of key terms that are used throughout this document. See also APPENDIX A, "FEDERAL FAMILY EDUCATION LOAN PROGRAM," included in SLM Corporation's ("the Company's") 2008 Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC") on March 2, 2009, for a further discussion of the FFELP.

**Consolidation Loan Rebate Fee** — All holders of FFELP Consolidation Loans are required to pay to the U.S. Department of Education ("ED") an annual 105 basis point Consolidation Loan Rebate Fee on all outstanding principal and accrued interest balances of FFELP Consolidation Loans purchased or originated after October 1, 1993, except for loans for which consolidation applications were received between October 1, 1998 and January 31, 1999, where the Consolidation Loan Rebate Fee is 62 basis points.

**Constant Prepayment Rate ("CPR")** — A variable in life-of-loan estimates that measures the rate at which loans in the portfolio prepay before their stated maturity. The CPR is directly correlated to the average life of the portfolio. CPR equals the percentage of loans that prepay annually as a percentage of the beginning of period balance.

**"Core Earnings"** — The Company prepares financial statements in accordance with generally accepted accounting principles in the United States of America ("GAAP"). In addition to evaluating the Company's GAAP-based financial information, management evaluates the Company's business segments on a basis that, as allowed under the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," differs from GAAP. The Company refers to management's basis of evaluating its segment results as "Core Earnings" presentations for each business segment and refers to these performance measures in its presentations with credit rating agencies and lenders. While "Core Earnings" results are not a substitute for reported results under GAAP, the Company relies on "Core Earnings" performance measures in operating each business segment because it believes these measures provide additional information regarding the operational and performance indicators that are most closely assessed by management.

"Core Earnings" performance measures are the primary financial performance measures used by management to evaluate performance and to allocate resources. Accordingly, financial information is reported to management on a "Core Earnings" basis by reportable segment, as these are the measures used regularly by the Company's chief operating decision makers. "Core Earnings" performance measures are used in developing the Company's financial plans, tracking results, and establishing corporate performance targets and incentive compensation. Management believes this information provides additional insight into the financial performance of the Company's core business activities. "Core Earnings" performance measures are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. "Core Earnings" net income reflects only current period adjustments to GAAP net income. Accordingly, the Company's "Core Earnings" presentation does not represent another comprehensive basis of accounting.

See Note 16, "Segment Reporting," to the consolidated financial statements and "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — BUSINESS SEGMENTS — Limitations of "Core Earnings" " and " — Pre-tax Differences between "Core Earnings" and GAAP by Business Segment" for further discussion of the differences between "Core Earnings" and GAAP, as well as reconciliations between "Core Earnings" and GAAP.

In prior filings with the SEC of SLM Corporation's Annual Report on Form 10-K and quarterly reports on Form 10-Q, "Core Earnings" has been labeled as " 'Core' net income" or "Managed net income" in certain instances.

**Economic Floor Income** — Economic Floor Income equals Gross Floor Income earned on Managed loans, minus the payments on Floor Income Contracts, plus the amortization of net premiums on both Fixed Rate and Variable Rate Floor Income Contracts (see definitions for capitalized terms, below).

**ED** — The U.S. Department of Education.

**Embedded Floor Income** — Embedded Floor Income is Floor Income (see definition below) that is earned on off-balance sheet student loans that are in securitization trusts sponsored by the Company. At the time of the securitization, the value of Embedded Fixed Rate Floor Income is included in the initial valuation of the Residual Interest (see definition below) and the gain or loss on sale of the student loans. Embedded Floor Income is also included in the quarterly fair value adjustments of the Residual Interest.

**Exceptional Performer (“EP”)** — The EP designation is determined by ED in recognition of a servicer meeting certain performance standards set by ED in servicing FFELP Loans. Upon receiving the EP designation, the EP servicer receives reimbursement on default claims higher than the legislated Risk Sharing (see definition below) levels on federally guaranteed student loans for all loans serviced for a period of at least 270 days before the date of default. The EP servicer is entitled to receive this benefit as long as it remains in compliance with the required servicing standards, which are assessed on an annual and quarterly basis through compliance audits and other criteria. The annual assessment is in part based upon subjective factors which alone may form the basis for an ED determination to withdraw the designation. If the designation is withdrawn, Risk Sharing may be applied retroactively to the date of the occurrence that resulted in noncompliance. The College Cost Reduction Act of 2007 (“CCRAA”) eliminated the EP designation effective October 1, 2007. See also Appendix A, “FEDERAL FAMILY EDUCATION LOAN PROGRAM,” included in the Company’s 2008 Annual Report on Form 10-K, filed with the SEC on March 2, 2009.

**FDLP** — The William D. Ford Federal Direct Loan Program.

**FFELP** — The Federal Family Education Loan Program, formerly the Guaranteed Student Loan Program.

**FFELP Consolidation Loans** — Under the FFELP, borrowers with multiple eligible student loans may consolidate them into a single student loan with one lender at a fixed rate for the life of the loan. The new loan is considered a FFELP Consolidation Loan. Typically a borrower may consolidate his student loans only once unless the borrower has another eligible loan to consolidate with the existing FFELP Consolidation Loan. The borrower rate on a FFELP Consolidation Loan is fixed for the term of the loan and is set by the weighted average interest rate of the loans being consolidated, rounded up to the nearest 1/8th of a percent, not to exceed 8.25 percent. In low interest rate environments, FFELP Consolidation Loans provide an attractive refinancing opportunity to certain borrowers because they allow borrowers to consolidate variable rate loans into a long-term fixed rate loan. Holders of FFELP Consolidation Loans are eligible to earn interest under the Special Allowance Payment (“SAP”) formula (see definition below). In April 2008, the Company suspended its participation in the FFELP Consolidation Loan program.

**FFELP Stafford and Other Student Loans** — Education loans to students or parents of students that are guaranteed or reinsured under FFELP. The loans are primarily Stafford loans but also include PLUS and HEAL loans.

**Fixed Rate Floor Income** — Fixed Rate Floor Income is Floor Income (see definition below) associated with student loans with borrower rates that are fixed to term (primarily FFELP Consolidation Loans and Stafford Loans originated on or after July 1, 2006).

**Floor Income** — FFELP loans generally earn interest at the higher of either the borrower rate, which is fixed over a period of time, or a floating rate based on the SAP formula (see definition below). The Company generally finances its student loan portfolio with floating rate debt whose interest is matched closely to the floating nature of the applicable SAP formula. If interest rates decline to a level at which the borrower rate exceeds the SAP formula rate, the Company continues to earn interest on the loan at the fixed borrower rate while the floating rate interest on our debt continues to decline. In these interest rate environments, the Company refers to the additional spread it earns between the fixed borrower rate and the SAP formula rate as Floor Income. Depending on the type of student loan and when it was originated, the borrower rate is either fixed to term or is reset to a market rate each July 1. As a result, for loans where the borrower rate is fixed to term, the Company may earn Floor Income for an extended period of time, and for those loans where the borrower interest rate is reset annually on July 1, the Company may earn Floor Income to the next reset date.

In accordance with legislation enacted in 2006, lenders are required to rebate Floor Income to ED for all FFELP loans disbursed on or after April 1, 2006.

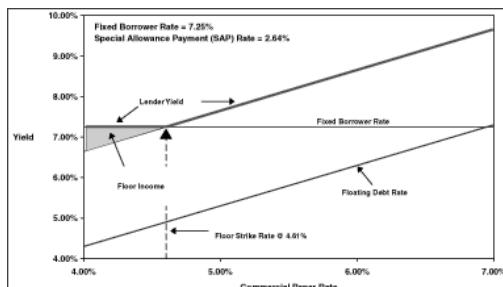
The following example shows the mechanics of Floor Income for a typical fixed rate FFELP Consolidation Loan (with a commercial paper-based SAP spread of 2.64 percent):

Fixed Borrower Rate	7.25%
SAP Spread over Commercial Paper Rate	(2.64)%
Floor Strike Rate(1)	<u>4.61%</u>

(1) The interest rate at which the underlying index (Treasury bill or commercial paper) plus the fixed SAP spread equals the fixed borrower rate. Floor Income is earned anytime the interest rate of the underlying index declines below this rate.

Based on this example, if the quarterly average commercial paper rate is over 4.61 percent, the holder of the student loan will earn at a floating rate based on the SAP formula, which in this example is a fixed spread to commercial paper of 2.64 percent. On the other hand, if the quarterly average commercial paper rate is below 4.61 percent, the SAP formula will produce a rate below the fixed borrower rate of 7.25 percent and the loan holder earns at the borrower rate of 7.25 percent.

**Graphic Depiction of Floor Income:**



**Floor Income Contracts** — The Company enters into contracts with counterparties under which, in exchange for an upfront fee representing the present value of the Floor Income that the Company expects to earn on a notional amount of underlying student loans being economically hedged, the Company will pay the counterparties the Floor Income earned on that notional amount over the life of the Floor Income Contract. Specifically, the Company agrees to pay the counterparty the difference, if positive, between the fixed borrower rate less the SAP (see definition below) spread and the average of the applicable interest rate index on that notional amount, regardless of the actual balance of underlying student loans, over the life of the contract. The contracts generally do not extend over the life of the underlying student loans. This contract effectively locks in the amount of Floor Income the Company will earn over the period of the contract. Floor Income Contracts are not considered effective hedges under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” and each quarter the Company must record the change in fair value of these contracts through income.

**Front-End Borrower Benefits** — Financial incentives offered to borrowers at origination. Front-End Borrower Benefits primarily represent the Company’s payment on behalf of borrowers for required FFELP fees, including the federal origination fee and federal default fee. The Company accounts for these Front-End

Borrower Benefits as loan premiums amortized over the estimated life of the loans as an adjustment to the loan's yield.

**Gross Floor Income** — Floor Income earned before payments on Floor Income Contracts.

**Guarantors** — State agencies or non-profit companies that guarantee (or insure) FFELP loans made by eligible lenders under The Higher Education Act of 1965 ("HEA"), as amended.

**Interim ABCP Facility** — An aggregate of \$30 billion asset-backed commercial paper conduit facilities that the Company entered into on April 30, 2007 in connection with the April 16, 2007 announcement of a proposed acquisition of the Company by J.C. Flowers & Co., Bank of America, N.A., and JPMorgan Chase, N.A., which was terminated on January 25, 2008.

**Lender Partners** — Lender Partners are lenders who originate loans under forward purchase commitments under which the Company owns the loans from inception or, in most cases, acquires the loans soon after origination.

**Managed Basis** — The Company generally analyzes the performance of its student loan portfolio on a Managed Basis. The Company views both on-balance sheet student loans and off-balance sheet student loans owned by the securitization trusts as a single portfolio, and the related on-balance sheet financings are combined with off-balance sheet debt. When the term Managed is capitalized in this document, it is referring to Managed Basis.

**Private Education Loans** — Education loans to students or parents of students that are not guaranteed under the FFELP. Private Education Loans include loans for higher education (undergraduate and graduate degrees) and for alternative education, such as career training, private kindergarten through secondary education schools and tutorial schools. Higher education loans have repayment terms similar to FFELP loans, whereby repayments begin after the borrower leaves school. The Company's higher education Private Education Loans are not dischargeable in bankruptcy, except in certain limited circumstances. Repayment for alternative education generally begins immediately.

In the context of the Company's Private Education Loan business, the Company uses the term "non-traditional loans" to describe education loans made to certain borrowers that have or are expected to have a high default rate as a result of a number of factors, including having a lower tier credit rating, low program completion and graduation rates or, where the borrower is expected to graduate, a low expected income relative to the borrower's cost of attendance.

**Preferred Channel Originations** — Preferred Channel Originations are comprised of: 1) loans that are originated by internally marketed Sallie Mae brands, and 2) student loans that are originated by Lender Partners (defined above).

**Proposed Merger** — On April 16, 2007, the Company announced that a buyer group ("Buyer Group") led by J.C. Flowers & Co. ("J.C. Flowers"), Bank of America, N.A. and JPMorgan Chase, N.A. (the "Merger") signed a definitive agreement ("Merger Agreement") to acquire the Company for approximately \$25.3 billion or \$60.00 per share of common stock. (See also "Merger Agreement" filed with the SEC on the Company's Current Report on Form 8-K, dated April 18, 2007.) On January 25, 2008, the Company, Mustang Holding Company Inc. ("Mustang Holding"), Mustang Merger Sub, Inc. ("Mustang Sub"), J.C. Flowers, Bank of America, N.A. and JPMorgan Chase Bank, N.A. entered into a Settlement, Termination and Release Agreement (the "Agreement"). Under the Agreement, a lawsuit filed by the Company related to the Merger, as well as all counterclaims, was dismissed.

**Repayment Borrower Benefits** — Financial incentives offered to borrowers based on pre-determined qualifying factors, which are generally tied directly to making on-time monthly payments. The impact of Repayment Borrower Benefits is dependent on the estimate of the number of borrowers who will eventually qualify for these benefits and the amount of the financial benefit offered to the borrower. The Company occasionally changes Repayment Borrower Benefits programs in both amount and qualification factors. These programmatic changes must be reflected in the estimate of the Repayment Borrower Benefits discount when made.

**Residual Interest** — When the Company securitizes student loans, it retains the right to receive cash flows from the student loans sold to trusts that it sponsors in excess of amounts needed to pay servicing, derivative costs (if any), other fees, and the principal and interest on the bonds backed by the student loans. The Residual Interest, which may also include reserve and other cash accounts, is the present value of these future expected cash flows, which includes the present value of any Embedded Fixed Rate Floor Income described above. The Company values the Residual Interest at the time of sale of the student loans to the trust and as of the end of each subsequent quarter.

**Retained Interest** — The Retained Interest includes the Residual Interest (defined above) and servicing rights (as the Company retains the servicing responsibilities) for our securitization transactions accounted for as sales.

**Risk Sharing** — When a FFELP loan first disbursed on and after July 1, 2006 defaults, the federal government guarantees 97 percent of the principal balance plus accrued interest (98 percent on loans disbursed before July 1, 2006) and the holder of the loan is at risk for the remaining amount not guaranteed as a Risk Sharing loss on the loan. FFELP loans originated after October 1, 1993 are subject to Risk Sharing on loan default claim payments unless the default results from the borrower's death, disability or bankruptcy. FFELP loans serviced by a servicer that has Exceptional Performer designation from ED were subject to one-percent Risk Sharing for claims filed on or after July 1, 2006 and before October 1, 2007. The CCRAA reduces default insurance to 95 percent of the unpaid principal and accrued interest for loans first disbursed on or after October 1, 2012.

**Special Allowance Payment ("SAP")** — FFELP loans disbursed prior to April 1, 2006 (with the exception of certain PLUS and SLS loans discussed below) generally earn interest at the greater of the borrower rate or a floating rate determined by reference to the average of the applicable floating rates (91-day Treasury bill rate or commercial paper) in a calendar quarter, plus a fixed spread that is dependent upon when the loan was originated and the loan's repayment status. If the resulting floating rate exceeds the borrower rate, ED pays the difference directly to the Company. This payment is referred to as the Special Allowance Payment or SAP and the formula used to determine the floating rate is the SAP formula. The Company refers to the fixed spread to the underlying index as the SAP spread. For loans disbursed after April 1, 2006, FFELP loans effectively only earn at the SAP rate, as the excess interest earned when the borrower rate exceeds the SAP rate (Floor Income) must be refunded to ED.

Variable rate PLUS Loans and SLS Loans earn SAP only if the variable rate, which is reset annually, exceeds the applicable maximum borrower rate. For PLUS loans disbursed on or after January 1, 2000, this limitation on SAP was repealed effective April 1, 2006.

A schedule of SAP rates is set forth on pages A-7 and A-8 of the Company's 2008 Annual Report on Form 10-K.

**Variable Rate Floor Income** — Variable Rate Floor Income is Floor Income that is earned only through the next reset date. For FFELP Stafford loans whose borrower interest rate resets annually on July 1, the Company may earn Floor Income or Embedded Floor Income based on a calculation of the difference between the borrower rate and the then current interest rate (see definitions for capitalized terms, above).

## CONFIDENTIAL AGREEMENT AND RELEASE

SLM Corporation and its subsidiaries, predecessors, and affiliates (collectively "SLM") and I have reached the following confidential understanding and agreement. In exchange for the Special Payments and other consideration listed below, I promise to comply fully with the terms of this Confidential Agreement and Release ("Agreement and Release"). In exchange for my promises, SLM agrees to provide me with the benefits listed below, certain of which I am not otherwise entitled.

**(1) Special Payments and Benefits:**

(a) Unless I have revoked this Agreement and Release pursuant to Section (8) below, SLM will pay me severance pay in the following manner: a total amount of **\$2,500,000**, less withholding taxes and other deductions required by law, paid in a lump-sum payment. Such severance payment will be made in a lump sum no earlier than the eighth calendar day and no later than the twenty-first calendar day after my signature on this Agreement and Release.

(b) Unless I have revoked this Agreement and Release pursuant to Section (8) below, SLM will pay me an additional payment of **\$500,000** in lieu of a 2008 bonus, less withholding taxes and other deductions required by law. Such additional payment will be made in a lump sum no earlier than the eighth calendar day and no later than the twenty-first calendar day after my signature on this Agreement and Release.

(c) Medical/Dental/Vision Continuation: My current medical, dental and vision coverage will continue through the end of the month of my termination. The first day of the month following my Termination Date, on October 1, 2008, I will have the right to continue my current medical, dental and vision coverage through COBRA for up to 12 months. If I properly elect COBRA continuation coverage, SLM will pay directly to the insurance carrier the employer portion of the total cost of my medical, dental and vision insurance premiums for the 12-month period of October 1, 2008 through September 30, 2009.

(d) Benefit Programs: I waive future coverage and benefits under all SLM disability programs, but this Agreement and Release does not affect my eligibility for other Company medical, dental, life insurance, retirement, and benefit plans or the contract pension benefits I have accrued through my termination date under my Employment Agreement of February 24, 2003. Whether I sign this Agreement and Release or not, I understand that my rights and continued participation in those plans will be governed by their terms, and that I generally will become ineligible for them shortly after my termination, after which I may be able to purchase continued coverage under certain of such plans. I understand that except for the benefits that may be due under 401(k), pension, supplemental pension, supplemental retirement benefit as identified in my Employment Agreement, and other deferred compensation plans to which I may be entitled under SLM's standard employee benefit plans, that I will not receive any other wage, vacation, or other similar payments from SLM or any of the entities discussed in Section (2).

(e) For SLM equity vesting purposes, SLM deems my termination a job abolishment.

(f) Subject to any earlier payment provisions set forth above, and except for the benefits and payments described in 1(c) (medical/dental/vision continuation) and 1(d)(benefit programs), all payments or reimbursements described in this Section 1 shall be paid to me on or before March 15, 2009.

(2) **Release:** In consideration of the Special Payments and Benefits described above, I agree to release SLM, and all of its subsidiaries, affiliates, predecessors, successors, and all related companies, and all of its former and current officers, employees, directors, and benefits plan trustees of any of them (collectively "Released Parties") from all actions, charges, claims, demands, damages or liabilities of any kind or character whatsoever, known or unknown, which I now have or may have had through the date I sign this Agreement and Release. For example, I am releasing all common law contract, tort, or other claims I might have, as well as all claims I might have under the Age Discrimination in Employment Act (ADEA), the WARN Act, Title VII of the Civil Rights Act of 1964, Sections 1981 and 1983 of the Civil Rights Act of 1866, the Americans with Disabilities Act (ADA), the Employee Retirement Income Security Act of 1974 (ERISA), individual relief under the Sarbanes-Oxley Act of 2002, Virginians with Disabilities Act, Virginia Human Rights Act, Virginia Labor and Employment Code Section 40.1 et. seq., and any other federal, state or local laws, to the extent permissible by private agreement and consistent with applicable law. I further waive any right to payment of attorneys' fees, which I may have incurred. It is understood and agreed that by entering into this Agreement and Release, SLM does not admit any violation of law, or any of my rights, and has entered into this Agreement and Release solely in the interest of resolving finally all claims and issues relating to my employment and separation.

The parties expressly agree however, that nothing in this Release shall preclude my participation as a member of a class in any suit or regulatory action brought against the Released Parties arising out of or relating to any alleged securities violations or diminution in the value of SLM securities.

SLM agrees that the release under this paragraph 2 shall not cover and I reserve and do not waive my rights, directly or indirectly to seek further indemnification and/or contribution under the By-Laws of SLM. SLM hereby reaffirms that I am entitled to indemnification after termination of my employment, for actions taken in my capacity as an officer of SLM Corporation or applicable SLM Corporation subsidiaries under the bylaws of the applicable subsidiary or SLM (subject to the provisions of the By-Laws, which limit indemnity in certain circumstances).

SLM acknowledges that the SLM's Board of Directors passed a resolution on March 20, 2008 pertaining to the advancement of legal expenses for certain officers including me. I acknowledge that I previously signed an undertaking relating to certain litigation matters and this Confidential Agreement and Release. I hereby agree to repay such legal fees and expenses advanced on my behalf by SLM and incurred by me in relation to (i) the consolidated class action styled *Robert H. Burch v. SLM Corp., Albert L. Lord, Charles Elliott (C.E.) Andrews and Robert S. Autor* (S.D.N.Y., 08-CV-01029); (ii) the putative class actions relating to SLM's 401(k) Plans (currently styled as *Slaymon v. SLM Corporation et al.* (S.D.N.Y., 08-CV-4334), *Cordero v. SLM Corporation et al.* (S.D.N.Y., 08-CV-7285), and *Patel v. SLM Corporation et al.* (S.D.N.Y. 08-CV-7846)); and (iii) any related investigation or other proceeding that may subsequently be initiated by the SEC or other governmental or regulatory agencies as well as any shareholder or other private party litigation filed prior to the date hereof or subsequently in connection with related matters (collectively, the "Matters"), if it should ultimately be determined that the undersigned is not entitled to indemnification under SLM's bylaws, or otherwise.

The foregoing undertaking shall cover each request for advancement of expenses submitted on or after the date hereof by the undersigned with respect to the Matters and shall supersede any undertaking made by the undersigned prior to the date hereof.

(3) **Covenant Not To Sue:** Except as set forth in the proviso in Section 2 and otherwise set forth as follows, I agree not to sue the Released Parties with respect to any claims, demands, liabilities or obligations released by this Agreement and Release. The Parties agree, however, that nothing contained in this covenant not to sue or elsewhere in this Agreement and Release shall:

(a) prevent me from challenging, under the Older Workers Benefits Protection Act (29 U.S.C. § 626), the knowing and voluntary nature of my release of any age claims in this Agreement and Release before a court, the Equal Employment Opportunity Commission ("EEOC"), or any other federal, state, or local agency;

(b) prevent me from enforcing any future claims or rights that arise under the Age Discrimination in Employment Act ("ADEA") after I have signed this Agreement and Release.

(c) prohibit or restrict me from: (i) making any disclosure of information required by law; (ii) filing a charge, testifying in, providing information to, or assisting in an investigation or proceeding brought by any governmental or regulatory body or official; or (iii) from testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal or state employment law or any federal law relating to fraud or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

Except with respect to the proviso in Section 2 regarding alleged securities violations and notwithstanding anything to the contrary in this paragraph, I hereby waive and release any right to receive any personal relief (for example, money) as a result of any investigation or proceeding of the U.S. Department of Labor, EEOC, or any federal, state, or local government agency or court. Further, with my waiver and release of claims in this Agreement and Release, I specifically assign to the Released Parties my right to any recovery arising from any such investigation or proceeding.

(4) **Additional Representations and Promises:** I further acknowledge and agree that:

(a) I agree to return all SLM and Released Parties' property in my possession or control to them, except that I may keep my cell phone, blackberry, and computer after a mirror image of the data on such items are made for litigation purposes.

(b) I hereby represent and warrant that I have not reported any illegal conduct or activities to any supervisor, manager, department head, human resources representative, director, officer, agent or any other representative of SLM, any member of the legal or compliance departments, or to the Code of Business Conduct hotline and have no knowledge of any such illegal conduct or activities relating to my duties at SLM.

(c) If I breach any provisions of this Agreement and Release, I agree that I will pay for all reasonable costs incurred by SLM or any entities or individuals covered by this Agreement and Release, including reasonable attorneys' fees, in defending against my claim and seeking to uphold my release.



(d) I promise to keep the terms of this Agreement and Release completely confidential except as may be required or permitted by statute, regulation or court order. Notwithstanding the foregoing, I may disclose such information to my immediate family and professional representatives, so long as they are informed and agree to be bound by this confidentiality clause. This Agreement and Release shall not be offered or received in evidence in any action or proceeding in any court, arbitration, administrative agency or other tribunal for any purpose whatsoever other than to carry out or enforce the provisions of this Agreement.

(e) I further promise not to disparage SLM, its business practices, products and services, or any other entity or person covered by this Agreement and Release.

(f) I understand that SLM in the future may change employee benefits or pay. I understand that my job may be refilled.

(g) I have not suffered any job-related wrongs or injuries, such as any type of discrimination, for which I might still be entitled to compensation or relief in the future. I have properly reported all hours that I have worked and I have been paid all wages, overtime, commissions, compensation, benefits, and other amounts that SLM or any Released Party should have paid me in the past.

(h) I intentionally am releasing claims that I do not know I might have and that, with hindsight, I might regret having released. I have not assigned or given away any of the claims that I am releasing.

(i) If SLM or I successfully assert that any provision in this Agreement and Release is void, the rest of the Agreement and Release shall remain valid and enforceable unless the other party to this Agreement and Release elects to cancel it.

(j) If I initially did not think any representation I am making in this Agreement and Release was true, or if I initially was uncomfortable making it, I resolved all my concerns before signing this Agreement and Release. I have carefully read this Agreement and Release, I fully understand what it means, I am entering into it knowingly and voluntarily, and all my representations in it are true. SLM would not have signed this Agreement and Release but for my promises and representations.

(5) **Arbitration of Disputes:** Except with respect to the proviso in Section 2 concerning securities litigation, SLM and I agree to resolve any disputes we may have with each other through final and binding arbitration. For example, I am agreeing to arbitrate any dispute about the validity of this Agreement and Release or any discrimination claim, which means that an Arbitrator and not a court of law will decide issues of arbitrability and of liability with respect to any claim I may bring; provided, however, that either party may pursue a temporary restraining order and/or preliminary injunctive relief, with expedited discovery where necessary, in a court of competent jurisdiction to protect common law or contractual trade secret or confidential information rights and to enforce the post-employment restrictions in Section 6. I also agree to resolve through final and binding arbitration any disputes I have with SLM, its affiliates, or any current or former officers, employees or directors who elects to arbitrate those disputes under this subsection. Arbitrations shall be conducted by JAMS (also known as Judicial Arbitration & Mediation Services) in accordance with its employment dispute resolution rules. This agreement to arbitrate does not apply to government agency proceedings, but does apply to any lawsuit I might bring, including but not limited to any lawsuit

related to a government agency proceeding. By agreeing to this Agreement and Release, I understand that I am waiving my right to a jury trial.

(6) **Confidentiality:** Except as required or permitted by statute, regulation, subpoena, or court order, or pursuant to written consent given by SLM's General Counsel, I agree not to disclose to anyone else any of the information or materials which are proprietary or trade secrets of SLM or are otherwise confidential. In addition, in consideration of the Special Payments and Benefits described above, I hereby acknowledge that I previously signed a February 23, 2003 Employment Agreement (" Employment Agreement") and that I continue to be bound by Sections 10, 15, 25, and 26 of the Employment Agreement.

(7) **Review Period:** I hereby acknowledge (a) that I initially received a copy of the original draft of this Agreement and Release on or before September 30, 2008 and amended Agreement and Release on October 1, 2008; (b) that I was offered a period of 45 days to review and consider it; (c) that I understand I could use as much of the 45 day period as I wish prior to signing; and (d) that I was strongly encouraged to consult with an attorney in writing before signing this Agreement and Release, and understood whether or not to do so was my decision.

(8) **Revocation of Claims:** I understand that I may revoke the waiver of the Age Discrimination in Employment Act (ADEA) claims made in this Agreement and Release within seven (7) days of my signing. My waiver and release of claims under ADEA shall not be effective or enforceable and I will not receive 70% of the Special Payments described in Section (1) above. Revocation of claims can be made by delivering a written notice of revocation to Joni Reich, Senior Vice President, Administration, SLM Corporation, 12061 Bluemont Way, MDC V5102, Reston, VA 20190.

(9) I acknowledge that I have read and understand all of the provisions of this Agreement and Release. This Agreement and Release represents the entire agreement between the Parties concerning the subject matter hereof and shall not be altered, amended, modified, or otherwise changed except by a writing executed by both Parties. I understand and agree that this Agreement and Release, if not timely revoked pursuant to Section (8), is final and binding when executed by me. I sign this document freely, knowingly and voluntarily. I acknowledge that I have not relied upon any representation or statement, written or oral, not set forth in this Agreement and Release. If any provision of this Agreement and Release is held by a court of competent jurisdiction or by an arbitrator to be contrary to law, the remainder of that provision and the remaining provisions of this Agreement and Release will remain in full force and effect to the maximum extent permitted by applicable law. This Agreement shall be construed under the laws of the Commonwealth of Virginia.

(10) In addition, in consideration of the Special Payments and Benefits described above, I further agree to cooperate with SLM, its affiliates, and its legal counsel in any legal proceedings currently pending or brought in the future against SLM, as may be reasonably requested by SLM, including, but not limited to: (1) participation as a witness; (2) drafting, producing, and reviewing documents; (3) assisting with interviews; and (4) contacting SLM. This includes, but is not limited to, providing the aforementioned assistance in *Burch v. SLM Corporation et al.*, *Rodriguez v. SLM Corporation et al.*, *Chae v. SLM Corporation et al.*, 401(k) stock drop cases (*Slaymon v. SLM Corporation et al.*, *Cordero v. SLM Corporation et al.*, and *Patel v. SLM Corporation et al.*), and Matters as defined in Section 2. In the event I am requested, with reasonable notice, to travel as part of this litigation cooperation, SLM agrees to pay my reasonable out of pocket expenses.

Before you sign this Agreement and Release, please take it home, read through each section and carefully consider it. SLM recommends that you discuss it with your personal attorney (any personal attorney fees are not covered under the terms of this agreement). You have up to 45 days to consider this Agreement and Release. You may not make any changes to the terms of this Agreement and Release. Except as otherwise provided herein, by signing this Agreement and Release, you will be waiving any claims whether known or unknown.

/s/ C. E. Andrews  
C. E. Andrews

October 2, 2008  
Date

/s/ Joni Reich  
Joni Reich  
Senior Vice President, Administration  
SLM Corporation

October 8, 2008  
Date

## CONFIDENTIAL AGREEMENT AND RELEASE

SLM Corporation and its subsidiaries, predecessors, and affiliates (collectively "SLM") and I have reached the following confidential understanding and agreement. In exchange for the Special Payments and other consideration listed below, I promise to comply fully with the terms of this Confidential Agreement and Release ("Agreement and Release"). In exchange for my promises, SLM agrees to provide me with the benefits listed below, certain of which I am not otherwise entitled.

**(1) Special Payments and Benefits:**

(a) Unless I have revoked this Agreement and Release pursuant to Section (8) below, SLM will pay me severance pay in the following manner: a total amount of **\$1,300,000.00**, less withholding taxes and other deductions required by law. Such severance payment will be made in a lump sum no earlier than the eighth calendar day and no later than the twenty-first calendar day after my signature on this Agreement and Release.

(b) Unless I have revoked this Agreement and Release pursuant to Section (8) below, SLM will pay me an additional payment of **\$100,000.00** in lieu of a 2009 bonus, less withholding taxes and other deductions required by law. Such additional payment will be made in a lump sum no earlier than the eighth calendar day and no later than the twenty-first calendar day after my signature on this Agreement and Release.

(c) Rehiring: If I am rehired as an employee of SLM or any of its subsidiaries or affiliates within the 12-month period following my termination, I hereby agree to repay an amount of Section 1(a) (\$1,300,000.00 divided by 12 multiplied by the number of months remaining in the 12 month period following my termination, adjusted and reduced by the amount of taxes paid and withheld on that sum), within 30 days after rehire, as a condition of rehire to SLM or any of its subsidiaries or affiliates.

(d) Medical/Dental/Vision Continuation: My current medical, dental and vision coverage will continue through the end of the month of my termination. The first day of the month following my Termination Date, which is June 1, 2009, I will have the right to continue my current medical, dental and vision coverage through COBRA for up to 18 months. If I properly elect COBRA continuation coverage, SLM will pay directly to the insurance carrier the employer portion of the total cost of my medical, dental and vision insurance premiums for the 18<sup>th</sup> month period of June 1, 2009 through November 30, 2010.

(e) Executive Outplacement: I will be eligible to receive, at my option, professional outplacement services from placement firms of my choice for up to **twelve** months to assist me in seeking a new position in an amount of up to **\$15,000**.

(h) Executive Physical: I will be eligible to obtain an executive physical in 2009 for up to **\$5,000** to be paid for by SLM from one of the designated medical facilities.

(i) Vacation Payout: SLM will pay me **\$13,460** for my 80 hours of reserve vacation leave. Such payment will be made in a lump sum no earlier than the eighth calendar day after

my signature on this Agreement and Release and no later than the twenty first calendar day and will be made in a lump sum less withholding taxes and other deductions required by law.

(j) **Benefit Programs:** I waive future coverage and benefits under all SLM disability programs, but this Agreement and Release does not affect my eligibility for other Company medical, dental, life insurance, retirement, and benefit plans. Whether I sign this Agreement and Release or not, I understand that my rights and continued participation in those plans will be governed by their terms, and that I generally will become ineligible for them shortly after my termination, after which I may be able to purchase continued coverage under certain of such plans. I understand that except for the benefits that may be due under 401(k), pension, supplemental pension, and other deferred compensation plans to which I may be entitled under SLM's standard employee benefit plans, that I will not receive any other wage, vacation, or other similar payments from SLM or any of the entities discussed in Section (2).

(k) For SLM equity vesting purposes, SLM deems my May 8, 2009 termination a job abolishment.

(l) Subject to any earlier payment provisions set forth above, and except for the benefits and payments described in 1(d) (medical/dental/vision continuation) and 1(j)(benefit programs), all payments or reimbursements described in this Section 1 shall be paid to me on or before March 15, 2010.

(2) **Release:** In consideration of the Special Payments and Benefits described above, I agree to release SLM, and all of its subsidiaries, affiliates, predecessors, successors, and all related companies, and all of its former and current officers, employees, directors, and benefits plan trustees of any of them (collectively "Released Parties") from all actions, charges, claims, demands, damages or liabilities of any kind or character whatsoever, known or unknown, which I now have or may have had through the date I sign this Agreement and Release. For example, I am releasing all common law contract, tort, or other claims I might have, as well as all claims I might have under the Age Discrimination in Employment Act (ADEA), the WARN Act, Title VII of the Civil Rights Act of 1964, Sections 1981 and 1983 of the Civil Rights Act of 1866, the Americans with Disabilities Act (ADA), the Employee Retirement Income Security Act of 1974 (ERISA), individual relief under the Sarbanes-Oxley Act of 2002, Virginians with Disabilities Act, Virginia Human Rights Act, Virginia Labor and Employment Code Section 40.1 et. seq., Indiana Civil Rights Law, Indiana Equal Pay Act, the Indiana Handicap Discrimination Law, the Indiana Age Discrimination Law, the Indiana Smokers' Right Law, Indiana Military Family Leave Law, and any other federal, state or local laws, to the extent permissible by private agreement and consistent with applicable law. I further waive any right to payment of attorneys' fees, which I may have incurred. It is understood and agreed that by entering into this Agreement and Release, SLM does not admit any violation of law, or any of employee's rights, and has entered into this Agreement and Release solely in the interest of resolving finally all claims and issues relating to employee's employment and separation. The parties expressly agree however, that nothing in this Release shall preclude my participation as a member of a class in any suit or regulatory action brought against the Released Parties arising out of or relating to any alleged securities violations or diminution in the value of SLM securities.

SLM agrees that the release under this paragraph 2 shall not cover and I reserve and do not waive my rights, directly or indirectly to seek further indemnification and/or contribution under the By-Laws of SLM. SLM hereby reaffirms that I am entitled to indemnification after termination of my

employment, for actions taken in my capacity as an officer of SLM Corporation or applicable SLM Corporation subsidiaries under the bylaws of the applicable subsidiary or SLM (subject to the provisions of the By-Laws, which limit indemnity in certain circumstances).

SLM acknowledges that the SLM's Board of Directors passed a resolution on March 20, 2008 pertaining to the advancement of legal expenses for certain officers including me. I acknowledge that I previously signed an undertaking relating to certain litigation matters and this Confidential Agreement and Release. I hereby agree to repay such legal fees and expenses advanced on my behalf by SLM and incurred by me in relation to (i) the consolidated class action styled In Re SLM Securities Litigation (formerly known as *Robert H. Burch v. SLM Corp., Albert L. Lord, Charles Elliott (C.E.) Andrews and Robert S. Autor* (S.D.N.Y., 08-CV-01029)) (ii) the putative class actions relating to SLM's 401(k) Plans (currently styled as In Re SLM ERISA Litigation (formerly known as *Slaymon v. SLM Corporation et al.* (S.D.N.Y., 08-CV-4334), *Cordero v. SLM Corporation et al.* (S.D.N.Y., 08-CV-7285), and *Patel v. SLM Corporation et al.* (S.D.N.Y. 08-CV-7846)); and (iii) any related investigation or other proceeding that may subsequently be initiated by the SEC or other governmental or regulatory agencies as well as any shareholder or other private party litigation filed prior to the date hereof or subsequently in connection with related matters (collectively, the "Matters"), if it should ultimately be determined that I am not entitled to indemnification under SLM's bylaws, or otherwise. The foregoing undertaking shall cover each request for advancement of expenses submitted on or after the date hereof by the undersigned with respect to the Matters and shall supersede any undertaking made by the undersigned prior to the date hereof.

(3) **Covenant Not To Sue:** Except as set forth in the proviso in Section 2 and otherwise set forth as follows, I agree not to sue the Released Parties with respect to any claims, demands, liabilities or obligations released by this Agreement and Release. The Parties agree, however, that nothing contained in this covenant not to sue or elsewhere in this Agreement and Release shall:

(a) prevent me from challenging, under the Older Workers Benefits Protection Act (29 U.S.C. § 626), the knowing and voluntary nature of my release of any age claims in this Agreement and Release before a court, the Equal Employment Opportunity Commission ("EEOC"), or any other federal, state, or local agency;

(b) prevent me from enforcing any future claims or rights that arise under the Age Discrimination in Employment Act ("ADEA") after I have signed this Agreement and Release.

(c) prohibit or restrict me from: (i) making any disclosure of information required by law; (ii) filing a charge, testifying in, providing information to, or assisting in an investigation or proceeding brought by any governmental or regulatory body or official; or (iii) from testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal or state employment law or any federal law relating to fraud or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

Except with respect to the proviso in Section 2 regarding alleged securities violations and notwithstanding anything to the contrary in this paragraph, I hereby waive and release any right to receive any personal relief (for example, money) as a result of any investigation or proceeding of the U.S. Department of Labor, EEOC, or any federal, state, or local government agency or court. Further, with my waiver and release of claims in this Agreement and Release, I specifically assign to the Released Parties my right to any recovery arising from any such investigation or proceeding.

(4) **Additional Representations and Promises:** I further acknowledge and agree that:

(a) I agree to return all SLM and Released Parties' property in my possession or control to them.

(b) I hereby represent and warrant that I have not reported any illegal conduct or activities to any supervisor, manager, department head, human resources representative, director, officer, agent or any other representative of SLM, any member of the legal or compliance departments, or to the Code of Business Conduct hotline and have no knowledge of any such illegal conduct or activities relating to my duties at SLM. I have disclosed to SLM any information I have concerning any conduct involving SLM that I have reason to believe may be unlawful or that involves any false claims to the United States. I promise to cooperate fully in any investigation SLM undertakes into matters occurring during my employment with SLM. I understand that nothing in this Agreement and Release prevents me from cooperating with any U.S. government investigation. In addition, to the fullest extent permitted by law, I hereby irrevocably assign to the U.S. government any right I might have to any proceeds or awards in connection with any false claims proceedings against SLM.

(c) If I breach any provisions of this Agreement and Release, I agree that I will pay for all reasonable costs incurred by SLM or any entities or individuals covered by this Agreement and Release, including reasonable attorneys' fees, in defending against my claim and seeking to uphold my release.

(d) I promise to keep the terms of this Agreement and Release completely confidential except as may be required or permitted by statute, regulation or court order. Notwithstanding the foregoing, I may disclose such information to my immediate family and professional representatives, so long as they are informed and agree to be bound by this confidentiality clause. This Agreement and Release shall not be offered or received in evidence in any action or proceeding in any court, arbitration, administrative agency or other tribunal for any purpose whatsoever other than to carry out or enforce the provisions of this Agreement.

(e) I further promise not to disparage SLM, its business practices, products and services, or any other entity or person covered by this Agreement and Release.

(f) I understand that SLM in the future may change employee benefits or pay. I understand that my job may be refilled.

(g) I have not suffered any job-related wrongs or injuries, such as any type of discrimination, for which I might still be entitled to compensation or relief in the future. I have properly reported all hours that I have worked and I have been paid all wages, overtime, commissions, compensation, benefits, and other amounts that SLM or any Released Party should have paid me in the past.

(h) I intentionally am releasing claims that I do not know I might have and that, with hindsight, I might regret having released. I have not assigned or given away any of the claims that I am releasing.

(i) If SLM or I successfully assert that any provision in this Agreement and Release is void, the rest of the Agreement and Release shall remain valid and enforceable unless the other party to this Agreement and Release elects to cancel it. If this Agreement and Release is cancelled, I will repay the Special Payments I received for signing it, adjusted and reduced by the amount of taxes paid and withheld on that sum, with 10 percent annual interest.

(j) If I initially did not think any representation I am making in this Agreement and Release was true, or if I initially was uncomfortable making it, I resolved all my concerns before signing this Agreement and Release. I have carefully read this Agreement and Release, I fully understand what it means, I am entering into it knowingly and voluntarily, and all my representations in it are true. SLM would not have signed this Agreement and Release but for my promises and representations.

(5) **Arbitration of Disputes:** Except with respect to the proviso in Section 2 concerning securities litigation, SLM and I agree to resolve any disputes we may have with each other through final and binding arbitration. For example, I am agreeing to arbitrate any dispute about the validity of this Agreement and Release or any discrimination claim, which means that an Arbitrator and not a court of law will decide issues of arbitrability and of liability with respect to any claim I may bring; provided, however, that either party may pursue a temporary restraining order and/or preliminary injunctive relief, with expedited discovery where necessary, in a court of competent jurisdiction to protect common law or contractual trade secret or confidential information rights and to enforce the post-employment restrictions in Section 6. I also agree to resolve through final and binding arbitration any disputes I have with SLM, its affiliates, or any current or former officers, employees or directors who elects to arbitrate those disputes under this subsection. Arbitrations shall be conducted by JAMS (also known as Judicial Arbitration & Mediation Services) in accordance with its employment dispute resolution rules. This agreement to arbitrate does not apply to government agency proceedings, but does apply to any lawsuit I might bring, including but not limited to any lawsuit related to a government agency proceeding. By agreeing to this Agreement and Release, I understand that I am waiving my right to a jury trial.

(6) **Confidentiality, Non-Competition, and Non-Solicitation:** Except as required or permitted by statute, regulation, subpoena, or court order, or pursuant to written consent given by SLM's General Counsel, I agree not to disclose to anyone else any of the information or materials which are proprietary or trade secrets of SLM or are otherwise confidential. Without limiting the foregoing, I further agree that all information related to SLM's bid for the Department of Education Title IV Student Loan Management/Serviceing proposal shall be considered confidential information. In further consideration of the terms of this Agreement and Release, and the Special Payments and Benefits described above, I agree as follows: I shall not, directly or indirectly, Compete with SLM or its subsidiaries or affiliates for a period of **six months (6)** after the date of termination of my employment for whatever reason ("Restricted Period"). For the purposes of this Section 6, "Compete" shall mean providing any services, directly or indirectly, paid or unpaid, to any entity that is contemplating or evaluating serving, serves, or has served, as a consultant, bidder, protestor, subcontractor, advisor, contractor, or evaluator for the pending U.S. Department of Education Federal Student Aid Title IV Student Loan Management/Serviceing solicitation or contract, or any re-solicitation if a bid protest is filed and is successful after or before contract award, provided however, I may provide services, in any capacity, to an entity that Competes so long as I am engaged in work or services unrelated to the student loan and/or U.S. Department of Education FSA line of business described in this sentence and I do not directly or indirectly supervise that line of business. In



addition, without limiting the foregoing, I specifically agree not to work, consult, advise, manage, or represent in any capacity with or without compensation USA Funds or NELA during the Restricted Period.

Notwithstanding the foregoing, in further consideration of the Special Payments and Benefits described above in this Agreement and Release, I agree that for **twenty-four (24) months** after my date of termination of my employment for whatever reason (collectively, the "Non-Solicitation Employee Period") that I shall not solicit or encourage any employee with whom I communicated within the last year of my employment to leave the employ of SLM or hire any employee (or any former employee employed by SLM or its subsidiaries or affiliates during the then previous 3 months) Further, for a period of **six (6) months** following the termination of my employment with SLM, I shall not, directly or indirectly, solicit, or accept business that SLM could otherwise perform from any of SLM's customers or prospective customers with whom I communicated within the last two (2) years of my employment.

I expressly agree that the markets served by SLM extend nationally and are not dependent on the geographic location of the personnel or the businesses by which they are employed and that the restrictions set forth in this Section have been designed to be reasonable and are no greater than are required for the protection of SLM and do not prevent me from earning a livelihood by working in positions that do not compete with SLM. In the event that a court shall determine that any provision of the Agreement is unenforceable, the parties shall request that the court construe this Agreement in such a fashion as to render it enforceable and to revise time, geographic and functional limits to those minimum limits that the court believes are reasonable to protect the interests of SLM. I acknowledge and agree that this covenant has unique, substantial and immeasurable value to SLM, that I have sufficient skills to provide a livelihood for myself while this covenant remains in force, and that this covenant will not interfere with my ability to work consistent with my experience, training, and education. To enable SLM to monitor compliance with the obligations imposed by this Agreement, I further agree to inform in writing Sallie Mae's Vice President, Human Resources of the identity of my subsequent employer(s) and my prospective job title and responsibilities prior to beginning employment. I agree that this notice requirement shall remain in effect for twenty-four (24) months following the termination of my employment.

In the event that a court determines on my request, that all or a substantial part of the post-employment restrictions are held to be unenforceable, I will return to SLM 50% (less withholdings previously withheld by law) of the Special Payments provided to me pursuant to Section 1(a) and Section 1(b) above. The illegality, unenforceability, or ineffectiveness of any provision of this Section shall not affect the legality, enforceability, or effectiveness of any other provision of this Agreement and Release. Notwithstanding the confidentiality provisions identified in Section 4(d) of this Agreement and Release, I may disclose my SLM restrictive covenants to prospective employers and agree that SLM may provide a copy of this Agreement and Release to my prospective or future employers.

(7) **Review Period:** I hereby acknowledge (a) that I initially received a copy of the original draft of this Agreement and Release on or before April 29, 2009 and revised versions on April 30, 2009, May 1, 2009, and May 4, 2009; (b) that I was offered a period of 45 days to review and consider it; (c) that I understand I could use as much of the 45 day period as I wish prior to signing; and (d) that I was strongly encouraged to consult with an attorney in writing before signing this Agreement and Release, and understood whether or not to do so was my decision.

(8) **Revocation of Claims:** I understand that I may revoke the waiver of the Age Discrimination in Employment Act (ADEA) claims made in this Agreement and Release within seven (7) days of my signing. My waiver and release of claims under ADEA shall not be effective or enforceable and I will not receive 70% of the Special Payments described in Section (1) above. Revocation of claims can be made by delivering a written notice of revocation to Janice Bogash, Vice President, Human Resources, Sallie Mae, 12061 Bluemont Way, MDC V5102, Reston, VA 20190.

(9) I acknowledge that I have read and understand all of the provisions of this Agreement and Release. This Agreement and Release represents the entire agreement between the Parties concerning the subject matter hereof and shall not be altered, amended, modified, or otherwise changed except by a writing executed by both Parties. I understand and agree that this Agreement and Release, if not timely revoked pursuant to Section (8), is final and binding when executed by me. I sign this document freely, knowingly and voluntarily. I acknowledge that I have not relied upon any representation or statement, written or oral, not set forth in this Agreement and Release. If any provision of this Agreement and Release is held by a court of competent jurisdiction or by an arbitrator to be contrary to law, the remainder of that provision and the remaining provisions of this Agreement and Release will remain in full force and effect to the maximum extent permitted by applicable law. This Agreement shall be construed under the laws of the Commonwealth of Virginia.

(10) In addition, in consideration of the payments and benefits described above, I further agree to cooperate with SLM, its affiliates, and its legal counsel in any legal proceedings currently pending or brought in the future against SLM, as may be reasonably requested by SLM, including, but not limited to: (1) participation as a witness; (2) drafting, producing, and reviewing documents; (3) assisting with interviews; and (4) contacting SLM. This includes, but is not limited to the pending *In Re SLM Corporation Securities Litigation*, *In Re SLM Corporation ERISA Litigation*, and *Rodriguez v. SLM Corporation et al.* In the event I am requested, with reasonable notice, to travel as part of this litigation cooperation, SLM agrees to pay my reasonable out of pocket expenses.

(11) **Code Section 409A Additional Income Tax Reimbursement.** The payments, benefits and rights under this Agreement and Release are intended to be exempt from Internal Revenue Code Section 409A and applicable regulations issued thereunder (collectively "Code Section 409A"). In the event that the payments, benefits and rights provided to me, or for my benefit, under this Agreement and Release (determined without regard to the 409A Make Whole Payment described below) are considered to be non complying deferred compensation for purposes of Code Section 409A (the "409A Non Compliant Payments") and would result in my being subject to an additional income tax imposed under Code Section 409A, SLM shall pay me an additional payment (a "409A Make Whole Payment") in an amount such that after payment by me of all taxes (including any interest or penalties incurred by me with respect to such taxes), including, without limitation, any federal, state and local income taxes, any employment taxes, any excise tax imposed by Section 4999 of the Internal Revenue Code and any additional income tax imposed by Code Section 409A (such additional income tax imposed by Code Section 409A, together with any interest or penalties relating to such additional tax, are hereinafter collectively referred to as the "409A Tax"), I will retain an amount of the 409A Make Whole Payment equal to the 409A Tax imposed upon the 409A Non Compliant Payments. Prior to any settlement with the applicable government tax agency or department or a decision by a court of competent jurisdiction regarding the amount of liability, all determinations regarding the additional payment called for in this Section 12 shall be based on the maximum applicable marginal tax rates for each year in which such payments, benefits or rights shall be paid or provided to me or for my benefit. The 409A Make Whole Payment shall be made to me within 30 days after I provide proof of payment of the 409A tax to SLM but in no event later than December 31 of the calendar year following the calendar year in which the 409A Tax is remitted to the taxing authority, unless Code Section 409A requires that the Make Whole Payment be delayed. If the 409A Make Whole

Payment is required to be delayed, such payment shall be paid to me as soon as allowed under Code Section 409A and such payment shall be increased by interest for the period of delay at The Wall Street Journal prime rate in effect during the period of the delay.

(12) In addition, in consideration of the payments and agreements described above and for additional consideration in the form of a retainer of **\$100,000** payable to me on or before June 30, 2009, SLM agrees to retain me for, and I agree to provide full-time consulting services to SLM during regular business hours from May 9, 2009 through June 30, 2009. In addition, in consideration of the payments and agreements described above and for additional consideration in the form of a retainer of **\$16,666** per calendar month, payable to me on or before the tenth (10th) day of each calendar month, SLM agrees to retain me for, and I agree to provide consulting services to SLM during the twelve (12) months starting on July 1, 2009. The parties will work in good faith to set the times when these services will be provided, but the total amount of time directed shall not exceed five (5) calendar days per calendar month. The \$16,666 monthly payment shall be deemed a retainer paid to assure that I keep myself available to provide these services, and SLM shall pay this monthly retainer to me regardless of the precise number of days, if any, it directs me to provide the services. During this period, I agree to provide telephone and local, in-person consulting services to SLM. In the event I am requested, with reasonable notice, to travel as part of these consulting services, SLM agrees to pay my reasonable out of pocket expenses. I recognize and agree that my obligations under Section 10 concerning legal proceedings and litigation are not to be considered or deemed consulting services under this Section. In the event that between November 8, 2009 and June 30, 2010 I decide to take any action or otherwise provide services that would have otherwise been prohibited under Section 6 concerning non-competition or non-solicitation of customers, except for the fact that the Restricted Period ended on November 8, 2009, I will provide two weeks written notice to the VP, Human Resources of Sallie Mae of such, and Sallie Mae may terminate this Section 12 upon written notice and will not be obligated to pay me further under this Section. In addition, I may terminate this Section 12 with or without cause upon 14 days written notice to the VP, Human Resources of Sallie Mae. In the event of termination by me, with or without cause, SLM will not be obligated to pay me further under this Section. The other terms of this Agreement and Release, including, but not limited to Section 6 and 2, are not affected by this Section 12 or any termination under this Section 12 by either party. The non-solicitation of employees is not affected by this Section 12.

Before you sign this Agreement and Release, please take it home, read through each section and carefully consider it. SLM recommends that you discuss it with your personal attorney (any personal attorney fees are not covered under the terms of this agreement). You have up to 45 days to consider this Agreement and Release. You may not make any changes to the terms of this Agreement and Release. Except as otherwise provided herein, by signing this Agreement and Release, you will be waiving any claims whether known or unknown.

/s/ Robert S. Autor  
Robert S. Autor

May 4, 2009  
Date

/s/ Mark L. Heleen  
Mark L. Heleen  
Executive Vice President and General Counsel  
SLM Corporation

May 6, 2009  
Date

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AMENDED AND RESTATED NOTE PURCHASE AND SECURITY AGREEMENT

by and among

BLUEMONT FUNDING I,

as the Trust,

THE CONDUIT LENDERS PARTY HERETO,

as Conduit Lenders,

CERTAIN FINANCIAL INSTITUTIONS PARTIES HERETO,

as Alternate Lenders,

CERTAIN FINANCIAL INSTITUTIONS PARTIES HERETO,

as LIBOR Lenders,

CERTAIN FINANCIAL INSTITUTIONS PARTIES HERETO,

as Managing Agents,

BANK OF AMERICA, N.A.,

as Administrative Agent,

JPMORGAN CHASE BANK, N.A.,

as Syndication Agent,

BANC OF AMERICA SECURITIES LLC and

J.P. MORGAN SECURITIES INC.,

as Lead Arrangers,

THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION

(formerly known as THE BANK OF NEW YORK TRUST COMPANY, N.A.),

as Eligible Lender Trustee,

and

SALLIE MAE, INC.,

as Administrator

April 24, 2009

amending and restating in full the Note Purchase and Security Agreement dated as of February  
29, 2008

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SCHEDULE 2.01 OUTSTANDING ADVANCES AS OF THE A&R CLOSING DATE

AMENDED AND RESTATED NOTE PURCHASE AND SECURITY AGREEMENT

THIS AMENDED AND RESTATED NOTE PURCHASE AND SECURITY AGREEMENT (this "*Agreement*") is made as of April 24, 2009, among BLUEMONT FUNDING I, a statutory trust duly organized under the laws of the State of Delaware, as the trust hereunder (the "*Trust*"), SALLIE MAE, INC., a Delaware corporation, as administrator (the "*Administrator*"), THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION (formerly known as THE BANK OF NEW YORK TRUST COMPANY, N.A.), a national banking association, as the eligible lender trustee hereunder (the "*Eligible Lender Trustee*"), J.P. MORGAN SECURITIES INC. and BANC OF AMERICA SECURITIES LLC, as lead arrangers (the "*Lead Arrangers*"), the CONDUIT LENDERS (as hereinafter defined) from time to time parties hereto, the ALTERNATE LENDERS (as hereinafter defined) from time to time parties hereto, the LIBOR LENDERS (as hereinafter defined) from time to time parties hereto, JPMORGAN CHASE BANK, N.A., a national banking association, BANK OF AMERICA, N.A., a national banking association, BARCLAYS BANK PLC, a public limited company organized under the laws of England and Wales, THE ROYAL BANK OF SCOTLAND PLC, a bank organized under the laws of Scotland, DEUTSCHE BANK AG, NEW YORK BRANCH, a German banking corporation acting through its New York Branch, CREDIT SUISSE, NEW YORK BRANCH, the New York branch of a Swiss banking corporation, ROYAL BANK OF CANADA, a Canadian chartered bank acting through its New York Branch, LLOYDS TSB BANK plc, a bank organized under the laws of England, MERRILL LYNCH BANK USA, a Utah-chartered industrial loan company, NATIXIS FINANCIAL PRODUCTS INC., a Delaware corporation, and BNP PARIBAS, NEW YORK BRANCH, a French bank, each as agent on behalf of its related LIBOR Lender or its related Conduit Lenders, Alternate Lenders and Program Support Providers (as hereinafter defined) (and together with any other similar financial institutions which become parties hereto, collectively, the "*Managing Agents*"), JPMORGAN CHASE BANK, N.A., as syndication agent hereunder (in such capacity, the "*Syndication Agent*"), and BANK OF AMERICA, N.A., as the administrative agent for the Conduit Lenders, Alternate Lenders, LIBOR Lenders and Managing Agents (in such capacity, the "*Administrative Agent*").

PRELIMINARY STATEMENTS

WHEREAS, the Trust, the Administrator, the Eligible Lender Trustee, J.P. Morgan Securities Inc. and Banc of America Securities LLC, as lead arrangers, Barclays Bank PLC, the Royal Bank of Scotland PLC and Deutsche Bank Securities Inc., as co-lead arrangers, Credit Suisse, New York Branch, as arranger, the Conduit Lenders, the Alternate Lenders, the LIBOR Lenders, the Managing Agents, the Administrative Agent and JPMorgan Chase Bank, N.A., as syndication agent, are parties to that certain Note Purchase and Security Agreement, dated as of February 29, 2008 (as amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the "*Initial Note Purchase Agreement*"), and the parties hereto wish to amend and restate the Initial Note Purchase Agreement as set forth below; and

WHEREAS, this Agreement is being executed and delivered pursuant to and in accordance with Section 10.01 of the Initial Note Purchase Agreement; and

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WHEREAS, the Conduit Lenders are special purpose entities engaged in the business of issuing promissory notes and obtaining funding (directly or indirectly) in the commercial paper market and purchasing notes of certain entities for the purpose of financing financial assets of such entities; and

WHEREAS, the LIBOR Lenders are financial institutions engaged in the business of purchasing notes of certain entities for the purpose of financing financial assets of such entities; and

WHEREAS, the Master Depositor has purchased, and may continue to purchase, certain Eligible FFELP Loans in accordance with the Purchase Agreements; and

WHEREAS, the Depositor has purchased, and may continue to purchase, certain Eligible FFELP Loans in accordance with the Conveyance Agreement and the Tri-Party Transfer Agreement; and

WHEREAS, the Trust has purchased, and may continue to purchase, certain Eligible FFELP Loans in accordance with the Sale Agreement; and

WHEREAS, the Eligible Lender Trustee has maintained, and will continue to maintain, legal title of the Trust Student Loans on behalf of the Trust in accordance with the terms of the Trust Agreement; and

WHEREAS, the Trust initially funded such purchases through the issuance of its Class A variable funding notes and Class B variable funding notes and the sale of such Class A Notes and Class B Notes to the Managing Agents for the benefit of the Conduit Lenders, the LIBOR Lenders and the Alternate Lenders, as applicable, on the terms and conditions set forth in the Initial Note Purchase Agreement; and

WHEREAS, the parties hereto agree that on the date hereof, all Class B Notes will be exchanged for additional interests in the Class A Notes, and all purchases of Trust Student Loans from and including the date hereof will be financed through additional Advances on the Class A Notes exclusively; and

WHEREAS, the Conduit Lenders may, from time to time, assign all or a part of such Class A Notes or assign interests therein or commitments to purchase or fund such Class A Notes to the Alternate Lenders or to certain Program Support Providers (as hereinafter defined) pursuant to the terms of the Program Support Agreements (as hereinafter defined); and

WHEREAS, each of the Managing Agents is willing to act as the agent on behalf of its related Conduit Lenders, Alternate Lenders, LIBOR Lenders and Program Support Providers, as applicable, pursuant to this Agreement and the corresponding Program Support Agreements; and

WHEREAS, the parties hereto desire that the provisions of the Initial Note Purchase Agreement shall be effective from the Original Closing Date (as hereinafter defined) through but excluding the date hereof and the provisions of this Agreement shall be effective from and including the date hereof.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

**ARTICLE I.**

**DEFINITIONS**

**Section 1.01. Certain Defined Terms.** Certain capitalized terms used throughout this Agreement are defined above or in this Section.

As used in this Agreement and its exhibits, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined unless otherwise noted).

“**A&R Closing Date**” means April 24, 2009.

“**A&R Transaction Documents**” means this Agreement, the Lenders Fee Letter, the Side Letter, the Administrative Agent and Syndication Agent Fee Letter, the Valuation Agent Fee Letter, the Amendment No. 1 to Valuation Agent Agreement, the Reaffirmation, the Class A Notes and the Permitted SPE Sale Agreement referred to in clause (i) of the definition thereof.

“**Accounting Based Consolidation Event**” means the consolidation, for financial and/or regulatory accounting purposes, of all or any portion of the assets and liabilities of a Conduit Lender that are subject to this Agreement or any other Transaction Document with all or any portion of the assets and liabilities of an Affected Party or any of its Affiliates. An Accounting Based Consolidation Event shall be deemed to occur on the date any Affected Party shall acknowledge in writing that any such consolidation of the assets and liabilities of the Conduit Lender shall occur.

“**Additional Student Loan**” means any Student Loan that became or becomes a Trust Student Loan after the Original Closing Date.

“**Adjusted Cash Income**” means, for any period, Adjusted Revenue for such period less Operating Expenses for such period.

“**Adjusted Pool Balance**” means, as of any date:

(a) (i) the aggregate of the Principal Balance of each Eligible FFELP Loan acquired by the Trust on or prior to the Valuation Date set forth in the most recent Valuation Report multiplied by the Applicable Percentage for such Eligible FFELP Loan, determined by reference to the most recent Valuation Report, **plus** (ii) the Collateral Value of each Eligible FFELP Loan acquired by the Trust since the Valuation Date set forth in the most recent Valuation Report, **minus** (iii) the aggregate of the Principal Balance of each Eligible FFELP Loan that was subject to a release pursuant to Section 2.18 since the Valuation Date set forth in the most recent Valuation Report, multiplied by the Applicable Percentage for such Eligible FFELP Loan, **minus**

(b) the Excess Concentration Amount multiplied by the weighted average Applicable Percentage for all Eligible FFELP Loans.

“**Adjusted Revenue**” means, for any period, (a) the sum, without duplication, of all items which would fairly be presented in the consolidated income statement of SLM Corporation and its consolidated subsidiaries for such period (subject to normal year-end adjustments) prepared in accordance with GAAP as (i) “total interest income” and (ii) “total other income,” less (b) the sum of (i) “provisions for losses,” (ii) “gains on student loan securitizations” and (iii) “servicing and securitization revenue,” eliminating (c) “total net impact of SFAS No. 133 derivative accounting,” and including (d) “net interest income on securitized loans, after provisions for losses,” in the case of (c) and (d) above as currently reported in SLM Corporation’s most recent Form 10-Q or Form 10-K, as applicable, under “MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS” or as subsequently identified in writing by SLM Corporation.

“**Administrative Agent**” means Bank of America, N.A., a national banking association, and its successors and assigns, in its capacity as agent of the Conduit Lenders, the Managing Agents, the LIBOR Lenders and the Alternate Lenders hereunder.

“**Administrative Agent Fees**” means the fees, reasonable expenses and charges of the Administrative Agent, including reasonable legal fees and expenses, as set forth in the Administrative Agent and Syndication Agent Fee Letter.

“**Administrative Agent and Syndication Agent Fee Letter**” means the Amended and Restated Administrative Agent and Syndication Agent Fee Letter, dated as of the A&R Closing Date, among the Trust, the Administrative Agent and the Syndication Agent.

“**Administrative Questionnaire**” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“**Administration Account**” means the special account created pursuant to Section 2.04(b).

“**Administration Agreement**” means the Administration Agreement, dated as of the Original Closing Date, among the Depositor, the Trust, the Eligible Lender Trustee, the Administrator and the Administrative Agent.

“**Administrator Fee**” means, for each calendar month, a fee payable to the Administrator monthly in arrears equal to \$10,000.

“**Administrator**” means Sallie Mae, Inc., a Delaware corporation, and its successors and assigns, in its capacity as administrator of the Trust in accordance with the Administration Agreement.

“**Administrator Default**” has the meaning assigned to such term in Section 5.01 of the Administration Agreement.

“**Advance**” means an advance, including a Purchase Price Advance, an Excess Collateral Advance or a Capitalized Interest Advance, made by the Lenders pursuant to Article II.

“**Advance Date**” means, with respect to any Advance, the date on which such Advance is made.

“**Advance Reconciliation Statement**” has the meaning assigned to such term in [Section 4.03](#).

“**Advance Request**” has the meaning assigned to such term in [Section 2.02\(b\)](#).

“**Adverse Claim**” means a lien, security interest, charge, encumbrance or other right or claim or restriction in favor of any Person (including any UCC financing statement or similar instrument filed against the assets of that Person) other than, with respect to the Pledged Collateral, any lien, security interest, charge, encumbrance or other right or claim or restriction in favor of the Administrative Agent, for the benefit of the Secured Creditors.

“**Affected Party**” means the Administrative Agent, the Syndication Agent, each Co-Valuation Agent, each LIBOR Lender, each Conduit Lender, each Managing Agent, each Alternate Lender, each Program Support Provider and any permitted assignee or participant of any LIBOR Lender, any Conduit Lender, any Alternate Lender or any Program Support Provider.

“**Affiliate**” means, when used with respect to a Person, any other Person controlling, controlled by or under common control with such Person. A Person shall be deemed to control another person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, membership interests, by contract or otherwise.

“**Agent Parties**” has the meaning assigned to such term in [Section 10.02\(c\)](#).

“**Aggregate Note Balance**” means, as of any date of determination, the principal amount of each Class A Note Outstanding and for all Class A Notes, the aggregate principal amount of all Class A Notes Outstanding, after giving effect to (i) all distributions applied to principal on the Class A Notes on such date of determination and (ii) Advances made on such date of determination.

“**Agreement**” means this Amended and Restated Note Purchase and Security Agreement, together with all exhibits and appendices attached hereto, as the same may be amended, restated, supplemented or otherwise modified from time to time hereafter.

“**Alternate Lender**” means any financial institution identified as an Alternate Lender on [Exhibit A](#) attached hereto as such Exhibit may be amended, restated or otherwise revised from time to time, and any successors or assigns (subject to [Section 10.04](#)).

“**Amendment No. 1 to Valuation Agent Agreement**” means the Amendment No. 1 to the Valuation Agent Agreement, dated as of the A&R Closing Date, among the Trust, the Administrator, the Administrative Agent and the Co-Valuation Agents.

“**Amortization Event**” has the meaning assigned to such term in [Section 7.01](#).



“**Amortization Period**” means the period commencing on the occurrence of an Amortization Event and ending on the earliest of (a) the date the Class A Notes and all other Obligations are paid in full, (b) 90 days from the occurrence of such Amortization Event and (c) the occurrence of a Termination Event.

“**Amortization Period Rate**” means, (a) during the first 30 days following the commencement of the Amortization Period, the Base Rate plus the higher of 1.50% per annum and the Used Fee then in effect, (b) during the second 30 days following the commencement of the Amortization Period, the Base Rate plus 3.00% per annum and (c) thereafter, until the Termination Date, the Base Rate plus 4.50% per annum.

“**Applicable Margin**” means, with respect to any Advance and any Lender, the Applicable Margin as set forth in the Lenders Fee Letter.

“**Applicable Percentage**” has the meaning set forth in the Side Letter.

“**Approved Fund**” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of any entity that administers or manages a Lender.

“**Asset Coverage Ratio**” means, on the last day of each calendar month, and as of any other date of determination, the ratio (expressed as a percentage) of (a) the sum of (i) the Adjusted Pool Balance as of such date, (ii) (without duplication) any accrued and unpaid interest thereon and any accrued and unpaid Special Allowance Payments and Interest Subsidy Payments on the Trust Student Loans as of such date and (iii) funds (including Eligible Investments) on deposit in the Collection Account, the Administration Account, the Capitalized Interest Account and the Reserve Account, if any, as of such date, to (b) the Reported Liabilities as of such date and rounding to the nearest second decimal place.

“**Assignee Group**” means two or more assignees that meet the requirements to be an assignee under Section 10.04(b) and that are Affiliates of one another, commercial paper conduits managed by the same manager or affiliated managers or Approved Funds managed by the same investment advisor.

“**Assignment Amount**” means, with respect to an Alternate Lender at the time of any assignment pursuant to Section 10.04(g), an amount equal to the lesser of (a) such Alternate Lender’s pro rata share of the aggregate principal amount of the Class A Notes requested by the related Conduit Lender to be assigned at such time plus any accrued and unpaid interest owed thereon at the applicable CP Rate and (b) such Alternate Lender’s unused Assignment Commitment (minus the unrecovered principal amount of such Alternate Lender’s investments pursuant to the Program Support Agreement to which it is a party).

“**Assignment Commitment**” means, with respect to an Alternate Lender, such Alternate Lender’s Commitment multiplied by 1.02.

“**Authorized Officer**” means:

- (a) with respect to the Trust, any officer of the Eligible Lender Trustee who is authorized to act for the Eligible Lender Trustee in matters relating to the Trust pursuant to the Transaction Documents and who is identified on the list of Authorized Officers delivered by the Eligible Lender Trustee to the Administrative Agent on the Original Closing Date (as such list may be modified or supplemented by the Eligible Lender Trustee from time to time thereafter and delivered to the Administrative Agent);
- (b) with respect to the Administrator, any officer of the Administrator who is authorized to act for the Administrator in matters relating to itself or to the Trust and to be acted upon by the Administrator pursuant to the Transaction Documents and who is identified on the list of Authorized Officers delivered by the Administrator to the Administrative Agent on the Original Closing Date (as such list may be modified or supplemented by the Administrator from time to time thereafter and delivered to the Administrative Agent);
- (c) with respect to the Depositor, any officer of the Depositor who is authorized to act for the Depositor in matters relating to itself or to be acted upon by the Depositor pursuant to the Transaction Documents and who is identified on the list of Authorized Officers delivered by the Depositor to the Administrative Agent on the Original Closing Date (as such list may be modified or supplemented by the Depositor from time to time thereafter and delivered to the Administrative Agent);
- (d) with respect to the Master Servicer, any officer of the Master Servicer who is authorized to act for the Master Servicer in matters relating to itself or to be acted upon by the Master Servicer pursuant to the Transaction Documents and who is identified on the list of Authorized Officers delivered by the Master Servicer to the Administrative Agent on the Original Closing Date (as such list may be modified or supplemented by the Master Servicer from time to time thereafter and delivered to the Administrative Agent);
- (e) with respect to the Eligible Lender Trustee, any officer of the Eligible Lender Trustee who is authorized to act for the Eligible Lender Trustee in matters relating to itself or to be acted upon by the Eligible Lender Trustee pursuant to the Transaction Documents and who is identified on the list of Authorized Officers delivered by the Eligible Lender Trustee to the Administrative Agent on the Original Closing Date (as such list may be modified or supplemented by the Eligible Lender Trustee from time to time thereafter and delivered to the Administrative Agent);
- (f) with respect to SLM Corporation, chief executive officer, chief financial officer, president, any vice president, treasurer or other senior officer of SLM Corporation who is authorized to act for SLM Corporation in matters relating to itself or to be acted upon by SLM Corporation pursuant to the Transaction Documents and who is identified on the list of Authorized Officers delivered by SLM Corporation to the Administrative Agent on the Original Closing Date (as such list may be modified or supplemented by SLM Corporation from time to time thereafter and delivered to the Administrative Agent); and
- (g) with respect to the Administrative Agent, any officer of the Administrative Agent who is authorized to act for the Administrative Agent in matters relating to itself or to be acted upon by the Administrative Agent pursuant to the Transaction Documents and who is identified

on the list of Authorized Officers delivered by the Administrative Agent to the Administrator and the Eligible Lender Trustee on the Original Closing Date (as such list may be modified or supplemented by the Administrative Agent from time to time thereafter and delivered to the Administrator and the Eligible Lender Trustee).

“**Available Funds**” means, with respect to a Settlement Date, the sum of the following amounts received into the Collection Account with respect to the related Settlement Period:

- (a) all collections of principal and interest on the Trust Student Loans, including any payments received from the Guarantees on the Trust Student Loans but net of (i) any collections in respect of principal on the Trust Student Loans applied by the Trust to repurchase Guaranteed loans from the Guarantors under the Guarantee Agreements, (ii) amounts required by the Higher Education Act to be paid to the Department or to be repaid or rebated to Obligor (whether or not in the form of a principal reduction of the applicable Trust Student Loan) on the Trust Student Loans for that Settlement Period including Floor Income Rebate Fees and Monthly Rebate Fees and (iii) amounts deposited into the Floor Income Rebate Account during the related Settlement Period;
- (b) any Interest Subsidy Payments and Special Allowance Payments with respect to the Trust Student Loans received during that Settlement Period for the Trust Student Loans;
- (c) all Liquidation Proceeds from any Trust Student Loans which became Liquidated Student Loans during that Settlement Period in accordance with the Servicer's applicable Servicing Policies, plus all Recoveries on Liquidated Student Loans which were written off in prior Settlement Periods or during that Settlement Period;
- (d) the aggregate amounts received during that Settlement Period for those Trust Student Loans (i) repurchased by the applicable Seller or the Depositor, as applicable, (ii) purchased by the Servicer or its assignee or (iii) sold to another eligible lender pursuant to Section 3.11 of the Servicing Agreement;
- (e) the aggregate amounts, if any, received by the Trust from the applicable Seller, the Depositor or the Servicer, as the case may be, as reimbursement of non-guaranteed principal or interest amounts, or lost Interest Subsidy Payments and Special Allowance Payments, on the Trust Student Loans pursuant to the Sale Agreement or Section 3.05 of the Servicing Agreement, respectively;
- (f) amounts received by the Trust pursuant to Sections 3.01 and 3.12 of the Servicing Agreement during that Settlement Period as to yield or principal adjustments other than deposits into the Borrower Benefit Account;
- (g) investment earnings for that Settlement Period earned on investments in the Trust Accounts during such Settlement Period;
- (h) amounts, if any, transferred into the Collection Account from the Capitalized Interest Account in excess of the Required Capitalized Interest Account Balance, calculated as of the end of the Settlement Period related to that Settlement Date;

- (i) amounts, if any, transferred into the Collection Account from the Reserve Account in excess of the Reserve Account Specified Balance, calculated as of the end of the Settlement Period related to that Settlement Date;
- (j) amounts, if any, transferred into the Collection Account from the Floor Income Rebate Account representing amounts no longer required to be held in connection with floor income payment obligations;
- (k) amounts, if any, transferred into the Collection Account from the Administration Account in accordance with Section 2.04(b);
- (l) amounts, if any, transferred into the Collection Account from the Borrower Benefit Account to offset reductions in yield on affected Trust Student Loans during the related Settlement Period;
- (m) amounts, if any, received by the Trust from SLM Corporation under the Revolving Credit Agreement and which have been deposited into the Collection Account;
- (n) all proceeds from any Permitted Release (to the extent such proceeds were not previously used to prepay the Aggregate Note Balance or used to purchase new Eligible FFELP Loans);
- (o) amounts received, if any, in respect of insurance proceeds; and
- (p) all other Collections or other amounts deposited into the Collection Account for application pursuant to Section 2.05(b) on the applicable Settlement Date;

provided, that if on any Settlement Date, there would not be sufficient funds, after application of Available Funds, as defined above, and application of amounts available from the Capitalized Interest Account and the Reserve Account, in that order, to pay any of the items specified in clauses (i) through (iv) of Section 2.05(b), then Available Funds for that Settlement Date will include, in addition to the Available Funds as defined above, amounts on deposit in the Collection Account, or amounts held by the Administrative Agent for deposit into the Collection Account which would have constituted Available Funds for the Settlement Date immediately succeeding that Settlement Date, up to the amount necessary to pay such items, and the Available Funds for the immediately succeeding Settlement Date will be adjusted accordingly.

“**Bankruptcy Code**” means Title 11 of the United States Code (11 U.S.C. Section 101 et seq.), as amended from time to time, and any successor statute.

“**Base Rate**” means, for any day, a rate per annum determined by the Administrative Agent equal to the highest of (a) the sum of the LIBOR Base Rate (determined in accordance with clause (ii) of the definition thereof) and 1.00% for such day, (b) the Prime Rate for such day and (c) the sum of 0.50% and the Federal Funds Rate for such day.

“**Base Rate Advance**” means an Advance funded with reference to the Base Rate.

“**Benefit Plan**” means any employee benefit plan as defined in Section 3(3) of ERISA in respect of which the Trust or any ERISA Affiliate is, or at any time during the immediately preceding six years was, an “employer” as defined in Section 3(5) of ERISA.

“**Borrower Benefit Account**” means the special account created pursuant to [Section 2.04\(d\)](#).

“**Business Day**” means a day of the year other than a Saturday or a Sunday or other day on which (a) banks are not authorized or required to close in Charlotte, North Carolina or New York, New York and (b) trust companies are not authorized or required to close in Wilmington, Delaware; provided, however, if the term “Business Day” is used in connection with the LIBOR Rate, it means any day on which (x) dealings in dollar deposits are carried on in the London interbank market and (y) banks are not authorized or required to close in New York, New York.

“**Capitalized Interest Account**” means the special account created pursuant to [Section 2.06\(a\)](#).

“**Capitalized Interest Account Funding Event**” means (i) an event which occurs as of any date on which an Advance has been made and after giving effect to such Advance, the Aggregate Note Balance plus the Capitalized Interest Account Unfunded Balance exceeds the Maximum Financing Amount, (ii) the third Business Day preceding the Scheduled Maturity Date, or (iii) the last day of the Revolving Period under clause (ii) or (iii) of the definition of Revolving Period.

“**Capitalized Interest Account Specified Balance**” means, as of any date of determination, the sum of (i) for each Eligible FFELP Loan that is a Trust Student Loan included in the Initial Pool, the product of 3.2% multiplied by the Principal Balance thereof as of such date of determination, and (ii) for each Eligible FFELP Loan that becomes a Trust Student Loan not included in the Initial Pool, the product of 8.1% multiplied by the Principal Balance thereof as of such date of determination.

“**Capitalized Interest Account Unfunded Balance**” means, as of any date of determination, the amount, if any, by which (x) the Capitalized Interest Account Specified Balance exceeds (y) the outstanding balance of Capitalized Interest Advances then on deposit in the Capitalized Interest Account.

“**Capitalized Interest Advance**” means an Advance made upon a Capitalized Interest Account Funding Event or as provided in [Section 2.21\(b\)](#), the proceeds of which are to be deposited into the Capitalized Interest Account.

“**Carryover Servicing Fee**” has the meaning specified in Attachment A to the Servicing Agreement.

“**Change of Control**” means (i) a merger or consolidation of the Trust, the Administrator, any Seller, the Depositor, the Master Depositor or the Master Servicer, as applicable, into another Person (other than an Affiliate of SLM Corporation), (ii) any merger or consolidation to which the Trust, the Administrator, any Seller, the Depositor, the Master Depositor or the Master Servicer, as applicable, shall be a party resulting in the creation of

another Person (other than an Affiliate of SLM Corporation), (iii) any Person (other than an Affiliate of SLM Corporation) succeeding to the properties and assets of the Trust, the Administrator, any Seller, the Depositor, the Master Depositor or the Master Servicer, as applicable, substantially as a whole or (iv) an event or series of events by which any Person (other than an Affiliate of SLM Corporation) acquires the right to vote more than 50% of the common stock or other voting interest of the Trust, the Administrator, any Seller, the Depositor, the Master Depositor or the Master Servicer, as applicable.

“**Class A Advance**” means an Advance under a Class A Note.

“**Class A Note**” means an amended and restated variable funding note, substantially in the form attached hereto as Exhibit J.

“**Class B Note**” has the meaning assigned to such term in the Initial Note Purchase Agreement.

“**Closing Date**” means the Original Closing Date.

“**Co-Valuation Agents**” means J.P. Morgan Securities Inc., Banc of America Securities LLC and Barclays Bank PLC, or any other entity appointed as a successor Co-Valuation Agent pursuant to the Valuation Agent Agreement.

“**Co-Valuation Agents Fees**” means the fees and charges, if any, of the Co-Valuation Agents, including reasonable legal fees and expenses, payable to the Co-Valuation Agents pursuant to the Valuation Agent Fee Letter.

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute and the regulations promulgated and rulings issued thereunder.

“**Collateral Value**” means with respect to each pool of Eligible FFELP Loans to be added to the Trust Student Loans in connection with a particular Purchase Price Advance, an amount equal to the product of the weighted average advance rate referred to in clause (a) of the definition of Applicable Percentage for such pool and the aggregate Principal Balance of such pool; provided, however, that if the Applicable Percentage set forth in the most recent Valuation Report is the percentage referred to in clause (b) or (c) of the definition of Applicable Percentage, then in calculating each of the percentages used in determining the weighted average advance rate referred to in clause (a) of the definition of Applicable Percentage for such pool, each such percentage shall be multiplied by a fraction the numerator of which is the lower of the percentages calculated pursuant to clause (b) and (c) of the definition of Applicable Percentage in the most recent Valuation Report and the denominator of which is the weighted average advance rate calculated pursuant to clause (a) of the definition of Applicable Percentage in the most recent Valuation Report.

“**Collection Account**” means the special account created pursuant to Section 2.04(a).

“**Collections**” means (a) all amounts received with respect to principal and interest and other proceeds, payments and reimbursements, including Recoveries, with respect to any Trust Student Loan and any other collection of cash with respect to such Trust Student Loan and (b) all

other cash collections and other cash proceeds of the Pledged Collateral (including, without limitation, in each of clauses (a) and (b) above, each of the items enumerated in the definition of Available Funds with respect to any Settlement Period).

“**Commitment**” means (i) with respect to a Lender, the obligation, if any, of such Lender to fund Advances pursuant to this Agreement in the amount stated to be such Lender’s “Commitment” on Exhibit A attached hereto, as such Exhibit may be amended, restated or otherwise revised from time to time and (ii) with respect to a Facility Group, the aggregate Commitment of the Lenders within such Facility Group, in each case as such Commitment may be reduced or increased pursuant to Section 2.03; provided, however, that upon termination of the Revolving Period, and on each Settlement Date thereafter on which the Aggregate Note Balance has been reduced, the Commitment shall be reduced for (a) each Lender to an amount equal to such Lender’s Pro Rata Share of the sum of (1) the Aggregate Note Balance of the Class A Note held by such Lender’s Facility Group and (2) the Capitalized Interest Account Unfunded Balance, and (b) each Facility Group to an amount equal to the sum of (1) the Aggregate Note Balance of the Class A Note held by such Facility Group and (2) such Facility Group’s Pro Rata Share of the Capitalized Interest Account Unfunded Balance.

“**Committed Conduit Lender**” means any Conduit Lender that has a Commitment and any of its successors or assigns (subject to Section 10.04).

“**Competing Financing Transaction**” has the meaning assigned to such term in Section 6.28 of the Initial Note Purchase Agreement.

“**Conduit Assignee**” means any special purpose entity that finances its activities directly or indirectly through asset backed commercial paper and is administered by a Managing Agent or any Affiliate of a Managing Agent and designated by such Managing Agent from time to time to accept an assignment from such Managing Agent’s related Conduit Lender of outstanding Advances; provided, however, that with respect to any Conduit Lender with a Commitment hereunder, such Conduit Assignee must be an assignee with respect to such Commitment.

“**Conduit Lender**” means any special purpose entity identified as a Conduit Lender on Exhibit A attached hereto, as such Exhibit may be amended, restated or otherwise revised from time to time, and any successors or assigns (subject to Section 10.04).

“**Consolidated Tangible Net Worth**” means, as of any date of determination, the consolidated stockholders’ equity of SLM Corporation and its consolidated subsidiaries, determined in accordance with GAAP, less their consolidated Intangible Assets, all determined as of such date.

“**Consolidation Loan**” means a loan made to a borrower which loan consolidates such borrower’s PLUS/SLS Loans, direct loans made by the Department of Education, Stafford Loans made in accordance with the Higher Education Act and/or loans made under the Federal Health Education Assistance Loan Program authorized under Sections 701 through 720 of the Public Health Services Act.

“**Conveyance Agreement**” means the Conveyance Agreement, dated as of the Original Closing Date, among the Master Depositor, the Depositor and the Interim Eligible Lender

Trustee, under which the Master Depositor may from time to time transfer, on a true sale basis, certain Eligible FFELP Loans to the Depositor, together with all transfer agreements, blanket endorsements and bills of sale executed pursuant thereto.

“**CP**” means the commercial paper notes issued from time to time by means of which a Conduit Lender (directly or indirectly) obtains financing.

“**CP Advance**” means an Advance made through the issuance of CP.

“**CP Rate**” means, for any Settlement Period, for any Conduit Lender, for the portion of the Aggregate Note Balance funded by such Conduit Lender directly or indirectly with CP, the rate equivalent to the weighted average cost (as determined by the applicable Managing Agent and which shall include Dealer Fees, incremental carrying costs incurred with respect to CP maturing on dates other than those on which corresponding funds are received by the Conduit Lender, other borrowings by the Conduit Lender to fund any Advances hereunder or its related commercial paper issuer if the Conduit Lender does not itself issue commercial paper (other than under any Program Support Agreement), actual costs of swapping foreign currencies into dollars to the extent the CP is issued in a market outside the U.S. and any other costs associated with the issuance of CP) of or related to the issuance of CP that are allocated, in whole or in part, by the Conduit Lender or the applicable Managing Agent to fund or maintain such portion of the Aggregate Note Balance (and which may be also allocated in part to the funding of other assets of the Conduit Lender); provided, however, that if the rate (or rates) is a discount rate, then the rate (or if more than one rate, the weighted average of the rates) shall be the rate resulting from converting such discount rate (or rates) to an interest-bearing equivalent rate per annum.

“**Cutoff Date**” means the Initial Cutoff Date or any Subsequent Cutoff Date, as applicable.

“**Dealer Fees**” means a commercial paper dealer fee, payable to each Conduit Lender, of not greater than five basis points per annum on the amount of CP Advances made by such Conduit Lender.

“**Debt**” means, with respect to any Person, (a) indebtedness of such Person for borrowed money; (b) obligations of such Person evidenced by bonds, debentures, notes, letters of credit, interest rate and currency swaps or other similar instruments; (c) obligations of such Person to pay the deferred purchase price of property or services; (d) obligations of such Person as lessee under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases; (e) obligations secured by an Adverse Claim upon property or assets owned by such Person, even though such Person has not assumed or become liable for the payment of such obligations; (f) obligations of such Person under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of other Persons of the kinds referred to in clauses (a) through (e) above; (g) all obligations of such Person upon which interest charges are customarily paid; (h) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person; (i) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances or as an account party in respect of letters of credit and letters of guaranty; (j) all obligations of any other entity



(including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such obligations provide that such Person is not liable therefor; and (k) any other liabilities of such Person which would be treated as indebtedness in accordance with GAAP.

**"Defaulted Student Loan"** means any Trust Student Loan (a) as to which any payment or portion thereof is more than the number of days past due from the original due date thereof that would permit the Eligible Lender Trustee, or any other Person acting on its behalf, to submit a default claim to the applicable Guarantor under the terms of the Higher Education Act (which number of days, as of the A&R Closing Date, is 270), (b) the Obligor of which is the subject of an Event of Bankruptcy (without giving effect to any applicable cure or continuance period) or is deceased or disabled or (c) as to which a continuing condition exists that, with notice or the lapse of time or both, would constitute a default, breach, violation or event permitting acceleration under the terms of such Student Loan (other than payment defaults continuing for a period of not more than the number of days past due from the original due date thereof that would permit the submission of a default claim to the applicable Guarantor under the terms of the Higher Education Act).

**"Defaulting Lender"** means any Alternate Lender, LIBOR Lender or Committed Conduit Lender that has failed to make its Pro Rata Share of any Advance required to be made by such Lender as and when required under Section 2.01(d) and has not reimbursed the other Lenders for such failure in accordance with the last sentence of Section 2.01(d).

**"Delaware Trustee"** means BNY Mellon Trust of Delaware (formerly known as BNYM (Delaware)), a Delaware banking corporation.

**"Delinquent Student Loan"** means any Trust Student Loan, which is not a Defaulted Student Loan, as to which any payment, or portion thereof, is more than 120 days past due from the original due date thereof.

**"Departing Facility Group"** means a Facility Group whose Commitment the Trust has determined to assign in accordance with Section 2.21(a).

**"Department of Education"** or **"Department"** means the United States Department of Education, or any other officer, board, body, commission or agency succeeding to the functions thereof under the Higher Education Act.

**"Depositor"** means Bluemont Funding LLC, a Delaware limited liability company, in its capacity as depositor with respect to the Trust.

**"Depositor Interim Trust Agreement"** means the interim trust agreement, dated as of the Original Closing Date, between the Depositor and the Interim Eligible Lender Trustee.

**"Distressed Lender"** means any Lender that (i) is a Defaulting Lender, (ii) becomes or is insolvent or has a parent company that has become or is insolvent or (iii) becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of

or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment.

“**Eligible FFELP Loan**” means a Student Loan which meets the following criteria as of any date of determination:

- (a) such Student Loan is fully disbursed;
- (b) notwithstanding the amount of time such Student Loan has been owned by the Trust or by any Related SPE Trusts prior to the A&R Closing Date, such Student Loan has not been owned by the Trust or by any Related SPE Trusts for more than 364 days commencing on and after the A&R Closing Date in the aggregate for all such parties;
- (c) such Student Loan is a Stafford Loan, an SLS Loan, a PLUS Loan or a Consolidation Loan and the Obligor thereof was an Eligible Obligor at the time such Student Loan was originated;
- (d) such Student Loan is a U.S. Dollar denominated obligation payable in the United States;
- (e) at least 97% of the principal of and interest on such Student Loan is guaranteed by the applicable Guarantor and eligible for reinsurance under the Higher Education Act, such percentage to be met without giving effect to any increase due to any special servicer status under the Higher Education Act of any applicable Servicer;
- (f) such Student Loan provides for periodic payments which fully amortize the amount financed over its term to maturity (exclusive of any deferral or forbearance periods granted in accordance with applicable law, including, without limitation, the Higher Education Act, and in accordance with the applicable Guarantee Agreement);
- (g) such Student Loan is being serviced by a Servicer under a Servicing Agreement and if such Student Loan is serviced by a Subservicer, the related Obligor has been directed to make all payments into a Permitted Lockbox;
- (h) such Student Loan bears interest at a stated rate equal to the maximum rate permitted under the Higher Education Act for such Student Loan (before giving effect to any borrower benefit programs);
- (i) such Student Loan is eligible for the payment of quarterly Special Allowance Payments at a rate established under the formula set forth in the Higher Education Act for such Student Loan;
- (j) if not yet in repayment status, such Student Loan is eligible for the payment of Interest Subsidy Payments by the Department of Education or, if not so eligible, is a Student Loan for which interest either is billed quarterly to the Obligor or

deferred until commencement of the repayment period, in which case such accrued interest is subject to capitalization to the full extent permitted by the applicable Guarantor;

(k) such Student Loan is not a Defaulted Student Loan at the time the Advance to purchase such Student Loan is made;

(l) such Student Loan is supported by the following documentation:

(i) loan application, and any supplement thereto;

(ii) evidence of Guarantee;

(iii) any other document and/or record which the Trust or the related Servicer or other agent may be required to retain pursuant to the Higher Education Act;

(iv) if applicable, payment history (or similar documentation) including (A) an indication of the Principal Balance and the date through which interest has been paid, each as of the related date of determination and (B) an accounting of the allocation of all payments by the Obligor or on Obligor's behalf to principal and interest on the Student Loan;

(v) if applicable, documentation which supports periods of current or past deferment or past forbearance;

(vi) if applicable, a collection history, if the Student Loan was ever in a delinquent status, including detailed summaries of contacts and including the addresses or telephone numbers used in contacting or attempting to contact the related Obligor and any endorser and, if required by the Guarantor, copies of all letters and other correspondence relating to due diligence processing;

(vii) if applicable, evidence of all requests for skip-tracing assistance and current address of the related Obligor, if located;

(viii) if applicable, evidence of requests for pre-claims assistance, and evidence that the Obligor's school(s) have been notified; and

(ix) if applicable, a record of any event resulting in a change to or confirmation of any data in the Student Loan file;

(m) such Student Loan was originated and has been serviced in compliance with all requirements of applicable law, including the Higher Education Act and all origination fees authorized to be collected pursuant to Section 438 of the Higher Education Act have been paid to the United States Secretary of Education;

(n) such Student Loan is evidenced by a single original Student Loan Note and any addendum thereto (or a certified copy thereof if more than one Student Loan is

represented by a single Student Loan Note and all Student Loans represented thereby are not being sold) (whether e-signed or otherwise), containing terms in accordance with those required by the FFELP Program, the applicable Guarantee Agreements and other applicable requirements and which does not require the Obligor to consent to the transfer, sale or assignment of the rights and duties of the related Seller, the Master Depositor (or the Interim Eligible Lender Trustee on behalf of the Master Depositor), or the Depositor (or the Interim Eligible Lender Trustee on behalf of the Depositor) or the Trust (or the Eligible Lender Trustee on behalf of the Trust) and does not contain any provision that restricts the ability of the Administrative Agent, on behalf of the Secured Creditors, to exercise its rights under the Transaction Documents;

(o) in each case, (i) immediately prior to the sale thereof to the Master Depositor, the applicable Seller had, (ii) immediately prior to the sale thereof by the Master Depositor to the Depositor, the Master Depositor had, and (iii) immediately following the acquisition thereof on the related Advance Date, the Trust has good and marketable title to such Student Loan free and clear of any Adverse Claim or other encumbrance, lien or security interest, or any other prior commitment, other than as may be granted in favor of the Administrative Agent, on behalf of the Secured Creditors;

(p) such Student Loan has not been modified, extended or renegotiated in any way, except (i) as required under the Higher Education Act or other applicable laws, rules and regulations and the applicable Guarantee Agreement, (ii) as provided for or permitted under the applicable underwriting guidelines or Servicing Policies if such modification, extension or renegotiation does not materially adversely affect the value or collectability thereof or (iii) as provided for in the Transaction Documents;

(q) such Student Loan constitutes a legal, valid and binding obligation to pay on the part of the related Obligor enforceable in accordance with its terms and is not noted on the appropriate Servicer's books and records as being subject to a current bankruptcy proceeding;

(r) such Student Loan constitutes an instrument, an account or a general intangible as defined in the UCC in the jurisdiction that governs the perfection of the interests of the Trust therein and the perfection of the Secured Creditors' interest therein;

(s) the sale or assignment of such Student Loan to the Master Depositor or an interim eligible lender trustee on its behalf pursuant to a Purchase Agreement, the sale or assignment of which to the Depositor or the Interim Eligible Lender Trustee on its behalf pursuant to the Conveyance Agreement or the Tri-Party Transfer Agreement, the sale or assignment of which to the Trust or the Eligible Lender Trustee on its behalf pursuant to the Sale Agreement, and the granting of a security interest to the Administrative Agent pursuant to this Agreement does not contravene or conflict with any applicable law, rule or regulation, or require the consent or approval of, or notice to, any Person;

(t) such Student Loan was acquired by the Master Depositor pursuant to a Purchase Agreement and acquired by the Depositor pursuant to the Conveyance Agreement or the Tri-Party Transfer Agreement and sold to the Trust pursuant to the Sale

Agreement and was not previously owned by the Trust and subsequently re-acquired, unless such repurchase is required under the Higher Education Act;

(u) the purchase price paid for such Student Loan at the time of purchase by the Trust (i) did not exceed the Applicable Percentage (in effect at the time of purchase) multiplied by the Principal Balance thereof, plus amounts, if any, drawn under the Revolving Credit Agreement; and (ii) is reasonably equal to its fair market value at the time of purchase; and

(v) the purchase of such Student Loan will not result in (i) an Amortization Event, (ii) a Termination Event or (iii) an increase in any Excess Concentration Amount that would result in the Asset Coverage Ratio being less than 100%.

“**Eligible Institution**” means (a) an institution of higher education, (b) a vocational school or (c) any other institution which, in all of the above cases, is an “eligible institution” as defined in the Higher Education Act and has been approved by the Department of Education and the applicable Guarantor.

“**Eligible Investments**” means book-entry securities, negotiable instruments or securities represented by instruments in bearer or registered form which evidence:

(a) direct obligations of, and obligations fully guaranteed as to timely payment by, the United States of America, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association or any agency or instrumentality of the United States of America, the obligations of which are backed by the full faith and credit of the United States of America; provided, that obligations of, or guaranteed by, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association shall be Eligible Investments only if, at the time of investment, they have a rating from each of the Rating Agencies in the highest investment category granted thereby;

(b) demand deposits, time deposits or certificates of deposit of any depository institution or trust company incorporated under the laws of the United States of America or any State (or any domestic branch of a foreign bank) and subject to supervision and examination by federal or state banking or depository institution authorities (including depository receipts issued by any such institution or trust company as custodian with respect to any obligation referred to in clause (a) above or portion of such obligation for the benefit of the holders of such depository receipts); provided, that at the time of the investment or contractual commitment to invest therein (which shall be deemed to be made again each time funds are reinvested following each Settlement Date), the commercial paper or other short-term senior unsecured debt obligations (other than such obligations the rating of which is based on the credit of a Person other than such depository institution or trust company) thereof shall have a credit rating from each of the Rating Agencies in the highest investment category granted thereby;

- (c) non-extendible commercial paper having, at the time of the investment, a rating from each of the Rating Agencies then rating that commercial paper in the highest investment category granted thereby;
- (d) investments in money market funds having a rating from each of the Rating Agencies in the highest investment category granted thereby (including funds for which the Administrative Agent, the Syndication Agent, or the Eligible Lender Trustee or any of their respective Affiliates is investment manager or advisor);
- (e) bankers' acceptances issued by any depository institution or trust company referred to in clause (b) above; and
- (f) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America or any agency or instrumentality thereof, the obligations of which are backed by the full faith and credit of the United States of America, in each case entered into with a depository institution or trust company (acting as principal) described in clause (b) above.

For purposes of the definition of "Eligible Investments," the phrase "highest investment category" means (i) in the case of Fitch, "AAA" for long-term investments (or the equivalent) and "F-1+" for short-term investments (or the equivalent), (ii) in the case of Moody's, "Aaa" for long-term investments and "P-1" for short-term investments, and (iii) in the case of S&P, "AAA" for long-term investments and "A-1+" for short-term investments. A proposed investment not rated by Fitch but rated in the highest investment category by Moody's and S&P shall be considered to be rated by each of the Rating Agencies in the highest investment category granted thereby. In the event the rating(s) of an Eligible Investment falls below the applicable rating(s) set forth herein, the Administrator shall promptly (but in no event longer than the earlier of (x) the maturity date of such Eligible Investment and (y) 60 days from the time of such downgrade) replace such investment, at no cost to the Trust, with an Eligible Investment which has the required ratings; provided, that if each of the Rating Agencies has approved an Eligible Investment with other terms relating to a downgrade (including, but not limited to collateralization of the Eligible Investment or furnishing a guaranty or insurance), such other terms shall prevail.

"**Eligible Lender**" means any "eligible lender," as defined in the Higher Education Act, which has received an eligible lender designation from the Department of Education or from a Guarantor with respect to Student Loans.

"**Eligible Lender Trustee**" means The Bank of New York Mellon Trust Company, National Association (formerly known as The Bank of New York Trust Company, N.A.), a national banking association, not in its individual capacity but solely as Eligible Lender Trustee under the Trust Agreement and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the terms of the Trust Agreement.

"**Eligible Lender Trustee Fees**" means the fees, reasonable expenses and charges of the Eligible Lender Trustee, including reasonable legal fees and expenses, as agreed to in writing by the Eligible Lender Trustee and the Administrator.

“**Eligible Lender Trustee Guarantee Agreement**” means any guarantee or similar agreement issued by any Guarantor to the Eligible Lender Trustee relating to the Guarantee of Trust Student Loans, and any amendment thereto entered into in accordance with the provisions thereof and hereof.

“**Eligible Obligor**” means an Obligor who is eligible under the Higher Education Act to be the obligor of a loan for financing a program of education at an Eligible Institution, including an Obligor who is eligible under the Higher Education Act to be an obligor of a loan made pursuant to Section 428A, 428B and 428C of the Higher Education Act.

“**ERISA**” means the U.S. Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor statute and the regulations promulgated and rulings issued thereunder.

“**ERISA Affiliate**” means (a) any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Trust, (b) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Code) with the Trust, or (c) a member of the same affiliated service group (within the meaning of Section 414(m) of the Code) as the Trust, any corporation described in clause (a) above or any trade or business described in clause (b) above or other Person which is required to be aggregated with the Trust pursuant to regulations promulgated under Section 414(o) of the Code.

“**Estimated Interest Adjustment**” means, for each Settlement Date with respect to any Facility Group, the variation, if any, between (x) the Yield paid on the preceding Settlement Date to such Facility Group and (y) the Yield that accrued on the portion of the Aggregate Note Balance allocable to such Facility Group during the Interest Accrual Period then ending on such preceding Settlement Date. The amount by which clause (y) exceeds clause (x) shall be a positive Estimated Interest Adjustment and the amount by which clause (x) exceeds clause (y) shall be a negative Estimated Interest Adjustment.

“**Eurodollar Reserve Percentage**” means, for any day during any period, the reserve percentage (expressed as a decimal, rounded upward to the next 1/100<sup>th</sup> of 1%) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement (including any emergency, special, supplemental or other marginal reserve requirement) with respect to eurocurrency funding (currently referred to as “eurocurrency liabilities”). The LIBOR Rate shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

“**Event of Bankruptcy**” means, with respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or ordering the winding-up or liquidation of such Person’s affairs, which decree or order remains unstayed and in effect for a period of 30 consecutive days; or (b)

the commencement by such Person of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due, or the taking of action by such Person in furtherance of any of the foregoing.

“**Excess Collateral Advance**” means an Advance made to the Trust that is not a Purchase Price Advance or a Capitalized Interest Advance and is made to provide additional Available Funds; provided, however, that the amount of any such Advance shall not exceed the amount by which (a) the Adjusted Pool Balance plus the sum of the amounts on deposit in the Trust Accounts (other than the Borrower Benefit Account and the Floor Income Rebate Account) exceeds (b) the Reported Liabilities.

“**Excess Concentration Amount**” has the meaning set forth in the Side Letter.

“**Excess Distribution Certificate**” has the meaning assigned to such term in the Trust Agreement.

“**Excess Spread**” means the annualized percentage, calculated on the last day of each calendar month, which is a fraction, the numerator of which is the positive difference, if any, between (x) the Expected Interest Collections for such month with respect to the Trust Student Loans and (y) the sum of (i) the Primary Servicing Fee payable to the Master Servicer for such month, (ii) all other fees payable under this Agreement for such month (other than the Non-Use Fee), (iii) all Monthly Rebate Fees for such month, (iv) all other accrued and unpaid amounts generally payable by the Trust with respect to the Trust Student Loans to the Department or any Guarantor, regardless of whether such amounts are then due and owing and whether such amounts may be netted or deducted from payments to be received from the Department or such Guarantor, as applicable, and (v) all Yield payable to the Lenders for such month in respect of the Class A Notes, and the denominator of which is the product of (x) the weighted average Principal Balance of all Trust Student Loans held by the Trust during such month multiplied by (y) the Applicable Percentage as calculated based upon the most recent Valuation Report delivered in the succeeding calendar month.

“**Excess Spread Test**” means the three-month average Excess Spread is greater than 0.00%.

“**Excess Yield Rate**” means, with respect to any Advance for any Lender and any Settlement Date, the amount by which the applicable Yield Rate for such Advance during the related Yield Period exceeds the sum of (a) (I) with respect to a CP Advance, the Related LIBOR Rate plus 0.50% and (II) with respect to a LIBOR Advance, the applicable LIBOR Rate for such LIBOR Advance and (b) the Used Fee (without giving effect to any increase therein as a result of the existence of a Step-Down Deficiency) that would be applicable if such Advance were a CP Advance.



“**Excluded Taxes**” has the meaning assigned to such term in Section 2.20(a).

“**Exiting Facility Group**” means any Non-Renewing Facility Group.

“**Exiting Facility Group Amortization Period**” means, with respect to any Non-Renewing Facility Group, the period beginning on the then current Scheduled Maturity Date for such Non-Renewing Facility Group and ending on the earliest to occur of (i) the occurrence of an Amortization Event or a Termination Event, (ii) 90 days after the start of the period described above and (iii) the date the Aggregate Note Balance of the Class A Note held by the Exiting Facility Group has been repaid in full.

“**Expected Interest Collections**” means, for any calendar month, the sum of (i) the amount of interest due or accrued with respect to the Trust Student Loans and payable by the related Obligor thereon during such calendar month (whether or not such interest is actually paid), (ii) all Interest Subsidy Payments and Special Allowance Payments estimated to have accrued with respect to the Trust Student Loans during such calendar month whether or not actually received and (iii) investment earnings on the Trust Accounts for such calendar month.

“**Facility Group**” means a Managing Agent and its related Conduit Lenders, Alternate Lenders, LIBOR Lenders and Program Support Providers, as applicable.

“**Fair Market Auction**” means a commercially reasonable sale of Trust Student Loans pursuant to an arm’s-length auction process with respect to which (a) bids have been solicited from two or more potential bidders including at least two bidders that are not Affiliates of SLM Corporation, (b) at least one bid is received from a bidder that is not an Affiliate of SLM Corporation and (c) if an Affiliate of SLM Corporation submits the winning bid, such bid is in an amount reasonably equal to the fair market value of the Trust Student Loans being sold.

“**Federal Funds Rate**” means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100<sup>th</sup> of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided, that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (adjusted, if necessary, to the nearest 1/100 of 1%) charged to the Administrative Agent on such day on such transactions as determined by it.

“**Federal Reimbursement Contracts**” means any agreement between any Guarantor and the Department of Education providing for the payment by the Department of Education of amounts authorized to be paid pursuant to the Higher Education Act, including but not necessarily limited to reimbursement of amounts paid or payable upon defaulted student loans Guaranteed by such Guarantor to holders of qualifying student loans Guaranteed by any Guarantor.

“**Fee Letters**” means the Administrative Agent and Syndication Agent Fee Letter, the Lenders Fee Letter and the Valuation Agent Fee Letter.

“**FFELP Loan**” means a Consolidation Loan, a PLUS Loan, an SLS Loan or a Stafford Loan.

“**FFELP Loan Facilities**” means the FFELP student loan conduit securitization facilities established pursuant to (i) this Agreement; (ii) that certain Amended and Restated Note Purchase and Security Agreement, dated as of the A&R Closing Date, among Town Center Funding I, the arrangers party thereto, the conduit lenders party thereto, the alternate lenders party thereto, the LIBOR lenders party thereto, Bank of America, N.A., as administrative agent, the managing agents party thereto, The Bank of New York Mellon Trust Company, National Association (formerly known as The Bank of New York Trust Company, N.A.), as eligible lender trustee, JPMorgan Chase Bank, N.A., as syndication agent, and Sallie Mae, Inc., as administrator; and (iii) that certain Amended and Restated Note Purchase and Security Agreement, dated as of the A&R Closing Date, among Town Hall Funding I, the arrangers party thereto, the conduit lenders party thereto, the alternate lenders party thereto, the LIBOR lenders party thereto, Bank of America, N.A., as administrative agent, the managing agents party thereto, The Bank of New York Mellon Trust Company, National Association (formerly known as The Bank of New York Trust Company, N.A.), as eligible lender trustee, JPMorgan Chase Bank, N.A., as syndication agent, and Sallie Mae, Inc., as administrator.

“**FFELP Program**” means the Federal Family Education Loan Program authorized under the Higher Education Act, including Stafford Loans, SLS Loans, PLUS Loans and Consolidation Loans.

“**Financing Costs**” means an amount equal to the sum (without duplication) of (i) the accrued Yield applicable to the Class A Notes for the preceding Yield Period; (ii) the Non-Use Fee applicable to the Class A Notes for the preceding Settlement Period; (iii) any past due Yield payable on the Class A Notes; (iv) any past due Non-Use Fees applicable to the Class A Notes; (v) interest on any related loans or other disbursements payable by the Lenders as a result of unreimbursed draws on or under a Program Support Agreement supporting the purchase of the Class A Notes; and (vi) increased costs of the Affected Parties resulting from Yield Protection, if any.

“**Fitch**” means Fitch, Inc. (or its successors in interest).

“**Floor Income Rebate Account**” means the special account created pursuant to [Section 2.04\(c\)](#).

“**Floor Income Rebate Fee**” means the quarterly rebate fee payable to the Department of Education on Trust Student Loans originated on or after April 1, 2006 for which interest payable by the related Obligors for such quarter exceeds the Interest Subsidy Payments or Special Allowance Payments applicable to such Trust Student Loans for such quarter.

“**Fund**” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding, or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

“**GAAP**” means generally accepted accounting principles as in effect from time to time in the United States that are applicable to the circumstances as of the date of determination and applied on a consistent basis.

“**GLB Regulations**” means the Joint Banking Agencies’ Privacy of Consumer Financial Information, Final Rule (12 CFR Parts 40, 216, 332 and 573) or the Federal Trade Commission’s Privacy of Consumer Financial Information, Final Rule (16 CFR Part 313), as applicable, implementing Title V of the Gramm-Leach-Bliley Act, Public Law 106-102, as amended.

“**Governmental Authority**” means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions or pertaining to government, including without limitation any court, and any Person owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

“**Government Facility**” has the meaning assigned to such term in [Section 6.30](#).

“**Grant**” or “**Granted**” means to pledge, create and grant a security interest in and with regard to property. A Grant of Trust Student Loans, other assets or of any other agreement includes all rights, powers and options (but none of the obligations) of the granting party thereunder.

“**Guarantee**” or “**Guaranteed**” means, with respect to a Student Loan, the insurance or guarantee by the applicable Guarantor, in accordance with the terms and conditions of the applicable Guarantee Agreement, of some or all of the principal of and accrued interest on such Student Loan and the coverage of such Student Loan by the Federal Reimbursement Contracts providing, among other things, for reimbursement to such Guarantor for losses incurred by it on defaulted Student Loans insured or guaranteed by such Guarantor.

“**Guarantee Agreements**” means the Federal Reimbursement Contracts, the Eligible Lender Trustee Guarantee Agreements and any other guarantee or agreement issued by a Guarantor to the Eligible Lender Trustee, which pertain to Student Loans, providing for the payment by the Guarantor of amounts authorized to be paid pursuant to the Higher Education Act to holders of qualifying Student Loans guaranteed in accordance with the Higher Education Act by such Guarantor.

“**Guarantee Payments**” means, with respect to a Student Loan, any payment made by a Guarantor pursuant to a Guarantee Agreement in respect of a Trust Student Loan.

“**Guarantee Percentage**” means, with respect to a Student Loan, the percentage of principal of and accrued interest on such Student Loan that is Guaranteed under the applicable Guarantee Agreement.

“**Guarantor**” means any entity listed on [Exhibit B](#) to this Agreement authorized to guarantee Student Loans under the Higher Education Act and with which the Eligible Lender Trustee maintains in effect a Guarantee Agreement.

**“Guaranty and Pledge Agreement”** means the Guaranty and Pledge Agreement, dated as of the Original Closing Date between the Depositor and the Administrative Agent.

**“Higher Education Act”** means the Higher Education Act of 1965, as amended or supplemented from time to time, and all regulations and guidelines promulgated thereunder.

**“Holding Account Lender”** means (i) any Non-Rated Lender and (ii) any other Lender that has elected at its option to make a Lender Holding Deposit.

**“Indemnified Party”** has the meaning assigned to such term in [Section 8.01\(a\)](#).

**“Indemnity Agreement”** means the Indemnity Agreement entered into by SLM Corporation, the Trust and the Administrative Agent dated as of the Original Closing Date.

**“Initial Cutoff Date”** means the date set forth as such in the initial Advance Request delivered under the Initial Note Purchase Agreement.

**“Initial Pool”** means the pool of Trust Student Loans as of the A&R Closing Date.

**“Intangible Assets”** means the amount (to the extent reflected in determining such consolidated stockholders’ equity) of all unamortized debt discount and expense, unamortized deferred charges (which for purposes of this definition do not include deferred taxes or premiums paid in connection with the purchase of student loans), goodwill, patents, trademarks, service marks, trade names, anticipated future benefit of tax loss carry-forwards, copyrights, organization or developmental expenses and other intangible assets.

**“Interest Accrual Period”** means, each period from a Settlement Date until the immediately succeeding Settlement Date, provided that the initial Interest Accrual Period shall be the period from the Original Closing Date until the first Settlement Date.

**“Interest Coverage Ratio”** means, for any four consecutive fiscal quarter period, the ratio of Adjusted Cash Income for such period to Interest Expense for such period.

**“Interest Expense”** means, for any period, the aggregate amount which would fairly be presented in the consolidated income statement of SLM Corporation and its consolidated subsidiaries for such period (subject to normal year-end adjustments) prepared in accordance with GAAP as “total interest expense.”

**“Interest Subsidy Payments”** means the interest subsidy payments on certain Trust Student Loans authorized to be made by the Department of Education pursuant to Section 428 of the Higher Education Act or similar payments authorized by federal law or regulations.

**“Interim Eligible Lender Trustee”** means The Bank of New York Mellon Trust Company, National Association (formerly known as The Bank of New York Trust Company, N.A.), a national banking association, not in its individual capacity but solely as eligible lender trustee for the Depositor under the Depositor Interim Trust Agreement, for the Master Depositor under the Master Depositor Interim Trust Agreement, or for the applicable Sellers under the

Seller Interim Trust Agreements, as applicable, and its successor or successors and any other corporation which may at any time be substituted in its place.

“**Interim Trust Agreements**” means collectively, the Seller Interim Trust Agreements, the Master Depositor Interim Trust Agreement and the Depositor Interim Trust Agreement.

“**Investment Deficit**” has the meaning assigned to such term in [Section 2.01\(d\)](#).

“**Investment Company Act**” means the Investment Company Act of 1940, as amended.

“**Lead Arrangers**” means Banc of America Securities LLC and J.P. Morgan Securities Inc.

“**Legal Final Maturity Date**” means the date occurring on the 40th anniversary of the termination of the Revolving Period.

“**Lender Guarantor**” means any Person which has provided in favor of the Administrative Agent an irrevocable guaranty or provided an irrevocable letter of credit, to secure the obligations of a Non-Rated Lender to fund a Capitalized Interest Advance.

“**Lender Holding Account**” has the meaning assigned to such term in [Section 2.23\(a\)](#).

“**Lender Holding Deposit**” has the meaning assigned to such term in [Section 2.23\(a\)](#).

“**Lenders**” means, collectively, the Conduit Lenders, the Alternate Lenders and the LIBOR Lenders.

“**Lenders Fee Letter**” means the Amended and Restated Fee Letter, dated as of the A&R Closing Date, among the Trust and the Managing Agents from time to time party thereto.

“**Liabilities**” means the sum of the Trust’s obligations with respect to (a) the Aggregate Note Balance, (b) all accrued and unpaid Financing Costs applicable thereto to the extent not included in the Aggregate Note Balance, (c) any accrued and unpaid fees, including Servicing Fees, Eligible Lender Trustee Fees and any other fees or payment obligations (other than borrower benefits to the extent the associated reduction in yield has been prefunded in the Borrower Benefit Account) payable by the Trust pursuant to the Transaction Documents, (d) any outstanding Servicer Advances, (e) amounts due and unpaid under the Revolving Credit Agreement, (f) all amounts payable by the Trust with respect to the Trust Student Loans to the Department or any Guarantor then due and owing, regardless of whether such amounts may be netted or deducted from payments to be received from the Department or such Guarantor (other than any such amount payable from or with respect to which the Trust will be reimbursed from the Floor Income Rebate Account) and (g) any other accrued and unpaid Obligations.

“**LIBOR Advance**” means an Advance funded with reference to the LIBOR Rate.

“**LIBOR Base Rate**” means:

(i) for any Tranche Period for any Alternate Lender or Conduit Lender:

(a) the rate per annum (carried out to the fifth decimal place) equal to the rate determined by the applicable Managing Agent to be the offered rate that appears on the page of the Reuters Screen that displays an average British Bankers Association Interest Settlement Rate (such page currently being LIBOR01) for deposits in United States dollars (for delivery on the first day of such period) with a term equivalent to such period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such period;

(b) in the event the rate referenced in the preceding subsection (a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum (carried to the fifth decimal place) equal to the rate determined by the applicable Managing Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in United States dollars (for delivery on the first day of such period) with a term equivalent to such period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such period; or

(c) in the event the rates referenced in the preceding subsections (a) and (b) are not available, the rate per annum determined by the applicable Managing Agent as the rate of interest at which Dollar deposits (for delivery on the first day of such period) in same day funds in the approximate amount of the applicable investment to be funded by reference to the LIBOR Rate and with a term equivalent to such period would be offered by its London Branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such period; and

(ii) for any day during an Interest Accrual Period for any LIBOR Lender:

(a) the rate per annum (carried out to the fifth decimal place) equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Reuters Screen on such day that displays an average British Bankers Association Interest Settlement Rate (such page currently being LIBOR01) for deposits in United States dollars (for delivery on a date two Business Days later) with a term equivalent to one month;

(b) in the event the rate referenced in the preceding subsection (a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum (carried to the fifth decimal place) equal to the rate determined by the Administrative Agent to be the offered rate on such day on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in United States dollars (for delivery on a date two Business Days later) with a term equivalent to one month; or

(c) in the event the rates referenced in the preceding subsections (a) and (b) are not available, the rate per annum determined by the Administrative Agent on such day as the rate of interest at which Dollar deposits (for delivery on a date two Business days later than such day) in same day funds in the approximate amount of the applicable

investment to be funded by reference to the LIBOR Rate and with a term equivalent to one month would be offered by its London Branch to major banks in the London interbank eurodollar market at their request.

“**LIBOR Lender**” means any Person identified as a LIBOR Lender on Exhibit A attached hereto, as such Exhibit may be amended, restated or otherwise revised from time to time, and any successors or assigns (subject to Section 10.04).

“**LIBOR Rate**” for any Tranche Period (when used with respect to any Alternate Lender) or for any day during an Interest Accrual Period (when used with respect to any LIBOR Lender), means a rate per annum determined by the Administrative Agent pursuant to the following formula:

$$\text{LIBOR Rate} = \frac{\text{LIBOR Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

“**Liquidated Student Loan**” means any defaulted Trust Student Loan liquidated by the Servicer (which shall not include any Trust Student Loan on which payments pursuant to the applicable Guarantee are received) or which the Servicer has, after using all reasonable efforts to realize upon such Trust Student Loan, determined to charge off in accordance with the applicable Servicing Policies.

“**Liquidation Proceeds**” means, with respect to any Liquidated Student Loan which became a Liquidated Student Loan during the current Settlement Period in accordance with the applicable Servicing Policies, the moneys collected in respect of the liquidation thereof from whatever source, other than Recoveries, net of the sum of any amounts expended by the Servicer in connection with such liquidation and any amounts required by law to be remitted to the Obligor on such Liquidated Student Loan.

“**Lockbox Bank**” means a bank that maintains a lockbox into which a Subservicer, or the Obligors of the Trust Student Loans serviced by such Subservicer, deposit Collections.

“**Lockbox Bank Fees**” means fees, reasonable expenses and charges of a Lockbox Bank as may be agreed to in writing by the Administrator and the Lockbox Bank.

“**Managing Agent**” means each of the agents identified as a Managing Agent on Exhibit A attached hereto as such Exhibit may be amended, restated or otherwise revised from time to time, acting on behalf of its related LIBOR Lenders and its related Conduit Lenders, Alternate Lenders and Program Support Providers under this Agreement, as applicable, and any of its successors or assigns (subject to Section 10.04).

“**Master Depositor**” means Churchill Funding LLC, a Delaware limited liability company.

“**Master Depositor Interim Trust Agreement**” means the interim trust agreement, dated as of the Original Closing Date, between the Master Depositor and the Interim Eligible Lender Trustee.

“**Master Servicer**” means Sallie Mae, Inc., a Delaware corporation, and its successors and permitted assigns.

“**Material Adverse Effect**” means a material adverse effect on:

(a) with respect to the Trust, the status, existence, perfection, priority or enforceability of the Administrative Agent’s interest in the Pledged Collateral or the ability of the Trust to perform its obligations under this Agreement or any other Transaction Document or the ability to collect on a material portion of the Pledged Collateral; or

(b) with respect to any other Person, the ability of the applicable Person to perform its obligations under this Agreement or any other Transaction Document.

“**Material Subservicer**” means any Subservicer responsible for servicing more than 15% of the Trust Student Loans by aggregate Principal Balance.

“**Maximum Advance Amount**” means, for any Advance Date:

(a) with respect to a Purchase Price Advance, an amount equal to the lesser of (i) the Maximum Financing Amount minus the sum of (A) the Capitalized Interest Account Unfunded Balance and (B) the Aggregate Note Balance and (ii) the aggregate Collateral Value of the Eligible FFELP Loans being acquired;

(b) with respect to an Excess Collateral Advance, an amount equal to the Maximum Financing Amount minus the sum of (A) the Capitalized Interest Account Unfunded Balance and (B) the Aggregate Note Balance (after giving effect to any Purchase Price Advance to be made on such Advance Date); and

(c) with respect to a Capitalized Interest Advance, an amount equal to the lesser of (i) the Maximum Financing Amount plus the Step-Down Deficiency (if any) minus the Aggregate Note Balance and (ii) the amount necessary to cause the amount on deposit in the Capitalized Interest Account to equal the Required Capitalized Interest Account Balance.

“**Maximum Financing Amount**” means, at any time, \$7,250,000,000, as such amount may be adjusted from time to time pursuant to Sections 2.03 and 2.21.

“**Minimum Asset Coverage Requirement**” means an Asset Coverage Ratio of greater than or equal to 100%.

“**MNPI**” has the meaning assigned to such term in Section 10.02(b).

“**Monthly Administrative Agent’s Report**” means the report to be delivered by the Administrative Agent pursuant to Section 2.05(a).

“**Monthly Rebate Fee**” means the monthly rebate fee payable to the Department of Education on the Trust Student Loans which are Consolidation Loans.



“**Monthly Report**” means a report, in substantially the form of Exhibit C hereto, prepared by the Administrator and furnished to the Administrative Agent.

“**Moody’s**” means Moody’s Investors Service, Inc. (or its successors in interest).

“**Multiemployer Plan**” means a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA which is or was at any time during the current year or the immediately preceding six years contributed to by the Trust or any ERISA Affiliate.

“**Mustang Funding I Facility**” means the financing facility established pursuant to that certain Participation Purchase and Security Agreement, dated as of April 30, 2007, among Mustang Funding I, LLC, the conduit purchasers party thereto, the alternate purchasers party thereto, Bank of America, N.A., as administrative agent, the managing agents party thereto, Chase Bank USA, National Association, as eligible lender trustee and Sallie Mae, Inc., as administrator.

“**Mustang Funding II Facility**” means the financing facility established pursuant to that certain Participation Purchase and Security Agreement, dated as of April 30, 2007, among Mustang Funding II, LLC, the conduit purchasers party thereto, the alternate purchasers party thereto, Bank of America, N.A., as administrative agent, the managing agents party thereto, Chase Bank USA, National Association, as eligible lender trustee and Sallie Mae, Inc., as administrator.

“**Net Adjusted Revenue**” means, for any period, Adjusted Revenue for such period less Interest Expense and Operating Expenses for such period.

“**New York UCC**” means the New York Uniform Commercial Code as in effect from time to time.

“**Non-Defaulting Lender**” has the meaning assigned to such term in Section 2.01(d).

“**Non-Rated Lender**” means any Alternate Lender, LIBOR Lender or Committed Conduit Lender which does not satisfy any of the following: (i) has a short-term unsecured indebtedness rating of at least “A-1” by S&P and “P-1” by Moody’s, (ii) has a Lender Guarantor which has a short-term unsecured indebtedness rating of at least “A-1” by S&P and “P-1” by Moody’s or (iii) has a Qualified Program Support Provider.

“**Non-Renewing Facility Group**” means a Facility Group that has determined not to extend the Scheduled Maturity Date in accordance with Section 2.16.

“**Non-U.S. Lender**” has the meaning assigned to such term in Section 2.20(d).

“**Non-Use Fee**” means, with respect to each Facility Group, a non-use fee, payable monthly by the Trust to the Managing Agent for such Facility Group as set forth in the Lenders Fee Letter.

“**Note**” (i) when used with respect to any time prior to the A&R Closing Date, has the meaning in the Initial Note Purchase Agreement and (ii) with respect to any other time, means a Class A Note issued by the Trust hereunder to a Registered Owner.

“**Note Account**” has the meaning specified in [Section 2.11](#).

“**Note Purchase**” means the purchase of Class A Notes under this Agreement.

“**Note Purchasers**” means the Lenders and, if applicable, their respective Program Support Providers, and their respective successors and assigns (subject to [Section 10.04](#)). Each Facility Group shall purchase its Class A Notes and otherwise act through its Managing Agent.

“**Note Register**” has the meaning assigned to such term in [Section 3.05\(a\)](#).

“**Note Registrar**” has the meaning assigned to such term in [Section 3.05\(a\)](#).

“**Notice of Release**” has the meaning assigned to such term in [Section 2.18\(b\)\(iii\)](#).

“**Obligations**” means all present and future indebtedness and other liabilities and obligations (howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or due or to become due) of the Trust to the Secured Creditors, arising under or in connection with this Agreement or any other Transaction Document or the transactions contemplated hereby or thereby and shall include, without limitation, all liability for principal of and Financing Costs on the Class A Notes, closing fees, unused line fees, audit fees, Administrative Agent Fees, Syndication Agent Fees, Co-Valuation Agents Fees, expense reimbursements, indemnifications, and other amounts due or to become due under the Transaction Documents, including, without limitation, interest, fees and other obligations that accrue after the commencement of an insolvency proceeding (in each case whether or not allowed as a claim in such insolvency proceeding).

“**Obligor**” means the borrower or co-borrower or any other Person obligated to make payments with respect to a Student Loan.

“**Officer’s Certificate**” means a certificate signed and delivered by an Authorized Officer.

“**Official Body**” means any government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of any such government or political subdivision, or any court, tribunal, grand jury or arbitrator, or any accounting board or authority (whether or not a part of government) which is responsible for the establishment or interpretation of national or international accounting principles, in each case whether foreign or domestic.

“**Omnibus Waiver and Consent**” means that certain Omnibus Waiver and Consent dated as of the Original Closing Date given by SLM Education Credit Finance Corporation and SLM Corporation.

“**Ongoing Seller**” means any of the Sellers other than Mustang Funding I, LLC and Mustang Funding II, LLC.

“**Operating Expenses**” means, for any period, the aggregate amount which would fairly be presented in the consolidated income statement of SLM Corporation and its consolidated subsidiaries for such period (subject to normal year-end adjustments) prepared in accordance with GAAP as “total operating expenses.”

“**Opinion of Counsel**” means an opinion in writing of outside legal counsel, who may be counsel or special counsel to the Trust, any Affiliate of the Trust, the Eligible Lender Trustee, the Administrator, the Administrative Agent, the Syndication Agent, any Managing Agent or any Lender.

“**Original Closing Date**” means February 29, 2008.

“**Other Applicable Taxes**” has the meaning assigned to such term in [Section 2.13](#).

“**Other Taxes**” has the meaning assigned to such term in [Section 2.20\(a\)](#).

“**Outstanding**” means, when used with respect to Class A Notes, as of the date of determination, all Class A Notes theretofore authenticated and delivered under this Agreement except,

- (a) Class A Notes theretofore cancelled by the Note Registrar or delivered to the Note Registrar for cancellation; and
- (b) Class A Notes for whose payment or repayment money in the necessary amount and currency and in immediately available funds has been theretofore deposited with the Administrative Agent for the Registered Owners of such Class A Notes; and
- (c) Class A Notes which have been exchanged for other Class A Notes, or in lieu of which other Class A Notes have been delivered, pursuant to this Agreement.

“**Participant**” has the meaning assigned to such term in [Section 10.04\(m\)](#).

“**Patriot Act**” has the meaning assigned to such term in [Section 10.18](#).

“**PBGC**” means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

“**Permitted Excess Collateral Release**” means a release of Pledged Collateral to the holder of the Excess Distribution Certificate pursuant to [Section 2.18\(d\)](#); **provided** that so long as the Depositor or any Affiliate of the Depositor is the holder of the Excess Distribution Certificate, the Depositor or such Affiliate, as applicable, to the extent it transfers the Student Loans received in connection with such release, does so only in a manner providing for (i) a transfer of loans consistent with those set forth in the definition of Permitted Release under clauses (a), (b), (c), (d), (e), (f) or (h) (but excluding any specific requirements set forth in

Section 2.18(b) or (c)) or (ii) a transfer to a special purpose entity which is not inconsistent with the factual assumptions set forth in the opinion letters referred to in Section 5.02(b).

“**Permitted Lockbox**” means a lockbox arrangement between a Subservicer and a Lockbox Bank approved by the Administrative Agent, with respect to which Collections from Obligor whose Student Loans are serviced by such Subservicer are sent to the related lockboxes and are forwarded by the applicable Lockbox Bank to the Collection Account within two Business Days after receipt of good funds.

“**Permitted Release**” means a release of Pledged Collateral in connection with (a) a Take Out Securitization, (b) a Whole Loan Sale, (c) a Fair Market Auction, (d) a Permitted SPE Transfer, (e) a Permitted Seller Buy-Back, (f) a Servicer Buy-Out, (g) a Permitted Excess Collateral Release or (h) any other transfer of Pledged Collateral with respect to which the Administrative Agent has received a Required Legal Opinion.

“**Permitted Seller Buy-Back**” means an arm’s length transfer of Pledged Collateral by the Trust to the Depositor and subsequently by the Depositor to the applicable Seller, so long as the aggregate principal amount of all such Permitted Seller Buy-Backs since the Original Closing Date does not exceed ten percent of the lesser of (i) the highest Aggregate Note Balance outstanding at any time under this Agreement and (ii) the aggregate original principal amount of all Student Loans sold, directly or indirectly to the Trust by SLM Education Credit Finance Corporation, including any Student Loans deemed to have been sold by SLM Education Credit Finance Corporation, in its capacity as the assignee of the Student Loan Marketing Association.

“**Permitted SPE Sale Agreement**” means (i) the Sale Agreement Master Securitization Terms Number 1000, dated as of the A&R Closing Date, among the Depositor, as seller, VL Funding LLC, as purchaser, the Master Servicer, the Eligible Lender Trustee and The Bank of New York Mellon Trust Company, National Association, as Purchaser Eligible Lender Trustee and (ii) any other sale agreement among the Depositor, as seller, a Permitted SPE Transferee, as purchaser, the Master Servicer, the Eligible Lender Trustee and The Bank of New York Mellon Trust Company, National Association, as Purchaser Eligible Lender Trustee.

“**Permitted SPE Transfer**” means an arm’s length transfer of Pledged Collateral by the Trust to the Depositor and subsequently by the Depositor to a Permitted SPE Transferee pursuant to a Permitted SPE Sale Agreement.

“**Permitted SPE Transferee**” means a special purpose entity established by SLM Corporation or SLM Education Credit Finance Corporation, which is not a Seller (other than VL Funding LLC), for which the Administrative Agent has received an Opinion of Counsel reasonably satisfactory to it as to the non-consolidation of such special purpose entity with SLM Corporation, Sallie Mae, Inc., the Sellers, the Master Depositor, the Depositor, the Related SPE Sellers and the trusts under each other FFELP Loan Facility.

“**Person**” means an individual, partnership, corporation (including a statutory trust), limited liability company, joint stock company, trust, unincorporated association, joint venture, government (or any agency or political subdivision thereof) or other entity.

“**Phoenix Fundings Facility**” means the financing facility for student loans established pursuant to that certain Note Purchase and Security Agreement, dated as of February 29, 2008, among Phoenix Fundings I, UBS Securities LLC, as administrative agent, The Bank of New York Mellon Trust Company, National Association (formerly known as The Bank of New York Trust Company, N.A.), as eligible lender trustee, Deutsche Bank Trust Company Americas, as paying agent and securities intermediary, Sallie Mae, Inc., as administrator and UBS Real Estate Securities Inc., as note purchaser.

“**Platform**” has the meaning assigned to such term in [Section 10.02\(b\)](#).

“**Pledged Collateral**” has the meaning specified in [Section 2.10](#).

“**PLUS Loan**” means a student loan originated under the authority set forth in Section 428A or B (or a predecessor section thereto) of the Higher Education Act and shall include student loans designated as “PLUS Loans” or “Grad PLUS Loans,” as defined under the Higher Education Act.

“**Potential Amortization Event**” means an event which but for the lapse of time or the giving of notice, or both, would constitute an Amortization Event.

“**Potential Termination Event**” means an event which but for the lapse of time or the giving of notice, or both, would constitute a Termination Event.

“**Power of Attorney**” means that certain Power of Attorney of the Trust dated as of the Original Closing Date, appointing Bank of America, N.A., as Administrative Agent, as the Trust’s attorney-in-fact.

“**Primary Servicing Fee**” for any Settlement Date has the meaning specified in Attachment A to the Servicing Agreement, and shall include any such fees from prior Settlement Dates that remain unpaid.

“**Prime Rate**” means, for any day, a fluctuating rate per annum equal to the rate of interest in effect for such day as publicly announced from time to time by the Administrative Agent as its “prime rate.” The “prime rate” is a rate set by the Administrative Agent based upon various factors including the Administrative Agent’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in the prime rate announced by the Administrative Agent shall take effect at the opening of business on the day specified in the public announcement of such change.

“**Principal Balance**” means, with respect to any Student Loan and any specified date, the outstanding principal amount of such Student Loan, plus accrued and unpaid interest thereon to be capitalized.

“**Principal Distribution Amount**” means, with respect to any Settlement Date, (i) during the Revolving Period so long as no Termination Event has occurred and is continuing, the excess, if any, of (a) the Aggregate Note Balance as of the end of the related Settlement Period over (b) the lesser of (x) the Adjusted Pool Balance and (y) the Maximum Financing Amount

minus the Capitalized Interest Account Unfunded Balance, as of the end of the related Settlement Period, and (ii) after the Revolving Period or after the occurrence and during the continuance of a Termination Event, the Aggregate Note Balance.

“**Private Credit Loan Facility**” means the financing facility for private credit student loans established pursuant to that certain Note Purchase and Security Agreement, dated as of the Original Closing Date, among Rendezvous Funding I, the conduit lenders party thereto, the alternate lenders party thereto, the LIBOR lenders party thereto, Bank of America, N.A., as administrative agent, the managing agents party thereto, the arrangers party thereto, The Bank of New York Mellon Trust Company, National Association (formerly known as The Bank of New York Trust Company, N.A.), as eligible lender trustee, JPMorgan Chase Bank, N.A., as syndication agent, and Sallie Mae, Inc., as administrator.

“**Pro Rata Share**” means (a) with respect to any particular Facility Group, a fraction (expressed as a percentage) the numerator of which is the aggregate Commitment of such Facility Group and the denominator of which is the Maximum Financing Amount; (b) with respect to any Lender within a Facility Group, the percentage of such Facility Group’s Pro Rata Share allocated to such Lender by its Managing Agent; and (c) with respect to any repayment of Class A Notes with respect to any Lender, a fraction (expressed as a percentage) the numerator of which is the Aggregate Note Balance attributable to such Lender, and the denominator of which is the Aggregate Note Balance; provided, that for so long as any Lender is a Defaulting Lender, the Aggregate Note Balance attributable to such Lender shall be disregarded for purposes of determining such calculation and its Pro Rata Share under this clause (c) shall be deemed to be zero.

“**Program Support Agreement**” means, with respect to any Conduit Lender, any liquidity agreement or any other agreement entered into by any Program Support Provider providing for the issuance of one or more letters of credit for the account of such Conduit Lender (or any related commercial paper issuer that finances such Conduit Lender), the issuance of one or more surety bonds for which such Conduit Lender or such related issuer is obligated to reimburse the applicable Program Support Provider for any drawings thereunder, the sale by the Conduit Lender or such related issuer to any Program Support Provider of any interest in a Note (or portions thereof or participations therein) and/or the making of loans and/or other extensions of liquidity or credit to the Conduit Lender or such related issuer in connection with its commercial paper program, together with any letter of credit, surety bond or other instrument issued thereunder.

“**Program Support Provider**” means and includes any Person now or hereafter extending liquidity or credit or having a commitment to extend liquidity or credit to or for the account of, or to make purchases from, a Conduit Lender (or any related commercial paper issuer that finances such Conduit Lender) in support of commercial paper issued, directly or indirectly, by such Conduit Lender in order to fund Advances made by such Conduit Lender hereunder or issuing a letter of credit, surety bond or other instrument to support any obligations arising under or in connection with such Conduit Lender’s or such related issuer’s commercial paper program, but only to the extent that such letter of credit, surety bond, or other instrument supported either CP issued to make Advances and purchase the Class A Notes hereunder or was dedicated to that

Program Support Provider's support of the Conduit Lender as a whole rather than one particular issuer (other than the Trust) within such Conduit Lender's commercial paper program.

**"Program Support Termination Event"** means the earliest to occur of the following: (a) any Program Support Provider related to a Conduit Lender has its rating lowered below "A-1" by S&P, "P-1" by Moody's or "F1" by Fitch (if rated by Fitch), unless a replacement Program Support Provider having ratings of at least "A-1" by S&P, "P-1" by Moody's and "F1" by Fitch (if rated by Fitch) is substituted within 30 days of such downgrade or alternative arrangements are then in place that are sufficient to continue to enable such Rating Agency to rate the affected CP at least "A-1" by S&P, "P-1" by Moody's and "F1" by Fitch (if rated by Fitch); (b) any Program Support Provider shall fail to honor any of its payment obligations under its Program Support Agreement unless alternative arrangements are then in place that are sufficient to continue to enable such Rating Agency to rate the affected CP at least "A-1" by S&P, "P-1" by Moody's and "F1" by Fitch (if rated by Fitch); (c) a Program Support Agreement shall cease for any reason to be in full force and effect or be declared null and void; or (d) the final maturity date of such Program Support Agreement (unless such final maturity date is extended pursuant to the Program Support Agreement).

**"Proprietary Institution"** means a for-profit vocational school.

**"Proprietary Loan"** means a loan made to or for the benefit of a student attending a Proprietary Institution; provided, however, that if a Student Loan that was initially a Proprietary Loan is consolidated, that Student Loan shall no longer be a Proprietary Loan.

**"Public Lender"** has the meaning assigned to such term in [Section 10.02\(b\)](#).

**"Purchase Agreement"** means each Purchase Agreement, dated as of the Original Closing Date, between a Seller (other than a Related SPE Seller), the Interim Eligible Lender Trustee, if applicable, Sallie Mae, Inc., as master servicer, and the Master Depositor under which such Seller may from time to time sell, on a true sale basis, certain Eligible FFELP Loans to the Master Depositor, together with all purchase agreements, blanket endorsements and bills of sale executed pursuant thereto.

**"Purchase Price Advance"** means an Advance made to fund the purchase by the Trust of Eligible FFELP Loans.

**"Qualified Institution"** means the Administrative Agent or, with the written consent of the Administrative Agent and the Trust (or the Administrator on behalf of the Trust), any bank or trust company which has (a) a long-term unsecured debt rating of at least "A2" by Moody's and at least "A" by S&P and (b) a short-term rating of at least "P-1" by Moody's and at least "A-1" by S&P.

**"Qualified Program Support Provider"** mean, with respect to a Committed Conduit Lender, any Program Support Provider to such Conduit Lender which has a Program Support Agreement in a form acceptable to the Rating Agencies and has a short-term unsecured indebtedness rating of at least "A-1" by S&P and "P-1" by Moody's.

**"Rating Agencies"** means Moody's, S&P and, if applicable, Fitch.

“**Rating Agency Condition**” means, with respect to a particular amendment to or change in the Transaction Documents, that each Rating Agency rating the CP of any Conduit Lender shall, if required pursuant to such Conduit Lender’s program documents or by the related Managing Agent, have provided a statement in writing that such amendment or change will not result in a withdrawal or reduction of the ratings of such CP, and that each Rating Agency rating the Class A Notes shall have provided a statement in writing that such amendment or change will not result in a withdrawal or reduction of the ratings of such Class A Notes.

“**Reaffirmation**” means the Reaffirmation dated as of the A&R Closing Date executed by each of the Transaction Parties, the Eligible Lender Trustee and the Interim Eligible Lender Trustee in favor of the Secured Creditors.

“**Records**” means all documents, books, records, Student Loan Notes and other information (including without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) maintained with respect to Trust Student Loans or otherwise in respect of the Pledged Collateral.

“**Recoveries**” means moneys collected from whatever source with respect to any Liquidated Student Loan which was written off in prior Settlement Periods or during the current Settlement Period, net of the sum of any amounts expended by the Servicer with respect to such Student Loan for the account of any Obligor and any amounts required by law to be remitted to any Obligor.

“**Register**” means that register maintained by the Administrative Agent, pursuant to Section 10.04(j), on which it will record the Lenders’ rights hereunder, and each assignment and acceptance and participation.

“**Registered Owner**” means the Person in whose name a Note is registered in the Note Register. The Managing Agents shall be the initial Registered Owners.

“**Regulatory Change**” means, relative to any Affected Party:

(a) after the date of this Agreement, any change in or the adoption or implementation of, any new (or any new interpretation or administration of any existing):

(i) United States federal or state law or foreign law applicable to such Affected Party;

(ii) regulation, interpretation, directive, requirement, guideline or request (whether or not having the force of law) applicable to such Affected Party of (A) any court or Governmental Authority charged with the interpretation or administration of any law referred to in clause (a)(i) above or (B) any fiscal, monetary or other authority having jurisdiction over such Affected Party; or

(iii) generally accepted accounting principles or regulatory accounting principles applicable to such Affected Party and affecting the application to such Affected Party of any law, regulation, interpretation, directive, requirement, guideline or request referred to in clause (a)(i) or (a)(ii) above; or



(b) any change after the date of this Agreement in the application to such Affected Party (or any implementation by such Affected Party) of any existing law, regulation, interpretation, directive, requirement, guideline or request referred to in clause (a)(i), (a)(ii) or (a)(iii) above.

“**Related LIBOR Rate**” means, with respect to any CP Advance and any Yield Period, the LIBOR Base Rate that would be applicable under clause (ii) of the definition thereof to a LIBOR Advance with an Interest Accrual Period corresponding to the related Settlement Period, provided that if any Conduit Lender calculates its CP Rate based on match-funding rather than pool funding, the Related LIBOR Rate for such Conduit Lender shall be calculated based on an interest rate equal to the weighted average of the LIBOR Base Rate under clause (ii) of the definition thereof as calculated on each date during which CP is issued to fund or maintain the CP Advances during the related Settlement Period and as reported to the Administrative Agent by the applicable Managing Agent under Section 2.27.

“**Related Parties**” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“**Related SPE Sellers**” means Town Hall Funding LLC and Town Center Funding LLC, each a Delaware limited liability company.

“**Related SPE Trusts**” means Town Hall Funding I and Town Center Funding I, each a Delaware statutory trust.

“**Release Reconciliation Statement**” has the meaning assigned to such term in Section 2.18.

“**Released Collateral**” means any Pledged Collateral released pursuant to Section 2.18.

“**Reportable Event**” means any of the events set forth in Section 4043(c) of ERISA.

“**Reported Liabilities**” means, as of any date, the Liabilities of the Trust (less amounts then outstanding under the Revolving Credit Agreement) reported to the Trust (or to the Administrator on behalf of the Trust) as set forth in the most recent Monthly Report and as adjusted for any Advances made since the date of such Monthly Report or with respect to which the Trust (or the Administrator on behalf of the Trust) has actual knowledge.

“**Reporting Date**” means the twenty-second (22<sup>nd</sup>) day of each calendar month, beginning April 22, 2008 or, if such day is not a Business Day, the immediately preceding Business Day.

“**Requested Advance Amount**” means the amount of the Advance that is requested by the Trust.

“**Required Capitalized Interest Account Balance**” means (i) at any time that no Capitalized Interest Account Funding Event has occurred and is continuing, \$0, (ii) after the occurrence and during the continuation of a Capitalized Interest Account Funding Event, the

Capitalized Interest Account Specified Balance, and (iii) at any time a Non-Renewing Facility Group is required to make a Capitalized Interest Advance pursuant to Section 2.21(b), the amount of such Capitalized Interest Advance.

“**Required Holding Deposit Amount**” has the meaning assigned to such term in Section 2.23.

“**Required Legal Opinion**” means an opinion of McKee Nelson LLP, or such other outside counsel to the Trust reasonably acceptable to the Administrative Agent, with respect to the true sale of Trust Student Loans and non-consolidation issues that describes the facts of the proposed transaction and contains conclusions reasonably determined by the Administrative Agent to be in form and substance similar to the conclusions contained in the legal opinions previously delivered to and accepted by the Administrative Agent on the Original Closing Date.

“**Required Managing Agents**” means, at any time, not less than four Managing Agents representing Facility Groups then holding at least 66-2/3% of the Aggregate Note Balance; provided, that if there are no outstanding Advances, then “Required Managing Agents” means at such time not less than four Managing Agents representing Facility Groups then holding at least 66-2/3% of the Commitments; and provided further, that the Commitments and Advances held by a Distressed Lender’s Facility Group shall not be included in determining whether Required Managing Agents have approved or not approved any amendments, waivers or other actions requiring the approval of the Required Managing Agents under this Agreement or any other Transaction Document.

“**Required Ratings**” means, with respect to the Class A Notes, “Aaa” by Moody’s and “AAA” by S&P.

“**Reserve Account**” means the special account created pursuant to Section 2.06(b).

“**Reserve Account Specified Balance**” means (a) on the A&R Closing Date and for each Settlement Period, cash or Eligible Investments in an amount equal to one-half of one percent (0.50%) of the Student Loan Pool Balance as of the A&R Closing Date, or as of the last day of that Settlement Period, as applicable, and (b) for each Advance Date, the sum of (i) the Reserve Account Specified Balance as of the last day of the most recent Settlement Period (or, if prior to the end of the first Settlement Period ending after the A&R Closing Date, the A&R Closing Date) and (ii) one-half of one percent (0.50%) of the Principal Balance of the Additional Student Loans purchased by the Trust since the last day of the most recent Settlement Period (including Additional Student Loans being purchased by the Trust with the Advance to be made on such Advance Date); provided, however, that the Reserve Account Specified Balance shall be not less than \$500,000.

“**Reset Date**” means with respect to any LIBOR Advance made by an Alternate Lender or a Conduit Lender, the last Business Day of the related Tranche Period.

“**Revolving Credit Agreement**” means the subordinated revolving credit agreement, dated the Original Closing Date, between the Trust and SLM Corporation to (i) fund the difference, if any, between the amount of each related Advance and the fair market value of the

Eligible FFELP Loans purchased pursuant to the Sale Agreement on the related date of purchase and (ii) at the option of SLM Corporation, to cure any breach of the Minimum Asset Coverage Requirement caused by an adjustment of the Applicable Percentage, as such agreement may be amended, restated, or otherwise modified from time to time.

“**Revolving Period**” means the period commencing on the Original Closing Date and terminating on the earliest of (i) the Scheduled Maturity Date, (ii) the first day of the Amortization Period and (iii) the Termination Date.

“**S&P**” means Standard & Poor’s Ratings Service, a division of The McGraw-Hill Companies, Inc. (or its successors in interest).

“**Sale Agreement**” means the Sale Agreement, dated as of the Original Closing Date, among the Depositor, the Trust, the Interim Eligible Lender Trustee and the Eligible Lender Trustee, under which the Depositor may from time to time transfer certain Eligible FFELP Loans to the Trust, together with all sale agreements, blanket endorsements and bills of sale executed pursuant thereto.

“**Schedule of Trust Student Loans**” means a listing of all Trust Student Loans delivered to and held by the Administrative Agent (which Schedule of Trust Student Loans may be in the form of microfiche, CD-ROM, electronic or magnetic data file or other medium acceptable to the Administrative Agent), as from time to time amended, supplemented, or modified, which Schedule of Trust Student Loans shall be the master list of all Trust Student Loans then comprising a part of the Pledged Collateral pursuant to this Agreement.

“**Scheduled Maturity Date**” means April 23, 2010, or if such date is extended pursuant to Section 2.16, the date to which so extended.

“**Secured Creditors**” means the Administrative Agent, the Syndication Agent, each Conduit Lender, LIBOR Lender, Alternate Lender, Managing Agent, Co-Valuation Agent and Program Support Provider, and any assignee or participant of any Lender or any Program Support Provider pursuant to the terms hereof.

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Securities Intermediary**” means Bank of America, N.A. and its successors or assigns.

“**Seller Interim Trust Agreements**” means (i) the interim trust agreement, dated the Original Closing Date, between the Interim Eligible Lender Trustee and VG Funding, LLC, (ii) the interim trust agreement, dated the Original Closing Date, between the Interim Eligible Lender Trustee and VL Funding LLC and (iii) the interim trust agreement, dated the Original Closing Date, between the Interim Eligible Lender Trustee and Phoenix Fundings LLC.

“**Sellers**” means one or more of SLM Education Credit Finance Corporation, VG Funding, LLC, VL Funding LLC, Mustang Funding I, LLC, Mustang Funding II, LLC, Phoenix Fundings LLC and the Related SPE Sellers, and such other subsidiaries of SLM Corporation as may be agreed upon by the Required Managing Agents and with respect to which the requirements of Section 4.04 have been satisfied; provided, however, that if a proposed seller is a

special purpose subsidiary of SLM Corporation for which the Master Servicer is responsible for any repurchase obligations, only the consent of the Administrative Agent shall be required.

“**Servicer**” means the Master Servicer or a Subservicer.

“**Servicer Advances**” means any Financing Costs advanced by the Master Servicer pursuant to Section 2.17.

“**Servicer Buy-Out**” means the right of the Master Servicer, as set forth in Section 3.05(h) of the Servicing Agreement, to purchase any Trust Student Loans (when added to the aggregate Principal Balance of all Trust Student Loans previously purchased pursuant to a Servicer Buy-Out) in an amount not to exceed 2%, in the aggregate since the Original Closing Date, of the Aggregate Note Balance then Outstanding.

“**Servicer Default**” means a “Servicer Default” as defined in Section 5.01 of the Servicing Agreement.

“**Servicing Agreement**” means, individually or collectively, (a) the Servicing Agreement, dated as of the Original Closing Date, among the Trust, the Master Servicer, the Eligible Lender Trustee, the Administrator and the Administrative Agent, (b) any other servicing agreement among the Trust, the Master Servicer and any Subservicer under which the respective Subservicer agrees to administer and collect the Trust Student Loans but the Master Servicer remains responsible to the Trust for the performance of such duties, which is substantially similar to the subservicing agreement signed with Great Lakes Higher Education Servicing Corporation, ACS Education Services, Inc., Education Servicing Loan Corporation, doing business as Xpress Loan Servicing, or Pennsylvania Higher Education Assistance Agency, or is otherwise consented to by the Administrative Agent, which consent is not to be unreasonably withheld or delayed, and (c) any other subservicing agreement among the Trust, the Master Servicer and a Subservicer, consented to by the Administrative Agent, under which such Subservicer agrees to administer and collect certain Trust Student Loans, but with respect to which the Master Servicer is not liable for such Trust Student Loans.

“**Servicing Fees**” means the Primary Servicing Fee, the Carryover Servicing Fee and any other fees payable by the Trust to the Master Servicer or the Subservicers in respect of servicing Trust Student Loans pursuant to the provisions of any Servicing Agreement.

“**Servicing Policies**” means the policies and procedures of the Master Servicer or any Subservicer, as applicable, with respect to the servicing of Student Loans.

“**Settlement Date**” means the 25<sup>th</sup> day of each calendar month, beginning May 25, 2009 or, if such day is not a Business Day, the following Business Day.

“**Settlement Period**” means (i) initially the period commencing on the Original Closing Date and ending on March 31, 2008, and (ii) thereafter, (a) during the Revolving Period and the Amortization Period, each monthly period ending on (and inclusive of) the last day of the calendar month and (b) after the occurrence and during the continuation of a Termination Event, such period as determined by the Administrative Agent in its sole discretion (which may be a period as short as one Business Day).

“**Side Letter**” means the Amended and Restated Side Letter, dated as of the A&R Closing Date, among the Trust, the Administrator, the Administrative Agent, the Managing Agents, the Eligible Lender Trustee and certain other financial institutions party thereto.

“**SLM Corporation**” means SLM Corporation, a Delaware corporation, and its successors and assigns.

“**SLM Guaranty**” means the Guaranty dated as of March 20, 2008, made by SLM Corporation with respect to certain obligations of Sallie Mae, Inc. under the Purchase Agreements, the Conveyance Agreement and the Tri-Party Transfer Agreement.

“**SLM Indemnified Amounts**” has the meaning assigned to such term in Section 8.02.

“**SLS Loan**” means a student loan originated under the authority set forth in Section 428A (or a predecessor section thereto) of the Higher Education Act and shall include student loans designated as “SLS Loans,” as defined under the Higher Education Act.

“**Solvent**” means, at any time with respect to any Person, a condition under which:

(a) the fair value and present fair saleable value of such Person’s total assets is, on the date of determination, greater than such Person’s total liabilities (including contingent and unliquidated liabilities) at such time;

(b) the fair value and present fair saleable value of such Person’s assets is greater than the amount that will be required to pay such Person’s probable liability on its existing debts as they become absolute and matured (“debts,” for this purpose, includes all legal liabilities, whether matured or unmatured, liquidated or unliquidated, absolute, fixed or contingent);

(c) such Person is, and shall continue to be, able to pay all of its liabilities as such liabilities mature; and

(d) such Person does not have unreasonably small capital with which to engage in its current and in its anticipated business.

“**Special Allowance Payments**” means special allowance payments on Student Loans authorized to be made by the Department of Education pursuant to Section 438 of the Higher Education Act, or similar allowances authorized from time to time by federal law or regulation.

“**Stafford Loan**” means a loan designated as such that is made under the Robert T. Stafford Student Loan Program in accordance with the Higher Education Act.

“**Step-Down Date**” means any of the dates referred to in Section 2.03(d).

“**Step-Down Deficiency**” means as of any date (I) on or after June 30, 2009 and prior to September 30, 2009, the amount, if any, by which (a) the Maximum Financing Amount as of such date exceeds (b) \$5,075,000,000, and (II) on or after September 30, 2009, the amount, if any, by which the Maximum Financing Amount as of such date exceeds (b) \$3,625,000,000.

“**Step-Up Fees**” means, with respect to any Facility Group’s Class A Notes and any Yield Period, the sum of (1) the Non-Use Fee payable to such Facility Group for such Yield Period and (2) the applicable Excess Yield Rate multiplied by the average outstanding principal amount of such Facility Group’s Class A Note during such Yield Period.

“**Student Loan**” means a FFELP Loan.

“**Student Loan Notes**” means the promissory note or notes of an Obligor and any amendment thereto evidencing such Obligor’s obligation with regard to a Student Loan or the electronic records evidencing the same.

“**Student Loan Pool Balance**” means, (i) as of the A&R Closing Date, the aggregate Principal Balance of the Trust Student Loans as reported by the Administrator for such date; and (ii) as of any other date of determination, (x) the aggregate Principal Balance (as reported by the Administrator on the last Monthly Report delivered to the Administrative Agent) of the Trust Student Loans, calculated as of the end of the previous calendar month, plus (y) the aggregate Principal Balance of the Trust Student Loans acquired since the end of the previous calendar month as of their respective Cutoff Dates, minus (z) the aggregate Principal Balance of the Trust Student Loans disposed of by the Trust since the end of the previous calendar month as of their respective dates of disposition.

“**Subsequent Cutoff Date**” means, with respect to any Trust Student Loan, the “Purchase Date” for such Trust Student Loan as such term is defined in the Sale Agreement.

“**Subservicer**” means, on the A&R Closing Date, Great Lakes Higher Education Servicing Corporation, ACS Education Services, Inc., Education Servicing Loan Corporation, doing business as Xpress Loan Servicing, Pennsylvania Higher Education Assistance Agency and, thereafter, any subservicer appointed by the Master Servicer pursuant to the Servicing Agreement of the Master Servicer.

“**Syndication Agent**” means JPMorgan Chase Bank, N.A.

“**Syndication Agent Fees**” means, the fees, reasonable expenses and charges, if any, of the Syndication Agent, payable pursuant to the Administrative Agent and Syndication Agent Fee Letter.

“**Syndication Procedures Letter**” means that certain side letter dated as of the Original Closing Date among the Trust, the Related SPE Trusts, the Lead Arrangers, the initial Managing Agents and certain other parties relating to the syndication of the Initial Note Purchase Agreement.

“**Take Out Securitization**” means a sale or transfer of any portion of the Trust Student Loans by the Trust (directly or indirectly) to a trust sponsored by an Affiliate of the Depositor as part of a publicly or privately traded, rated or unrated student loan securitization, pass-through, pay through, secured note or similar transaction.

“**Termination Date**” means the earliest to occur of (a) any date designated as the date for terminating the entire Maximum Financing Amount pursuant to Section 2.03, (b) the last day of

the Amortization Period and (c) the date of the declaration or automatic occurrence of the Termination Date pursuant to Article VII.

“**Termination Event**” has the meaning assigned to such term in Article VII.

“**Tranche Period**” with respect to LIBOR Advances made by an Alternate Lender or a Conduit Lender, means a period commencing on the date such LIBOR Advance is disbursed or on a Reset Date and ending on the date one day, one week, one month, two months or three months thereafter, as selected by the Trust on its Advance Request; provided, that (i) any Tranche Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Tranche Period shall end on the next preceding Business Day; (ii) any Tranche Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Tranche Period) shall end on the last Business Day of the calendar month at the end of such Tranche Period; and (iii) in no event shall any Tranche Period end after the then current Scheduled Maturity Date.

“**Transaction Documents**” means, collectively, this Agreement, the Trust Agreement, the Administration Agreement, the Servicing Agreement, each Purchase Agreement, the Conveyance Agreement, the Sale Agreement, the Tri-Party Transfer Agreement, each Permitted SPE Sale Agreement, all Guarantee Agreements, the Interim Trust Agreements, the Valuation Agent Agreement, the Guaranty and Pledge Agreement, the Indemnity Agreement, the Revolving Credit Agreement, the Syndication Procedures Letter, the Power of Attorney, the Fee Letters, the Side Letter, the Omnibus Waiver and Consent, the SLM Guaranty, the A&R Transaction Documents and all other instruments, fee letters, documents and agreements executed in connection with any of the foregoing.

“**Transaction Parties**” means, collectively, the Trust, the Depositor, the Administrator, the Master Depositor, the Master Servicer, each Seller and SLM Corporation.

“**Treasury Regulations**” means any regulations promulgated by the Internal Revenue Service interpreting the provisions of the Code.

“**Tri-Party Transfer Agreement**” means the sale and purchase agreement, dated as of the Original Closing Date, among the Depositor, the Related SPE Sellers, the Master Servicer and the related eligible lender trustees.

“**Trust**” means Bluemont Funding I, a Delaware statutory trust, and its successors and assigns.

“**Trust Accounts**” means the Administration Account, Collection Account, Capitalized Interest Account, Reserve Account, Borrower Benefit Account and Floor Income Rebate Account.

“**Trust Agreement**” means the Amended and Restated Trust Agreement, dated as of the Original Closing Date, among the Depositor, the Delaware Trustee and the Eligible Lender Trustee.

“**Trust Indemnified Amounts**” has the meaning assigned to such term in [Section 8.01](#).

“**Trust Materials**” has the meaning assigned to such term in [Section 10.02\(b\)](#).

“**Trust Student Loan**” means any Student Loan held by the Trust.

“**UCC**” means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

“**United States**” means the United States of America.

“**Used Fee**” means, with respect to any Lender, the used fee as set forth in the Lenders Fee Letter.

“**Valuation Agent Agreement**” means the Valuation Agent Agreement, dated as of the Original Closing Date, among the Trust, the Administrator, the Administrative Agent, and the Co-Valuation Agents.

“**Valuation Agent Fee Letter**” means the Amended and Restated Valuation Agent Fee Letter, dated as of the A&R Closing Date, among the Trust and the Co-Valuation Agents, setting forth the Co-Valuation Agents Fees.

“**Valuation Date**” has the meaning assigned to such term in the Valuation Agent Agreement.

“**Valuation Report**” means a report furnished by the Administrative Agent pursuant to [Section 2.25\(a\)](#).

“**VG Funding Facility**” means the financing facility established pursuant to that certain Amended and Restated Note Purchase and Security Agreement, dated as of May 4, 2005, among VG Funding I, the conduit lenders party thereto, the alternate lenders party thereto, Bank of America, N.A., as administrative agent, the managing agents party thereto, Chase Bank USA, National Association, as eligible lender trustee, and Sallie Mae, Inc., as administrator.

“**Weighted Average Remaining Term in School**” means, as of any date of determination, (a) the sum, for all Eligible FFELP Loans that are in in-school status, of the products of (i) the Principal Balance of each such Eligible FFELP Loan, as of such date, and (ii) the number of months remaining in school shown on the Servicer’s record, as of such date, for the student with respect to such Eligible FFELP Loan, divided by (b) the aggregate Principal Balance of all Eligible FFELP Loans that are in in-school status, as of such date.

“**Whole Loan Sale**” means a sale of all or a part of the Trust Student Loans to a third-party purchaser in exchange for not less than fair market value.

“**Yield**” means, for each Facility Group’s Class A Notes and any Yield Period, the applicable Yield Rate multiplied by the average outstanding principal amount of such Facility Group’s Class A Note during such Yield Period, plus or minus the Estimated Interest Adjustment if and as applicable minus any Step-Up Fees described in clause (2) of the definition thereof.



“**Yield Period**” means, for a CP Advance or a Base Rate Advance, each Settlement Period and for a LIBOR Advance, each Interest Accrual Period.

“**Yield Protection**” means any Note Purchaser’s reasonable increased costs for taxes, reserves, special deposits, insurance assessments, breakage costs, changes in regulatory capital requirements (or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, such Note Purchaser) and certain reasonable expenses imposed on such Note Purchaser.

“**Yield Rate**” means with respect to any Yield Period:

(a) other than during the Amortization Period or on and after the occurrence of a Termination Event:

(i) if a Conduit Lender funds (directly or indirectly) its portion of the Aggregate Note Balance with CP, the CP Rate plus the applicable Used Fee;

(ii) if an Alternate Lender or a Conduit Lender (if funding its investment other than with CP) funds its portion of the Aggregate Note Balance, the applicable LIBOR Rate (or if LIBOR Rate is not available, the applicable Base Rate) plus the Applicable Margin; or

(iii) if a LIBOR Lender funds its portion of the Aggregate Note Balance, the applicable LIBOR Rate (or if LIBOR Rate is not available, the applicable Base Rate) plus the Applicable Margin; or

(b) during the Amortization Period, the applicable Amortization Period Rate; and

(c) on and after the occurrence of a Termination Event, the Base Rate plus 5.50% per annum.

**Section 1.02. Other Terms.**

(a) All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York and not specifically defined herein, are used herein as defined in such Article 9. Any reference to an agreement herein shall be deemed to include a reference to such agreement as amended, supplemented or otherwise modified from time to time.

(b) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.”

(c) Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise

modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Transaction Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Transaction Document, shall be construed to refer to such Transaction Document in its entirety and not to any particular provision thereof, (iv) all references in any Transaction Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Transaction Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties.

**Section 1.03. Computation of Time Periods.** Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

**Section 1.04. Calculation of Yield Rate and Certain Fees.** The Yield Rate on the Class A Notes and all fees payable to the Lenders, the Note Purchasers or the Registered Owners pursuant to this Agreement are calculated based on the actual number of days divided by 360. Notwithstanding anything to the contrary in this Agreement or in the Lenders Fee Letter, all Financing Costs that shall have accrued under the Initial Note Purchase Agreement up to (but not including) the A&R Closing Date shall have accrued at the rate effective under the Initial Note Purchase Agreement, all accrued and unpaid Financing Costs on the Class B Notes under the Initial Note Purchase Agreement up to (but not including) the A&R Closing Date shall be paid in accordance with Section 2.01(a)(ii), and Financing Costs payable on the first Settlement Date following the A&R Closing Date shall be calculated accordingly. Interest shall accrue on the Class A Notes from and including the day on which the related Advance is made, and shall not accrue on the Class A Notes or any portion thereof, for the day on which the Class A Notes or such portion is paid. Each determination by the Administrative Agent (or, with respect to the calculation of any CP Rate, LIBOR Base Rate or LIBOR Rate, the applicable Managing Agent), of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

**Section 1.05. Time References.** All time references in this Agreement shall refer to the time in New York, New York unless otherwise noted.

**Section 1.06. Effectiveness of Initial Note Purchase Agreement; Amendment and Restatement.** The parties hereto hereby agree that for all purposes (i) for the period commencing on the Original Closing Date through but excluding the A&R Closing Date, the provisions, terms and conditions of the Initial Note Purchase Agreement shall apply in all respects without giving effect to this Agreement, and (ii) from and including the A&R Closing Date, subject to the satisfaction of the conditions precedent set forth in Section 4.05, the provisions, terms and conditions of this Agreement (as it shall be amended, supplemented or modified from time to time) shall govern exclusively. This Agreement shall amend and restate

in its entirety the Initial Note Purchase Agreement and shall have the effect of a substitution of terms of the Initial Note Purchase Agreement, but this Agreement will not have the effect of causing a novation, refinancing or other repayment of the obligations of the Transaction Parties under the Initial Note Purchase Agreement (hereinafter the "**Original Obligations**") or a termination or extinguishment of the liens securing such Original Obligations, which Original Obligations shall remain outstanding and repayable pursuant to the terms of this Agreement and which liens shall remain attached, enforceable and perfected securing such Original Obligations and all additional obligations arising under this Agreement. Each reference to the Initial Note Purchase Agreement in any of the Transaction Documents, or any other document, instrument or agreement delivered in connection therewith shall mean and be a reference to this Agreement.

**ARTICLE II.**  
**THE FACILITY**

**Section 2.01. Issuance and Purchase of Class A Notes; Cancellation of Class B Notes; Making of Advances.**

(a) (i) In consideration of the agreements of the Note Purchasers under the Initial Note Purchase Agreement, and subject to the terms and conditions set forth in the Initial Note Purchase Agreement, (y) the Trust sold, transferred and delivered to each Managing Agent under the Initial Note Purchase Agreement, on behalf of its related Note Purchasers, and (z) each Managing Agent under the Initial Note Purchase Agreement, on behalf of its related Note Purchasers, purchased from the Trust, on the Original Closing Date, (A) a Class A Note, the outstanding principal amount of which did not exceed the applicable Pro Rata Share of such Facility Group multiplied by the Class A Maximum Financing Amount (as defined in the Initial Note Purchase Agreement) and (B) a Class B Note, the outstanding principal amount of which did not exceed the applicable Pro Rata Share of such Facility Group multiplied by the Class B Maximum Financing Amount (as defined in the Initial Note Purchase Agreement). Subject to the satisfaction of the conditions precedent set forth in Section 4.01 of the Initial Note Purchase Agreement, the purchase price paid on the Original Closing Date for the Class A Note for each Facility Group was equal to such Facility Group's Pro Rata Share of the Class A Note Balance (as defined in the Initial Note Purchase Agreement) and the purchase price paid on the Original Closing Date for the Class B Note for each Facility Group was equal to such Facility Group's Pro Rata Share of the Class B Note Balance (as defined in the Initial Note Purchase Agreement) as of the Original Closing Date. The payment of such purchase price was subject to the same requirements applicable to an Advance under Section 2.01(b) of the Initial Note Purchase Agreement. Each Class A Note and Class B Note was issued in the name of a Registered Owner.

(ii) In consideration of the agreements of the Note Purchasers hereunder, and subject to the effectiveness of this Agreement as set forth in Section 4.05, all parties hereto agree that on the A&R Closing Date, each of the following shall occur in the order listed: (A) any previously delivered Advance Requests requesting the Lenders to make a Capitalized Interest Advance under the Initial Note Purchase Agreement on April 27, 2009 shall be deemed withdrawn and of no further force and effect; (B) a Settlement Date shall occur under and as defined in the Initial Note Purchase Agreement and all Available Funds in the Collection Account on the A&R Closing Date shall be applied in accordance with Section 2.05(b) of the

Initial Note Purchase Agreement (as each such term is defined in the Initial Note Purchase Agreement); (C) without duplication, all amounts owed hereunder to the Lenders in the Facility Group managed by DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main shall be repaid by the Trust in full and each member of such Facility Group will thereupon cease to be a Managing Agent, Lender or Program Support Provider, as applicable, within the meaning of the Initial Note Purchase Agreement; (D) any previously delivered Advance Requests requesting the Lenders to make an Advance under the Initial Note Purchase Agreement on the date hereof shall be deemed given under this Agreement but shall be deemed to request such Advance to be made on April 27, 2009; (E) the Aggregate Note Balance of the Class A Note held by each remaining Facility Group party hereto shall be increased by an amount equal to the Aggregate Note Balance of the Class B Note held by such Facility Group on the A&R Closing Date and the Trust shall issue a Class A Note to each Managing Agent that remains party hereto in an amount equal to the Commitment of its related Facility Group; (F) the Aggregate Note Balance of the Class B Note held by each Facility Group shall be reduced to zero on the A&R Closing Date; and (G) each Facility Group shall deliver its "Notes" (as defined in the Initial Note Purchase Agreement) for cancellation pursuant to Section 3.08 of the Initial Note Purchase Agreement or deliver a lost note indemnity or a lost note affidavit indemnifying the Trust for non-delivery of its Notes. In addition to the foregoing, on the first Business Day following the A&R Closing Date, (X) all accrued and unpaid Financing Costs on the Class B Notes up to (but not including) the A&R Closing Date shall be paid by the Trust in full and (Y) the Aggregate Note Balance held by each Facility Group shall either be increased by a non-pro rata Advance or the Trust shall repay such Aggregate Note Balance on a non-pro rata basis, as applicable, to the extent necessary such that the Aggregate Note Balance of the Class A Notes held by each Facility Group shall be equal to its Pro Rata Share of the Aggregate Note Balance for all outstanding Class A Notes and the outstanding principal balance of each Facility Group's Advances as of such date shall be as set forth on Schedule 2.01 hereto.

(iii) Each party hereto waives (x) any requirements under the Initial Note Purchase Agreement or under this Agreement that each Advance and repayment of Advances be ratable and (y) any conditions precedent to the making of Advances or repayments of Advances under the Initial Note Purchase Agreement or under this Agreement, in each case solely to the extent necessary to implement the Advances and repayments of Advances described in clauses (C) and (Y) of Section 2.01(a)(ii) above, it being understood that the Advances and repayments of Advances in clause (Y) of Section 2.01(a)(ii) above are solely due to re-allocation of Commitments among the three FFELP Loan Facilities designed to make each Facility Group's "Commitments" substantially the same under each FFELP Loan Facility without changing the aggregate amount of such "Commitments" for any Facility Group under all such FFELP Loan Facilities.

(b) On the terms and conditions hereinafter set forth, each Alternate Lender, LIBOR Lender and Committed Conduit Lender agrees to make Advances during the Revolving Period (or, with respect to Capitalized Interest Advances, at such times in accordance with Section 4.02(c)), and each other Conduit Lender may, in its sole discretion, make Advances to the Trust from time to time up to an aggregate principal amount outstanding at any one time not to exceed the Maximum Financing Amount in effect at the time of such Advance; provided, that: (i) the aggregate Advances made on any date, together with advances made under the other FFELP Loan Facilities on such date, must be in a principal amount equal to \$50,000,000 or integral

multiples of \$500,000 in excess thereof (other than (x) Capitalized Interest Advances and (y) Excess Collateral Advances made on a Settlement Date the proceeds of which are used to pay amounts owing under clauses (ii) through (iv) of [Section 2.05\(b\)](#), in each case as to which such minimum is not applicable) and (ii) the Requested Advance Amount on any Advance Date shall not exceed the Maximum Advance Amount. Within the limits set forth in this Section and the other terms and conditions of this Agreement, during the Revolving Period, the Trust, acting through the Administrator, may request Advances, repay Advances and reborrow Advances under this Section; provided, however, that after the end of the Revolving Period, Capitalized Interest Advances will continue to be made in accordance with [Section 4.02\(c\)](#). In addition, the Administrative Agent may also request Capitalized Interest Advances after the occurrence of a Capitalized Interest Account Funding Event. All Class A Notes issued hereunder shall be denominated in and be payable in United States dollars. Yield on each CP Advance, each Base Rate Advance and each LIBOR Advance shall be due and payable on each Settlement Date. The Aggregate Note Balance and all other Obligations hereunder, if not previously paid pursuant to [Section 2.05\(b\)](#) or otherwise, shall be due and payable on the Termination Date.

(c) Each Lender's obligations under this Section are several and the failure of any Lender to make available its Pro Rata Share of any Requested Advance Amount on an Advance Date shall not relieve any other Note Purchaser of its obligations hereunder or, except as provided in paragraph (d) below, obligate any other Note Purchaser to honor the obligations of any Defaulting Lenders. Advances shall be allocated among the Facility Groups in accordance with their respective Pro Rata Shares and shall be further allocated to each Lender within a Facility Group as designated by the applicable Managing Agent. Notwithstanding anything contained in this Agreement to the contrary, (i) no Conduit Lender shall fund any portion of any Advance which would cause the aggregate principal amount of its Advances to exceed the Commitments of its related Alternate Lenders; (ii) no Alternate Lender, LIBOR Lender or Committed Conduit Lender shall be obligated to fund any portion of any Advance which would cause the aggregate principal amount of its Advances to exceed its Commitment; and (iii) no Facility Group shall be obligated to fund any portion of any Advance which would cause the aggregate principal amount of its Advances to exceed its total Commitment. The Commitment of each Lender as of the A&R Closing Date is set forth on [Exhibit A](#).

(d) If by 2:00 p.m. on an Advance Date, whether or not the Administrative Agent has advanced the applicable Requested Advance Amount, one or more Alternate Lenders, LIBOR Lenders or Committed Conduit Lenders fails to make its Pro Rata Share of any Advance required to be made by such Lender available to the Administrative Agent pursuant to this Agreement (the aggregate amount not so made available to the Administrative Agent being herein called the "**Investment Deficit**"), then the Administrative Agent shall, by no later than 5:00 p.m. on the applicable Advance Date instruct each Alternate Lender, LIBOR Lender and Committed Conduit Lender which is not a Defaulting Lender (each, a "**Non-Defaulting Lender**") to pay, by no later than noon on the next Business Day in immediately available funds, to the account designated by the Administrative Agent, an amount equal to the lesser of (i) such Non-Defaulting Lender's proportionate share (based upon the relative Commitments of the Non-Defaulting Lenders) of the Investment Deficit and (ii) its unused Commitment. A Defaulting Lender shall forthwith, upon demand, pay to the Administrative Agent for the ratable benefit of the Non-Defaulting Lenders all amounts paid by each Non-Defaulting Lender on behalf of such Defaulting Lender.

**Section 2.02. The Initial Advance and Subsequent Advances.**

(a) [Reserved].

(b) Subject to the satisfaction of the conditions precedent set forth in this Agreement and in accordance with the terms and conditions of Section 2.01 and this Section, the Trust, acting through the Administrator, may request an Advance hereunder by giving written notice substantially in the form of Exhibit D (each, an “**Advance Request**”) to the Administrative Agent not later than 11:00 a.m. on the second Business Day prior to the proposed Advance Date, which the Administrative Agent shall promptly forward to the Managing Agents not later than 1:00 p.m. on such date. Each such Advance Request shall specify:

- (i) the Requested Advance Amount, which, together with the advances made under the other FFELP Loan Facilities on such date, shall be equal to or greater than \$50,000,000 in the aggregate with respect to all Facility Groups, except as otherwise permitted under Section 2.01(b);
- (ii) the proposed Advance Date;
- (iii) if such Advance is a Purchase Price Advance, the aggregate Collateral Value of the Eligible FFELP Loans to be acquired; and
- (iv) the Asset Coverage Ratio after giving effect to such Advance.

In addition, each Advance Request shall include a pro forma calculation and certification establishing (x) with respect to a Purchase Price Advance or an Excess Collateral Advance, that the Minimum Asset Coverage Requirement will be satisfied after giving effect to such Advance and (y) with respect to a Capitalized Interest Advance, the Maximum Advance Amount for such Capitalized Interest Advance and that the proceeds thereof will be deposited into the Capitalized Interest Account.

No later than 2:00 p.m. on the Advance Date, each Conduit Lender (other than a Committed Conduit Lender) may, in its sole discretion, and each Committed Conduit Lender and LIBOR Lender shall, upon satisfaction of the applicable conditions set forth in this Agreement, make available to the Trust in same day funds, its respective Pro Rata Share of the Requested Advance Amount by payment to the Administration Account; provided, that Capitalized Interest Advances made by a Non-Renewing Facility Group may be made on a non-pro rata basis as contemplated in Section 2.21(b). If a Conduit Lender (other than a Committed Conduit Lender) elects not to fund its respective Pro Rata Share of the Requested Advance Amount, such Conduit Lender's related Alternate Lenders shall, upon satisfaction of the applicable conditions set forth in this Agreement, make available to the Trust in same day funds, their respective Pro Rata Shares of the Requested Advance Amount by payment to the Administration Account and the related Managing Agent shall, no later than 2:00 p.m. on such Advance Date and on each Reset Date, notify the Administrator and the Administrative Agent of the actual Yield Rate applicable to such LIBOR Advance, and the related Tranche Period. Each Advance made by a Conduit Lender shall be a CP Advance unless the applicable Managing Agent otherwise provides notice as provided in the immediately succeeding sentence. To the extent any Conduit Lender is unable or declines to fund a requested Advance by issuing CP or if any Conduit Lender's Alternate

Lenders fund any requested Advance in its place, the applicable Conduit Lender's Managing Agent shall promptly advise the Administrative Agent and the Administrator, on behalf of the Trust.

(c) Prior to the commencement of the Amortization Period or the occurrence of a Termination Event, the Administrator, on behalf of the Trust, may request that the Administrative Agent pay any amounts on deposit in the Administration Account as a prepayment on any principal of, and Financing Costs due or accrued on, the Class A Notes in whole or in part on any Business Day by giving written notice two Business Days prior to such date to the Administrative Agent and each Managing Agent indicating the amount of such prepayment and the Business Day on which such prepayment shall be made. The Trust shall pay the applicable Managing Agent for the account of the applicable Lenders in its Facility Group, on demand, such amount or amounts as shall compensate such Lenders for any loss (including loss of profit), cost or expense incurred by such Lenders and including any claims arising under any Program Support Agreement (as reasonably determined by the applicable Managing Agent) and hold such Lenders harmless from any such loss, cost or expenses, incurred by them as a result of payments with respect to the Class A Notes in connection with a prepayment under this Section 2.02(c), a request by the Trust pursuant to Section 2.21, a Permitted Release under Section 2.18 or otherwise, whether voluntary, mandatory, automatic by reason of acceleration or otherwise, such compensation to be (i) limited to an amount equal to any loss or expense suffered by the Lenders during the period from the date of receipt of such repayment to (but excluding) the maturity of the related CP (in the case of a CP Advance by a match-funded Conduit Lender), the maturity of sufficient pool-funded CP (in the case of a CP Advance by a pool-funded Conduit Lender) or the maturity of the related Tranche Period (in the case of a LIBOR Advance by an Alternate Lender or a Conduit Lender), (ii) net of the income, if any, received by the recipient of such reductions from investing the proceeds of such reductions and (iii) inclusive of any loss or expense arising from the liquidation or re-employment of funds obtained by it to maintain such Advance or from fees payable to terminate the deposits from which such funds were obtained; provided, however, that the Trust shall not be obligated to pay such breakage amounts for a period in excess of 60 days under clause (i) above if aggregate discretionary prepayments by the Trust do not exceed 20% of the Aggregate Note Balance per month; provided further, that no such breakage amounts shall be payable by the Trust with respect to the regular distribution of Available Funds (other than proceeds of Permitted Releases) on any Settlement Date pursuant to the priority of payments set forth in Section 2.05(b). The determination by the applicable Managing Agent of the amount of any such loss or expense shall be set forth in a written notice to the Administrator (with a copy to the Administrative Agent), on behalf of the Trust, including a statement as to such loss or expense (including calculation thereof in reasonable detail), and shall be conclusive, absent manifest error.

(d) Each Advance Request shall be irrevocable and binding on the Trust, and the Trust shall indemnify each Lender against any loss or expense incurred by such Lender, either directly or indirectly (including, in the case of a Conduit Lender, through the applicable Program Support Agreement) as a result of any failure by the Trust to complete such Advance, including any loss or expense incurred by such Lender or such Lender's Managing Agent, either directly or indirectly (including, in the case of a Conduit Lender, pursuant to the applicable Program Support Agreement) by reason of the liquidation or reemployment of funds acquired by such Lender (or the applicable Program Support Provider(s)) (including funds obtained by issuing CP

or promissory notes or obtaining deposits or loans from third parties) in order to fund such Advance. Any such amounts shall constitute Yield Protection hereunder.

(e) **Prefunding of Advances.** In order to allow the Lenders to raise funds at times and in amounts that are more advantageous to the Lenders than might otherwise be possible, the Trust may, after consultation with the Administrative Agent and in connection with a proposed purchase or series of purchases of Trust Student Loans, request that all or a portion of the related Purchase Price Advance be funded prior to the actual acquisition of the related Trust Student Loans. Each such prefunding shall constitute a separate Purchase Price Advance for purposes of Section 4.02(b)(xiv) and (xv), and shall otherwise be subject to all applicable conditions precedent, measured as of the date such loans are actually purchased, for Purchase Price Advances set forth in Article IV. The proceeds of any such prefunded advance shall be deposited into the Administration Account (or such subaccount thereof as the Administrative Agent may establish for purposes of convenience) and shall not be released to the Trust until the date of purchase of the related Trust Student Loans. So long as the conditions precedent to a new Advance would be satisfied as if the Lenders were making a new Advance, the Trust may draw against such prefunding amount on any Business Day in order to consummate the related purchase of Trust Student Loans on such date. Upon the occurrence of a Termination Event, the Administrative Agent may direct that any such amounts on deposit in the Administration Account or subaccount, as applicable, be transferred to the Collection Account to be distributed in accordance with Section 2.05 and used to reduce the Aggregate Note Balance.

**Section 2.03. Reduction, Termination or Increase of the Maximum Financing Amount and Prepayment of the Class A Notes.**

(a) The Trust, acting through the Administrator, may, upon at least five Business Days' written notice to the Administrative Agent, (i) terminate the entire facility or (ii) reduce in part the portion of the Maximum Financing Amount that exceeds the sum of the Capitalized Interest Account Unfunded Balance and the Aggregate Note Balance. Any partial reduction in the Maximum Financing Amount shall be in an amount equal to or greater than \$100,000,000 or any integral multiple of \$10,000,000 in excess thereof. If such reduction is not in connection with an Exiting Facility Group, any such reduction in the Maximum Financing Amount shall be allocated among the Commitments of the Facility Groups in accordance with their Pro Rata Shares and shall be allocated among the Commitments of the Lenders within each Facility Group as designated by the applicable Managing Agent. If such reduction is in connection with an Exiting Facility Group, such reduction shall be allocated first to the Commitment of the Exiting Facility Group and then any balance allocated among the remaining Facility Groups as set forth in the preceding sentence. The Trust shall pay, in immediately available funds, all outstanding principal and Financing Costs on the Class A Notes owned by any Lender, together with any other Obligations owed to such Lender, upon the termination of its Commitment pursuant to this Section 2.03(a).

(b) During any Exiting Group Amortization Period, if there are not sufficient proceeds from Permitted Releases, the Administrative Agent may, in accordance with the procedures set forth in Section 7.03(b), sell or otherwise dispose of a portion of the Pledged Collateral in an amount sufficient to pay the Aggregate Note Balance of the Outstanding Class A Notes owned by each Exiting Facility Group. Amounts received from any such sale or



disposition of Pledged Collateral shall be deposited into the Administration Account and, provided no Amortization Event or Termination Event has occurred and is continuing, no Step-Down Deficiency exists and the Minimum Asset Coverage Requirement has been satisfied, such amounts shall be distributed to the Exiting Facility Groups, on any Business Day which is not a Settlement Date in accordance with the priority of payments described in Section 2.05(b)(viii). Amounts received from the sale of Pledged Collateral in excess of the amount required to repay in full the Aggregate Note Balance of, and accrued Yield on, the Outstanding Class A Notes owned by the Exiting Facility Groups (or which are prohibited by the proviso in the immediately preceding sentence from being paid exclusively to the Exiting Facility Groups) which are deposited in the Collection Account shall be treated as Available Funds; provided, that any Yield Protection associated with any such prepayment shall be paid to the Administrative Agent for the benefit of the applicable Lender on the next Settlement Date (to the extent of Available Funds) in accordance with the priority of payments described in Section 2.05(b). All reductions to principal owed to an Exiting Facility Group in connection with any such disposition, together with any reductions to principal received by such Exiting Facility Group pursuant to clauses (viii) and (xiii) of Section 2.05(b) shall constitute a permanent reduction in the Commitment of such Exiting Facility Group and the Lenders part of such Exiting Facility Group and their Pro Rata Shares shall be calculated accordingly.

(c) The Maximum Financing Amount shall not be increased except by amendment in accordance with Section 10.01 and any future assignments of Commitments will reduce the Commitments of the applicable Lenders in accordance with Section 10.04.

(d) The Trust, acting through the Administrator, may, upon at least five Business Days' written notice to the Administrative Agent, so long as any Step-Down Deficiency exists on such date, pay in immediately available funds a portion of the Aggregate Note Balance of the Outstanding Class A Notes owned by each Facility Group, to be applied ratably to each Facility Group in accordance with its Pro Rata Share and within each Facility Group as designated by the applicable Managing Agent, in an aggregate amount not to exceed such Step-Down Deficiency, together with any accrued and unpaid Yield and Yield Protection payable if the date of such payment is not a Settlement Date. In connection with any such payment, there shall be a corresponding reduction in the Maximum Financing Amount to an amount equal to the sum of (i) the Aggregate Note Balance as so reduced and (ii) the Capitalized Interest Account Unfunded Balance, which reduction shall be allocated among the Commitments of the Facility Groups in accordance with their Pro Rata Shares and shall be allocated among the Commitments of the Lenders within each Facility Group as designated by the applicable Managing Agent. On any date when a Step-Down Deficiency exists, the Used Fee and the Applicable Margin shall be increased as set forth in the Lenders Fee Letter; provided, that absent any other applicable events, the occurrence or existence of a Step-Down Deficiency shall not constitute an Amortization Event or a Termination Event.

**Section 2.04. The Accounts.**

(a) **Collection Account.** On or prior to the Original Closing Date, the Trust established, and the Trust shall hereafter maintain, or cause to be maintained, the Collection Account. The Collection Account shall be maintained as a segregated account at the Administrative Agent, and shall be under the sole dominion and control of the Administrative

Agent, on behalf of the Secured Creditors. The Collection Account shall be in the name of the Trust for the benefit of the Administrative Agent, on behalf of the Secured Creditors. Neither the Trust nor the Administrator shall have any withdrawal rights from the Collection Account. Any Collections received by the Trust, the Administrator, the Eligible Lender Trustee, the Sellers, the Depositor, the Servicers, or any agent thereof, as the case may be, are to be transmitted to the Collection Account as soon as practicable, but in any event, within two Business Days of receipt of good funds. The Trust shall direct the Eligible Lender Trustee, each Servicer, each Seller, the Depositor and each agent of any of the foregoing, in writing, to transmit any Collections it receives with respect to the Trust Student Loans directly to the Administrative Agent for deposit to the Collection Account within two Business Days of receipt of good funds. Funds on deposit in the Collection Account may be invested from time to time in Eligible Investments at the direction of the Administrator in accordance with [Section 2.08](#). Upon the payment in full of all Obligations hereunder and the termination of this Agreement, the Administrative Agent agrees to send notice to the Master Servicer that this Agreement has terminated and that Collections no longer are to be forwarded to the Collection Account pursuant to this Agreement. All investment earnings on the funds on deposit in the Collection Account during any Settlement Period shall be applied as Available Funds for the applicable Settlement Period. The Administrative Agent shall apply funds on deposit in the Collection Account as described in [Section 2.05](#). Each of the Trust and the Administrator agree, by executing this Agreement, to hold any Collections received in trust for the Administrative Agent and to comply with the remittance procedures set forth in this [Section 2.04](#).

(b) **Administration Account.** On or prior to the Original Closing Date, the Trust established, and the Trust shall hereafter maintain, or cause to be maintained, the Administration Account. The Administration Account shall be maintained as a segregated account at the Administrative Agent, and shall be under the sole dominion and control of the Administrative Agent, on behalf of the Secured Creditors. The Administration Account shall be in the name of the Trust for the benefit of the Administrative Agent, on behalf of the Secured Creditors. Prior to the commencement of the Amortization Period or the occurrence of a Termination Event, funds in the Administration Account shall be applied to the following (in the order such events occur for so long as funds are available in the Administration Account): (i) to make payments to any Exiting Facility Group pursuant to [Section 2.03\(b\)](#); (ii) to finance the purchase of Eligible FFELP Loans pursuant to [Section 2.05\(c\)](#); (iii) if necessary, to be deposited into the Collection Account on each Settlement Date to cover any shortfall in amounts on deposit in the Collection Account as Available Funds to pay amounts described in clauses (i) through (ix) of [Section 2.05\(b\)](#); (iv) to be released to the Trust to the extent permitted under [Section 2.25\(d\)](#); (v) to be withdrawn for deposit to the extent permitted under [Section 4.03](#); and (vi) if so requested by the Administrator on behalf of the Trust, to be disbursed on any Business Day as a prepayment of principal of the Outstanding Class A Notes pursuant to [Section 2.02\(c\)](#). During the Amortization Period and on and after the Termination Date, funds in the Administration Account shall be released to the Administrative Agent for the account of the applicable Note Purchasers to reduce the Aggregate Note Balance of the Outstanding Class A Notes and to pay accrued Yield thereon. Funds on deposit in the Administration Account may be invested from time to time in Eligible Investments in accordance with [Section 2.08](#) hereof. All investment earnings on the funds on deposit in the Administration Account during any Settlement Period shall be deposited into the Collection Account by the Administrative Agent on or before the second Business Day after the end of that Settlement Period and applied as Available Funds on the Settlement Date for that

Settlement Period. Except for the right of the Administrator to withdraw funds as expressly set forth in this Agreement, neither the Trust nor the Administrator shall have any withdrawal rights from the Administration Account. Any funds remaining in the Administration Account after the payment in full of all Obligations under the Transaction Documents shall be paid to the holder of the Excess Distribution Certificate.

(c) **Floor Income Rebate Account.** On or prior to the Original Closing Date, the Trust established, and the Trust shall hereafter maintain, or cause to be maintained, the Floor Income Rebate Account. The Floor Income Rebate Account shall be maintained as a segregated account at the Administrative Agent, and shall be under the sole dominion and control of the Administrative Agent, on behalf of the Secured Creditors. The Floor Income Rebate Account shall be in the name of the Trust for the benefit of the Administrative Agent, on behalf of the Secured Creditors. Neither the Trust nor the Administrator shall have any withdrawal rights from the Floor Income Rebate Account. On or before each Settlement Date, the Administrator will instruct the Administrative Agent to transfer from the Collection Account to the Floor Income Rebate Account the estimated monthly accrual of Floor Income Rebate Fees for the prior calendar month (the "**Estimated Excess Accrual**"). Funds on deposit in the Floor Income Rebate Account may be invested from time to time in Eligible Investments in accordance with Section 2.08 hereof. All investment earnings on the funds on deposit in the Floor Income Rebate Account during any Settlement Period shall be deposited into the Collection Account by the Administrative Agent on or before the second Business Day after the end of that Settlement Period and applied as Available Funds on the Settlement Date for that Settlement Period. On the Settlement Date following each quarterly date as of which the Servicers notify the Trust of the aggregate amount of Floor Income Rebate Fees, if any, that is due and owing to the Department of Education for the preceding quarterly period, the Administrative Agent shall transfer from the Floor Income Rebate Account to the Collection Account the aggregate Estimated Excess Accrual for the related Settlement Periods to pay any Floor Income Rebate Fees due and owing to the Department of Education pursuant to Section 2.05(e) and apply any excess funds in accordance with Section 2.05(b). Any funds remaining in the Floor Income Rebate Account after the payment in full of all Obligations under the Transaction Documents shall be paid to the holder of the Excess Distribution Certificate.

(d) **Borrower Benefit Account.** On or prior to the Original Closing Date, the Trust established, and the Trust shall hereafter maintain, or cause to be maintained, the Borrower Benefit Account. The Borrower Benefit Account shall be maintained as a segregated account at the Administrative Agent, and shall be under the sole dominion and control of the Administrative Agent, on behalf of the Secured Creditors. The Borrower Benefit Account shall be in the name of the Trust for the benefit of the Administrative Agent, on behalf of the Secured Creditors. Neither the Trust nor the Administrator shall have any withdrawal rights from the Borrower Benefit Account. In the event that new borrower benefits, which are not required under the Higher Education Act or other applicable laws, rules or regulations, are offered to Obligor, the result of which is to reduce the yield on the related Eligible FFELP Loans, the Borrower Benefit Account will be funded in accordance with Section 6.26 hereof. On or before each Settlement Date, the Administrator will instruct the Administrative Agent to transfer from the Borrower Benefit Account to the Collection Account all amounts on deposit in the Borrower Benefit Account which relate to the related Settlement Period and apply such funds in accordance with Section 2.05(b). Funds on deposit in the Borrower Benefit Account may be invested from time

to time in Eligible Investments in accordance with [Section 2.08](#). All investment earnings on the funds on deposit in the Borrower Benefit Account during any Settlement Period shall be deposited into the Collection Account by the Administrative Agent on or before the second Business Day after the end of that Settlement Period and applied as Available Funds on the Settlement Date for the related Settlement Period. Any funds remaining in the Borrower Benefit Account after the payment in full of all Obligations under the Transaction Documents shall be paid to the holder of the Excess Distribution Certificate.

**Section 2.05. Transfers from Collection Account.**

(a) On or prior to each Reporting Date, the Trust shall cause the Administrator to prepare the Monthly Report and shall provide or cause to be provided to the Administrator all information necessary or appropriate to accurately prepare such Monthly Report, all calculations, unless otherwise specified, to be made as of the end of the related Settlement Period, and cause the Administrator to forward such Monthly Report to the Administrative Agent and each Rating Agency. The Administrative Agent shall promptly forward the Monthly Report to each Managing Agent. The Administrative Agent shall provide to the Trust and the Administrator the Monthly Administrative Agent's Report in the form attached as [Exhibit E](#) hereto no later than five Business Days prior to each Reporting Date.

(b) The Administrative Agent, on each Settlement Date, shall make the following deposits and distributions from Available Funds in the Collection Account in the amount and in the order of priority set forth below as directed by the Administrator on behalf of the Trust (or if the Administrator fails to provide such direction, as provided by the Administrative Agent) pursuant to the Monthly Report, on which the Administrative Agent may conclusively rely, on such Settlement Date (or as otherwise provided in [Article VII](#)), in the following priority:

(i) pay to the Master Servicer an amount equal to its unreimbursed Servicer Advances due and owing;

(ii) pay to the Lockbox Banks, the Eligible Lender Trustee and the Administrator, as appropriate and on a pro rata basis, (A) an amount equal to the Lockbox Bank Fees, the Eligible Lender Trustee Fees and the Administrator Fees, which are due and owing as of the close of business on the last day of the immediately preceding calendar month, and (B) the reasonable out-of-pocket costs and expenses of such Persons not to exceed in the aggregate \$100,000 per annum;

(iii) pay to the Master Servicer, for the benefit of the Master Servicer and any Subservicers, an amount equal to the Primary Servicing Fees which are due and owing as of the close of business on the last day of the immediately preceding Settlement Period;

(iv) on a *pro rata* basis, based on the amounts owed, (A) pay to the Administrative Agent, for the benefit of the holders of the Class A Notes (excluding Class A Notes held by any Defaulting Lenders), Yield on such Class A Notes (excluding, for the avoidance of doubt, any Step-Up Fees) for the previous Yield Period and (B) pay to the Administrative Agent and each Managing Agent as Registered Owner of its Class A Note, as appropriate, an amount equal to all other Financing Costs related to such Class

A Notes (other than amounts owed with respect to Step-Up Fees or with respect to Financing Costs of a type described in clause (ii), (iv), (v) or (vi) of the definition thereof);

(v) [reserved];

(vi) during the Revolving Period: *first*, pay to the Capitalized Interest Account, any amount required to cause the amount on deposit in the Capitalized Interest Account to equal the Required Capitalized Interest Account Balance and *second*, to the Reserve Account, any amount required to cause the amount on deposit in the Reserve Account to equal the Reserve Account Specified Balance;

(vii) following the replacement of the Master Servicer, pay to the replacement Master Servicer the reasonable expenses and charges resulting from the transition in servicing, to the extent such costs have not been paid by the predecessor Master Servicer; provided, that amounts paid under this clause (vii) shall not exceed \$300,000;

(viii) if an Exiting Facility Group Amortization Period has begun and is continuing, provided no Amortization Event or Termination Event has occurred and is continuing, no Step-Down Deficiency exists and the Minimum Asset Coverage Requirement is satisfied before and after giving effect to such payment, pay to the Administrative Agent for the benefit of each Exiting Facility Group its ratable share of the Principal Distribution Amount until each Class A Note of each Exiting Facility Group has been paid in full;

(ix) pay to the Administrative Agent for the benefit of the Note Purchasers, the Principal Distribution Amount (to the extent not distributed pursuant to clause (viii) above) in accordance with their Pro Rata Shares;

(x) *first*, pay to the replacement Master Servicer any amounts described in clause (vii) above which were not previously paid due to the limitation specified in the proviso to such clause (vii), and *second*, pay to the Administrative Agent, for the benefit of the Note Purchasers of Class A Notes (excluding Class A Notes held by Defaulting Lenders), on a pro rata basis if necessary, any Step-Up Fees and any Yield Protection due and owing pursuant to this Agreement as of the close of business on the last day of the immediately preceding Settlement Period;

(xi) pay to the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent, the Co-Valuation Agents, the Conduit Lenders, the LIBOR Lenders, the Managing Agents, the Alternate Lenders, the Program Support Providers and any Affected Party, on a pro rata basis if necessary, any amounts due and owing and not previously paid pursuant to clause (ii) above and any Trust Indemnified Amounts due and owing pursuant to this Agreement or any other Transaction Document as of such Settlement Date;

(xii) pay to the Administrative Agent (i) for the benefit of the Defaulting Lenders any Yield, Step-Up Fees, principal or Yield Protection due and owing and not paid above and (ii) for the benefit of all the Note Purchasers, the Administrative Agent,

the Managing Agents and the Program Support Providers, an amount equal to any other Obligations (other than principal, Yield or Step-Up Fees of any Class A Notes) which are accrued and owing as of the close of business on the last day of the immediately preceding Settlement Period;

(xiii) pay to the Administrative Agent for the benefit of each Exiting Facility Group, to the extent not paid in clause (viii) or (ix) above, *pro rata*, an amount up to the Aggregate Note Balance of each Exiting Facility Group's Class A Note until each Class A Note of each Exiting Facility Group has been paid in full;

(xiv) pay to the Administrator, reimbursements of any out-of-pocket costs and expenses relating to the administration of the Trust or paid on behalf of the Trust, including fees paid to the Rating Agencies on behalf of the Trust, to the extent not previously paid;

(xv) *pro rata*, pay to SLM Corporation in repayment of any SLM Indemnified Amounts paid by it pursuant to [Section 8.02\(b\)](#) and pay to the Administrator in repayment of any amounts paid by it pursuant to [Section 10.08](#);

(xvi) pay to the Master Servicer, for the benefit of the Master Servicer and any Subservicers, an amount equal to any other amounts due and payable to them including Carryover Servicing Fees, if any, which are accrued and unpaid as of the close of business on the last day of the immediately preceding Settlement Period;

(xvii) prior to the commencement of the Amortization Period or the occurrence of a Termination Event, pay to the Administrative Agent for deposit into the Administration Account to fund new purchases of Eligible FFELP Loans;

(xviii) prior to the commencement of the Amortization Period, solely to the extent requested by the Administrator as a prepayment of the Class A Notes in an amount up to the Aggregate Note Balance, pay to the Administrative Agent for the account of the applicable Note Purchasers in accordance with their Pro Rata Shares until the Aggregate Note Balance of the Class A Notes is paid in full;

(xix) pay to SLM Corporation in repayment of accrued interest on and the unpaid principal balance borrowed under the Revolving Credit Agreement;

(xx) if the Administrative Agent has received written notice that any amounts are owed to a former Facility Group under the Guaranty and Pledge Agreement, to pay to the Managing Agent for such former Facility Group any remaining funds up to the amounts then owed under the Guaranty and Pledge Agreement; and

(xxi) if so requested by the Administrator (and so long as (A) no Amortization Event or Termination Event has occurred and is continuing and no Potential Termination Event described in [Section 7.02\(f\)](#) or (g) has occurred and is continuing and (B) there is no unresolved dispute as described in [Section 2.25\(c\)](#), as to the Applicable Percentage to be applied with respect to such Settlement Period), to pay to the holder of the Excess

Distribution Certificate, any Available Funds remaining after the payment in full of each of the foregoing items.

(c) Any funds deposited into the Administration Account for the purpose of purchasing or financing Eligible FFELP Loans or prepayment of the Class A Notes shall be disbursed pursuant to a written direction of the Administrator, on behalf of the Trust, or to the Administrative Agent, as applicable.

(d) In the event that there are insufficient Available Funds to pay the amounts set forth in clauses (ii) through (iv) of Section 2.05(b) due and payable on such date and if no Servicer Advance has been made and no funds withdrawn from the Reserve Account or the Capitalized Interest Account to pay such amounts, and an Excess Collateral Advance could be made in accordance with the terms hereof, then the Trust shall request an Excess Collateral Advance in the amount necessary to pay such amounts.

(e) On each Settlement Date, prior to making the deposits and distributions specified in Section 2.05(b), the Administrative Agent shall pay, from funds on deposit in the Collection Account, any accrued and unpaid amounts due and owing to the Department or any Guarantor, including, without limitation, any Floor Income Rebate Fees and Monthly Rebate Fees, as directed by the Administrator on behalf of the Trust (or if the Administrator fails to provide such direction, as provided by the Administrative Agent) pursuant to the Monthly Report, on which the Administrative Agent may conclusively rely.

**Section 2.06. Capitalized Interest Account and Reserve Account.**

(a) On or prior to the Original Closing Date the Trust established, and the Trust shall hereafter maintain, or cause to be maintained, the Capitalized Interest Account. The Capitalized Interest Account shall be maintained as a segregated account at the Administrative Agent, and shall be under the sole dominion and control of the Administrative Agent, on behalf of the Secured Creditors. The Capitalized Interest Account shall be in the name of the Trust for the benefit of the Administrative Agent, on behalf of the Secured Creditors. Neither the Trust nor the Administrator shall have any withdrawal rights from the Capitalized Interest Account. If at any time a Capitalized Interest Account Funding Event occurs, the Trust shall request a Capitalized Interest Advance in an amount equal to the applicable Maximum Advance Amount for such Advance and deposit the proceeds thereof into the Capitalized Interest Account. In the event that a Capitalized Interest Account Funding Event occurs solely with respect to one or more Non-Renewing Facility Groups, such Advance shall be requested solely from such Non-Renewing Facility Groups. Thereafter, until the commencement of the Amortization Period or the occurrence of a Termination Event, on each Settlement Date, the Administrator shall cause to be deposited into the Capitalized Interest Account from Available Funds pursuant to Section 2.05(b)(vi) such additional amounts as are necessary to cause the amount on deposit in the Capitalized Interest Account to be equal to the Required Capitalized Interest Account Balance calculated as of the last day of the related Settlement Period. Funds on deposit in the Capitalized Interest Account may be invested from time to time in Eligible Investments in accordance with Section 2.08. The Administrative Agent shall apply funds on deposit in the Capitalized Interest Account as described in Section 2.07(a).

(b) On or prior to the Original Closing Date the Administrator established, and the Administrator shall maintain, or cause to be maintained, the Reserve Account by depositing into the Reserve Account cash or Eligible Investments equal to the Reserve Account Specified Balance as of the date of the initial Advance hereunder. The Reserve Account shall be maintained as a segregated account at the Administrative Agent, and shall be under the sole dominion and control of the Administrative Agent, on behalf of the Secured Creditors. The Reserve Account shall be in the name of the Trust for the benefit of the Administrative Agent, on behalf of the Secured Creditors. Neither the Trust nor the Administrator shall have any withdrawal rights from the Reserve Account. On each Advance Date, the Trust shall deposit into the Reserve Account from proceeds of each Advance the amount, if any, necessary to bring the balance in such account up to the Reserve Account Specified Balance. Thereafter, until the commencement of the Amortization Period or the occurrence of a Termination Event, on each Settlement Date, the Administrator shall cause to be deposited into the Reserve Account from Available Funds pursuant to Section 2.05(b)(vi) such additional amounts as are necessary to cause the amount on deposit in the Reserve Account to be equal to the Reserve Account Specified Balance calculated as of the last day of the related Settlement Period. Funds on deposit in the Reserve Account may be invested from time to time in Eligible Investments in accordance with Section 2.08. The Administrative Agent shall apply funds on deposit in the Reserve Account as described in Section 2.07(b).

**Section 2.07. Transfers from the Capitalized Interest Account and Reserve Account.**

(a) To the extent there are insufficient Available Funds in the Collection Account to pay the amounts set forth in clauses (ii) through (iv) of Section 2.05(b) in accordance with the provisions of Section 2.05 on any Settlement Date, the Administrative Agent shall transfer to the Collection Account moneys held by the Administrative Agent in the Capitalized Interest Account, to the extent available for distribution on the specified day, to pay the amounts set forth in clauses (ii) through (iv) of Section 2.05(b) in the priority set forth in Section 2.05.

(b) To the extent there are insufficient Available Funds in the Collection Account to pay the amounts set forth in clauses (ii) through (iv) of Section 2.05(b) in accordance with the provisions of Section 2.05 on any Settlement Date (after taking into account any amounts transferred to the Collection Account pursuant to Section 2.07(a)), the Administrative Agent shall transfer to the Collection Account moneys held by the Administrative Agent in the Reserve Account, to the extent available for distribution on the specified day, to pay the amounts set forth in clauses (ii) through (iv) of Section 2.05(b) in the priority set forth in Section 2.05; provided, that upon the commencement of the Amortization Period or on the occurrence of a Termination Event, all amounts on deposit in the Reserve Account shall immediately be transferred to the Collection Account and shall be part of Available Funds on the next Settlement Date.

(c) To the extent, as of the end of any Settlement Period, there are on deposit in the Reserve Account funds in excess of the Reserve Account Specified Balance calculated as of the end of such Settlement Period (giving effect to any purchase of additional Trust Student Loans between the end of such Settlement Period and the related Settlement Date) or there are on deposit in the Capitalized Interest Account funds in excess of the Required Capitalized Interest Account Balance calculated as of the end of such Settlement Period, then the Administrative



Agent shall withdraw such excess from the relevant account and deposit it into the Collection Account to be used as Available Funds on the related Settlement Date. In addition, (i) if a Capitalized Interest Account Funding Event has occurred solely because of the expiration of the Revolving Period pursuant to clause (ii) of the definition thereof and the Revolving Period is subsequently reinstated, then the Administrative Agent shall withdraw all funds from the Capitalized Interest Account on such date and apply such amounts to repay the Class A Notes on a pro rata basis and (ii) the Administrative Agent shall withdraw and apply funds from the Capitalized Interest Account as and when required in accordance with [Section 2.21\(b\)](#).

**Section 2.08. Management of Trust Accounts.**

(a) All funds held in the Trust Accounts, including investment earnings thereon, shall be invested at the direction of the Administrator in Eligible Investments having a maturity date not later than the next date on which any distributions are to be made from funds on deposit in such Trust Accounts; provided, however, that from and after the Termination Date, the Administrative Agent shall have the sole right to restrict the maturities of any investments held in the Trust Accounts and to direct the withdrawal of any such investments for the purposes of paying the amounts described in [Section 2.05\(b\)](#), including, without limitation, any unpaid principal and Financing Costs on the Class A Notes. All investment earnings (net of losses) on such Eligible Investments shall be credited to the applicable Trust Accounts. In the event that the Administrator shall have failed to give investment directions to the Administrative Agent by 11:00 a.m. on any Business Day on which there may be uninvested cash deposited in any Trust Account, the Administrative Agent shall have no obligation to invest such funds and shall not be liable for any lost potential investment earnings.

(b) Bank of America, N.A. ("**Bank of America**"), in its capacity as Securities Intermediary or depository bank with respect to each Trust Account, hereby agrees with the Trust and the Administrative Agent that (i) each of the Trust Accounts is either a securities account or deposit account maintained at Bank of America; provided, however, that if, at any time, the rating assigned to Bank of America is downgraded below "A-1" by S&P, the Administrative Agent shall, in cooperation with the Administrator, promptly (but in no event longer than 60 days from the time of such downgrade), at no cost to the Trust, transfer each of the Trust Accounts to another financial institution which has either a long-term senior unsecured debt rating of "A+" or better or a short-term senior unsecured debt or certificate of deposit rating of "A-1" or better by S&P, (ii) each item of property (whether investment property, financial asset, security, cash or instrument) credited to any Trust Account shall be treated as a "financial asset" within the meaning of Section 8-102(a)(9) of the UCC to the extent any such Trust Account is a securities account, (iii) Bank of America shall treat the Administrative Agent as entitled to exercise the rights that comprise each financial asset credited to the Trust Accounts, (iv) Bank of America shall comply with entitlement orders originated by the Administrative Agent with respect to any of the foregoing accounts that is a securities account and shall comply with instructions directing the disposition of funds originated by the Administrative Agent with respect to any of the foregoing accounts that is a deposit account, in each case without the further consent of any other person or entity, (v) except as otherwise provided in subsection (a) of this Section, Bank of America shall not agree to comply with entitlement orders or instructions directing the disposition of funds originated by any person or entity other than the Administrative Agent, (vi) the Trust Accounts, and all property credited to such accounts shall not be subject to any lien,

security interest, right of set-off or encumbrance in favor of Bank of America in its capacity as Securities Intermediary or depository bank or anyone claiming through Bank of America as Securities Intermediary or depository bank (other than the Administrative Agent), and (vii) the agreement herein between Bank of America and the Administrative Agent shall be governed by the laws of the State of New York and the jurisdiction of Bank of America, in its capacity as Securities Intermediary or depository bank with respect to each Trust Account, shall be the State of New York for purposes of the UCC. Each term used in this [Section 2.08\(b\)](#) and in [Section 2.08\(c\)](#) and defined in the New York UCC shall have the meaning set forth in the New York UCC.

- (c) No Eligible Investment held in the Trust Accounts in the form of an instrument or certificated security as defined in the New York UCC in the possession of the Securities Intermediary (i) shall be subject to any other security interest or (ii) shall constitute proceeds of any property subject to such third party's security interest.
- (d) The Trust agrees to report as its income for financial reporting and tax purposes (to the extent reportable) all investment earnings on amounts in the Trust Accounts.
- (e) Any investment of any funds in the Trust Accounts shall be made under the following terms and conditions:
  - (i) any such investment of funds shall be made in Eligible Investments which will mature no later than the next Settlement Date (or such shorter periods as the Administrative Agent may direct); and
  - (ii) with respect to each of the investments credited to any of the Trust Accounts, the Administrative Agent for the benefit of the Secured Creditors shall have a first priority perfected security interest in such investment, perfected by control to the extent permitted under Article 9 of the UCC.
- (f) The Administrative Agent shall not in any way be held liable by reason of any insufficiency in the Trust Accounts resulting from losses on investments made in accordance with the provisions of this Agreement (but the institution serving as Administrative Agent shall at all times remain liable for its own debt obligations, if any, constituting part of such investments).
- (g) With respect to each of the Trust Accounts that is a "securities account" (each, a "**Securities Account**"), the Securities Intermediary hereby confirms and agrees that:
  - (i) all securities, financial assets or other property credited to the Securities Accounts shall be registered in the name of the Securities Intermediary by a clearing corporation or other securities intermediary and as to which the Securities Intermediary is entitled to exercise the rights that comprise any financial assets credited to such Securities Account, indorsed to the Securities Intermediary in blank or credited to another Securities Account maintained in the name of the Securities Intermediary, and in no case shall any financial asset credited to any Securities Account be registered in the name of the Trust, payable to the order of the Trust or specially indorsed to the Trust;

(ii) all securities and other property delivered to the Securities Intermediary pursuant to this Agreement shall be promptly credited to the appropriate Securities Account;

(iii) each Securities Account is an account to which financial assets are or may be credited;

(iv) except for the claims and interest of the Administrative Agent and of the Trust in the Securities Accounts and without independent investigation of any kind, the Securities Intermediary does not know of any claim to, or interest in, any Securities Account or in any "financial asset" (as defined in Section 8 102(a)(9) of the UCC) credited thereto; if any person asserts any lien, encumbrance or adverse claim (including any writ, garnishment, judgment, warrant of attachment, execution or similar process) against any Securities Account or in any financial asset carried therein, the Securities Intermediary will promptly notify the Administrative Agent and the Trust thereof upon receiving notice or other actual knowledge thereof.

(h) Each party hereto acknowledges that the Securities Intermediary constitutes a "securities intermediary" within the meaning of Section 8-102(a)(14) of the UCC with respect to each Securities Account and constitutes a "bank" within the meaning of Section 9-102(a)(8) of the New York UCC with respect to each Trust Account that is a "deposit account."

**Section 2.09. [RESERVED].**

**Section 2.10. Grant of a Security Interest.** To secure the prompt and complete payment when due of the Obligations and the performance by the Trust of all of the covenants and obligations to be performed by it pursuant to this Agreement and each other Transaction Document, the Trust (and the Eligible Lender Trustee, in its capacity as titleholder to the Trust Student Loans) (i) on the Original Closing Date assigned (and hereby reaffirms such assignment) to the Administrative Agent, and Granted (and hereby reaffirms such Grant) to the Administrative Agent a security interest in, all of its right, title and interest in (but none of its obligations under), each of the Transaction Documents, including all rights and remedies thereunder (excluding any rights and remedies of the Trust under the Revolving Credit Agreement); and (ii) on the Original Closing Date further Granted (and hereby reaffirms such Grant) to the Administrative Agent on behalf of the Secured Creditors (and their respective successors and assigns), a security interest in all of the Trust's and the Eligible Lender Trustee's, on behalf of the Trust, right, title and interest in the following property, whether now owned or existing or hereafter arising or acquired and wheresoever located:

(a) all Trust Student Loans;

(b) all Collections from Trust Student Loans, including, without limitation, all Interest Subsidy Payments, Special Allowance Payments, borrower payments and reimbursements of principal and accrued interest on default claims received and to be received from any Guarantor;

(c) all Eligible Investments, funds and accrued earnings thereon held in the Trust Accounts;

(d) all Records relating to any of the foregoing items;

(e) all supporting obligations, liens securing any of the foregoing, money and claims and other rights under insurance policies relating to any of the foregoing;

(f) all accounts, general intangibles, payment intangibles, instruments, investment property, documents, chattel paper, goods, moneys, letters of credit, letter of credit rights, certificates of deposit, deposit accounts and all other property and interests in property of the Trust or the Eligible Lender Trustee, on behalf of the Trust, whether tangible or intangible; and

(g) all proceeds of any of the foregoing (collectively, along with the right and title to and interest of the Trust (and the Eligible Lender Trustee, in its capacity as titleholder to the Trust Student Loans) in the Transaction Documents pursuant to clause (i) above and all proceeds thereof, the "**Pledged Collateral**").

The Trust and the Eligible Lender Trustee agree that the foregoing sentence is intended to grant in favor of the Administrative Agent, on behalf of the Secured Creditors, a first priority continuing lien and security interest in all of the Trust's (and the Eligible Lender Trustee's in its capacity as titleholder to the Trust Student Loans) personal property from and after the Original Closing Date. Each of the Trust and the Eligible Lender Trustee authorizes the Administrative Agent and its counsel to file UCC financing statements in form and substance satisfactory to the Eligible Lender Trustee, describing the collateral as all personal property of the Trust. In addition, at the request of the Administrative Agent, the Trust shall file or cause to be filed, and authorizes the Administrative Agent to file, UCC financing statement assignments assigning to the Administrative Agent any financing statement showing the Trust as secured party with respect to the Pledged Collateral. The Trust further confirms and agrees that the Administrative Agent shall have, following the occurrence or declaration of the Termination Date, the sole right to enforce the Trust's rights and remedies under the Transaction Documents with respect to the Pledged Collateral for the benefit of the Secured Creditors, but without any obligation on the part of the Administrative Agent or any other Secured Creditor or any of their respective Affiliates, to perform any of the obligations of the Trust under the Transaction Documents.

**Section 2.11. Evidence of Debt.** Each Managing Agent shall maintain a Note Account (the "**Note Account**") on its books in which shall be recorded (a) all Advances owed to each related Lender in its related Facility Group by the Trust pursuant to this Agreement, (b) the Aggregate Note Balance of the Class A Note held by or on behalf of its related Facility Group, (c) all payments of principal and Financing Costs made by the Trust on such Class A Note, and (d) all appropriate debits and credits with respect to its related Facility Group as provided in this Agreement including, without limitation, all fees, charges, expenses and interest. All entries in each Managing Agent's Note Account shall be made in accordance with such Managing Agent's customary accounting practices as in effect from time to time. The entries in the Note Account shall be conclusive and binding for all purposes, absent manifest error. Any failure to so record or any errors in doing so shall not, however, limit or otherwise affect the obligation of the Trust to pay any amount owing with respect to the Class A Notes or any of the other Obligations.

**Section 2.12. Payments by the Trust.** All payments to be made by the Trust shall be made without set-off, recoupment or counterclaim. Except as otherwise expressly provided herein, all payments by, or on behalf of, the Trust for the account of a Conduit Lender, a LIBOR Lender, an Alternate Lender or a Program Support Provider, as the case may be, shall be made to the Administrative Agent, for further credit to an account designated by such Conduit Lender, LIBOR Lender, Alternate Lender or Program Support Provider or its related Managing Agent, in United States dollars. Such payments (other than amounts already on deposit in the Collection Account) shall be made in immediately available funds to the Administrative Agent no later than 12:00 noon on the date specified herein and the Administrative Agent shall forward such amounts to such Conduit Lender, LIBOR Lender, Alternate Lender or Program Support Provider no later than 1:00 p.m. on the date specified herein. Payments shall be applied in the order of priority specified in Section 2.05(b). Any payment which is received later than 1:00 p.m. (other than payments from amounts already on deposit in the Collection Account) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue.

**Section 2.13. Payment of Stamp Taxes, Etc.** Subject to any limitations set forth in Section 2.20, the Trust agrees to pay any present or future stamp, mortgage, value-added, court or documentary taxes or any other excise or property taxes, charges or similar levies imposed by any federal, state or local governmental body, agency or instrumentality (hereinafter referred to as "**Other Applicable Taxes**") relating to this Agreement, any of the other Transaction Documents or any recordings or filings made pursuant hereto and thereto.

**Section 2.14. Sharing of Payments, Etc.** If, other than as expressly provided elsewhere herein, any Note Purchaser shall obtain on account of the Class A Notes owned by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its Pro Rata Share (or other share contemplated hereunder), such Note Purchaser shall immediately (a) notify the Administrative Agent of such fact and (b) purchase from the other Note Purchasers such participations made by them as shall be necessary to cause such purchasing Note Purchaser to share the excess payment pro rata (based on the Pro Rata Share of each Note Purchaser) with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Note Purchaser, such purchase shall to that extent be rescinded and each other Note Purchaser shall repay to the purchasing Note Purchaser the purchase price paid therefor, together with an amount equal to such paying Note Purchaser's ratable share (according to the proportion of (i) the amount of such paying Note Purchaser's required repayment to (ii) the total amount so recovered from the purchasing Note Purchaser) of any interest or other amount paid or payable by the purchasing Note Purchaser in respect of the total amount so recovered. The Trust agrees that any Note Purchaser so purchasing a participation from another Note Purchaser may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Note Purchaser was the direct creditor of the Trust in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify each Managing Agent following any such purchases or repayments.

**Section 2.15. Yield Protection.**

(a) If (i) any Regulatory Change (including a change to Regulation D under the Securities Act):

(A) shall impose, modify or deem applicable any reserve (including, without limitation, any reserve imposed by the Federal Reserve Board), special deposit, insurance assessment, or similar requirement against assets of any Affected Party, deposits or obligations with or for the account of any Affected Party or with or for the account of any Affiliate (or entity deemed by the Federal Reserve Board to be an affiliate) of an Affected Party, or credit extended to or participated in by any Affected Party;

(B) shall change the amount of capital maintained or required or requested or directed to be maintained by any Affected Party;

(C) shall impose any other condition, cost or expense affecting this Agreement or any portion of the Obligations owed or funded in whole or in part by any Affected Party, or its obligations or rights, if any, to pay any portion of its unused Commitment or to provide funding therefor (other than any condition or expense resulting from the gross negligence or willful misconduct of such Affected Party);

(D) shall change the rate for, or the manner in which the Federal Deposit Insurance Corporation (or any successor thereto) assesses deposit insurance premiums or similar charges; or

(E) subject any Affected Party to any tax of any kind whatsoever with respect to this Agreement, any Obligations or any LIBOR Advance made by it, or change the basis of taxation of payments to such Affected Party in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 2.20 and the imposition of, or any change in the rate of, any Excluded Tax payable by such Affected Party,

or (ii) an Accounting Based Consolidation Event shall at any time occur,

and the result of any of the foregoing is or would be:

(A) to increase the cost to or to impose a cost in any material amount on an Affected Party funding or making or maintaining any portion of the Obligations, or any purchases, reinvestments or loans or other extensions of credit under the Program Support Agreement or any Transaction Document or any commitment of such Affected Party with respect to the foregoing;

(B) to reduce the amount of any sum received or receivable by an Affected Party under this Agreement, or under any Program Support Agreement or any Transaction Document with respect thereto;

(C) in the sole determination of such Affected Party, to reduce the rate of return on the capital of an Affected Party as a consequence of its obligations hereunder or under any Program Support Agreement or arising in connection herewith to a level below that which the Affected Party could otherwise have achieved; or

(D) to cause an internal capital charge or other imputed cost upon such Affected Party, which in the sole determination of such Affected Entity is allocable to the Trust or the transactions contemplated in this Agreement;

then on or before the 30<sup>th</sup> day following the date of demand by such Affected Party (which demand shall be accompanied by a statement setting forth in reasonable detail the basis of such demand), the Trust shall pay directly to such Affected Party such additional amount or amounts as will compensate such Affected Party for such additional or increased cost or charge or such reduction; provided, that such additional amount or amounts shall not be payable with respect to any period in excess of 90 days prior to the date of demand by the Affected Party unless (1) the effect of the Regulatory Change or Accounting Based Consolidation Event is retroactive by its terms to a period prior to the date of the Regulatory Change or Accounting Based Consolidation Event, as applicable, in which case any additional amount or amounts shall be payable for the retroactive period but only if the Affected Party provides its written demand not later than 90 days after such Regulatory Change or Accounting Based Consolidation Event; or (2) the Affected Party reasonably and in good faith did not believe the Regulatory Change or Accounting Based Consolidation Event resulted in such an additional or increased cost or charge or such a reduction during such prior period. Each Affected Party agrees that the Trust shall not be asked to pay amounts which the Affected Party's similarly situated customers are not being requested to pay.

(b) Each Affected Party will promptly notify the Administrator and the Administrative Agent of any event of which it has actual knowledge which will entitle such Affected Party to any compensation pursuant to this Section; provided, however, no failure or delay in giving such notification shall adversely affect the rights of any Affected Party to such compensation.

(c) In determining any amount provided for or referred to in this Section, an Affected Party may use any reasonable averaging or attribution methods that it (in its sole discretion exercised in good faith) shall deem applicable and which it applies on a consistent basis. Any Affected Party when making a claim under this Section shall submit to the Administrator and the Administrative Agent a statement as to such increased cost or reduced return (including calculation thereof in reasonable detail), which statement shall, in the absence of manifest error, be conclusive and binding upon the Trust and the Administrative Agent.

**Section 2.16. Extension of Scheduled Maturity Date.** Provided that no Amortization Event or Termination Event shall have occurred and be continuing, the Trust, acting through the Administrator, may, at any time during the period which is no more than 90 days or less than 45 days immediately preceding the Scheduled Maturity Date (as such date may have been previously extended pursuant to this Section 2.16), request that the then applicable Scheduled Maturity Date be extended for an additional period of up to 364 days. Any such request shall be

in writing and delivered to each Managing Agent and the Administrative Agent. None of the Lenders, Managing Agents or Facility Groups shall have any obligation to extend the Scheduled Maturity Date at any time. Any such extension of the Scheduled Maturity Date with respect to a Lender shall be effective only upon the written agreement of the Trust, the Managing Agent for such Lender's Facility Group, such Lender and, if applicable, the related Conduit Lender. Each Managing Agent will (on behalf of its related Note Purchasers) respond to any such request by providing a response to the Trust and the Administrative Agent within the later of (i) 30 days of its receipt of such request and (ii) 30 days prior to the then-effective Scheduled Maturity Date; provided, however, that if any Facility Group determines that it will not renew its Commitment prior to the response date set forth above, the related Managing Agent shall notify the Administrator as soon as practicable after such determination has been made. Any failure by a Managing Agent to respond by the later of the dates set forth in clause (i) and (ii) of the preceding sentence shall be deemed to be a rejection of the requested extension by such Managing Agent and the related Lenders in its Facility Group. If one or more Managing Agents (but less than all) does not extend the Scheduled Maturity Date, the provisions of Section 2.21(b) shall apply with respect to its Facility Group and the Scheduled Maturity Date shall be extended with respect to the remaining Facility Groups. Notwithstanding the foregoing, in connection with each extension of the Scheduled Maturity Date as provided herein, the Trust shall provide an Opinion of Counsel to the effect that each Advance evidenced under the Class A Notes will constitute indebtedness for United States federal income tax purposes.

**Section 2.17. Servicer Advances.** In the event that, on the Settlement Date relating to any Settlement Period, the amount on deposit in the Collection Account which is allocable to the payment of amounts described in Sections 2.05(b)(ii) through (iv), due and payable on such Settlement Date is not sufficient to pay such amounts, the Master Servicer may, if permitted pursuant to its Servicing Agreement, make an advance in an amount equal to such insufficiency to the extent it believes such Servicer Advance will be recoverable.

**Section 2.18. Release and Transfer of Pledged Collateral.**

(a) The Administrative Agent hereby agrees to release its lien on that portion of the Pledged Collateral transferred from the Trust to the Depositor or the Servicer as a result of purchases or repurchases (including substitutions) of Trust Student Loans pursuant to the Sale Agreement, the Conveyance Agreement, the Tri-Party Transfer Agreement, any Purchase Agreement or any Servicing Agreement; provided, however, that with respect to a repurchase of a Student Loan pursuant to the Sale Agreement, the Conveyance Agreement, the Tri-Party Transfer Agreement or a Purchase Agreement that is not a Permitted Release covered by clause (b) below, it shall be a condition to such release that the Administrative Agent shall have received cash into the Administration Account in an amount equal to the sum of (i) the product of the Applicable Percentage (determined as if each Student Loan were an Eligible FFELP Loan) multiplied by the Principal Balance of such Student Loan and (ii) any amount previously drawn under the Revolving Credit Agreement to purchase such Student Loan (as reduced by any payments of principal received on such Student Loan, proportionately, based on the portion of the purchase price of such Student Loan financed under the Revolving Credit Agreement) or, in the case of any substitution, the Trust shall have received new Eligible FFELP Loans with a Principal Balance equal to or greater than the Principal Balance of the Student Loans being released and the tests set forth in Section 2.18(b)(ii)(B) and (C), shall be satisfied; and provided



further, that with respect to purchases of Student Loans by a Servicer required or expressly permitted as a result of the related Servicing Agreement that is not a Permitted Release covered by clause (b) below, the Administrative Agent has received cash into the Administration Account in an amount equal to that set forth in Section 3.05(a) of the Servicing Agreement or, in the case of any substitution, the Trust shall have received new Eligible FFELP Loans with a Principal Balance equal to or greater than the Principal Balance of the Student Loans being released and the tests set forth in Section 2.18(b)(i)(B) and (C) shall be satisfied.

(b) In addition, the Administrative Agent hereby further agrees to release its lien on that portion of the Pledged Collateral transferred from the Trust to the Depositor or an Affiliate thereof in connection with a Permitted Release. The release of the Administrative Agent's security interest in any Released Collateral pursuant to this Section 2.18(b) shall be subject to the following conditions precedent unless the Required Managing Agents (or following a Termination Event or Amortization Event or with respect to a failure to satisfy condition (ii)(B) below, all of the Managing Agents exclusive of any Managing Agent for any Distressed Lender) have waived such condition (and by transferring the Pledged Collateral the Trust shall be deemed to have certified that all such conditions precedent are satisfied):

(i) such release shall be a Permitted Release,

(ii) before and after giving effect to such release and to any simultaneous acquisition of Trust Student Loans at such time,

(A) there shall not exist any Amortization Event, Servicer Default, Termination Event or Potential Termination Event;

(B) the Minimum Asset Coverage Requirement is met; and

(C) the Weighted Average Remaining Term in School shall be less than 24 months,

(iii) three Business Days prior to any such release that is a Take Out Securitization, a Fair Market Auction, Whole Loan Sale, a Permitted SPE Transfer, a Permitted Seller Buy-Back, a Permitted Excess Collateral Release or a Servicer Buy-Out, the Trust, acting through the Administrator, shall have delivered a notice describing the Trust Student Loans proposed to be released substantially in the form and substance of Exhibit F attached hereto (a "**Notice of Release**") to the Administrative Agent, certifying that the foregoing conditions described in clause (ii) above shall have been satisfied in connection therewith, together with a pro forma report in the form attached hereto as Exhibit G, demonstrating compliance with the conditions described in clause (ii) above,

(iv) on or prior to such Permitted Release, the Trust shall have deposited (I) into the Administration Account cash in an amount equal to the sum of (A) the product of the Applicable Percentage (determined as if each Trust Student Loan proposed to be released were an Eligible FFELP Loan) multiplied by the Principal Balance of each Trust Student Loan proposed to be released and (B) any amount previously drawn under the Revolving Credit Agreement to purchase such Student Loan (as reduced by any payments of principal received on such Student Loan, proportionately, based on the portion of the

purchase price of such Student Loan financed under the Revolving Credit Agreement) and (II) into the Collection Account cash in an amount equal to all Financing Costs (including Step-Up Fees) due and not paid as of the most recent Settlement Date, and

(v) if such release involves Trust Student Loans with an aggregate Principal Balance of more than \$500,000,000, the Trust, acting through the Administrator, shall have made the required deliveries under [Section 2.25\(f\)](#).

(c) Within five Business Days after each release of collateral hereunder in connection with a Take Out Securitization, the Trust, acting through the Administrator, shall deliver to the Administrative Agent a reconciliation statement (the "**Release Reconciliation Statement**") which shall include an updated calculation, based on actual figures, in the form attached as [Exhibit H](#), confirming that the Minimum Asset Coverage Requirement was satisfied before and after giving effect to the related release. If the Release Reconciliation Statement shows that the value of the released Trust Student Loans was greater than the value provided on the Notice of Release, then the Trust shall deposit such difference into the Administration Account.

(d) No more than once per calendar month during the Revolving Period, on any date between the delivery of the monthly Valuation Report during such month and the Settlement Date occurring during such month, so long as the Asset Coverage Ratio exceeds the Minimum Asset Coverage Requirement and no Step-Down Deficiency or Exiting Facility Group Amortization Period exists, the Trust shall be permitted to dividend, distribute or otherwise transfer Trust Student Loans to the holder of the Excess Distribution Certificate with an aggregate Principal Balance in an amount that would not cause the Asset Coverage Ratio to be less than the Minimum Asset Coverage Requirement; provided, however, that (i) if the aggregate Principal Balance of the Trust Student Loans to be transferred exceeds \$500,000,000, then the Trust shall only be permitted to transfer such Trust Student Loans on or after the third (3<sup>rd</sup>) Business Day following the delivery of the information described in [Section 2.25\(f\)](#); and (ii) the Trust shall have deposited into the Collection Account an amount equal to all Financing Costs (including Step-Up Fees) due and not paid as of the most recent Settlement Date. The Administrative Agent hereby agrees to release its lien on that portion of the Pledged Collateral transferred from the Trust to the holder of the Excess Distribution Certificate as a Permitted Release and the provisions of [Section 2.18\(b\)](#) (excluding clause (iv)(I)(A) thereof) shall apply to such release.

**Section 2.19. Effect of Release.** Upon the satisfaction of the conditions in [Section 2.18](#), all right, title and interest of the Administrative Agent in, to and under such Released Collateral shall terminate and revert to the Trust, its successors and assigns, and the right, title and interest of the Administrative Agent in such Released Collateral shall thereupon cease, terminate and become void; and, upon the written request of the Trust, acting through its Administrator, its successors or assigns, and at the cost and expense of the Trust, the Administrative Agent, acting through the Administrator, shall deliver and, if necessary, execute such UCC-3 financing statements and releases prepared by and submitted to the Administrative Agent for authorization as are necessary or reasonably requested in writing by the Trust, acting through the Administrator, to terminate and remove of record any documents constituting public notice of the security interest in such Released Collateral granted hereunder being released.

**Section 2.20. Taxes.**

(a) All payments made by the Trust under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding any U.S. federal taxes (other than federal withholding taxes on interest), net income taxes and franchise taxes or branch profit taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent, any Managing Agent, any Lender or any Program Support Provider as a result of a present or former connection between the Administrative Agent, the Syndication Agent, each Co-Valuation Agent, any Managing Agent, such Lender or any Program Support Provider and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent, any Managing Agent, such Lender or any Program Support Provider having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Transaction Document) (collectively, the “**Excluded Taxes**”). If any non-Excluded Taxes, levies, imposts, duties, charges, fees of any kind, deductions, withholdings or assessments (including, but not limited to any current or future stamp as documentary taxes or any other excise or property taxes, charges or similar levies, but excluding Excluded Taxes) (“**Other Taxes**”) are required to be withheld from any amounts payable to the Administrative Agent, the Syndication Agent, each Co-Valuation Agent, any Managing Agent, any Lender or any Program Support Provider hereunder, the amounts so payable to the Administrative Agent, any Managing Agent, such Lender or any Program Support Provider shall be increased to the extent necessary to yield to the Administrative Agent, the Syndication Agent, each Co-Valuation Agent, any Managing Agent, such Lender or any Program Support Provider (after payment of all Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement; provided, however, that the Trust shall not be required to increase any such amounts payable to any Lender with respect to (i) any Other Taxes that are United States withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that such Lender’s assignor (if any) was entitled, at the time of the assignment, to receive additional amounts from the Trust with respect to such Other Taxes pursuant to this paragraph or (ii) Other Taxes to the extent the Administrative Agent, Managing Agent or Lender will receive a refund or realize the benefit of a credit or reduction in taxes or amount owed to any taxing jurisdiction. To be entitled to receive additional amounts for Other Taxes, the Administrative Agent, Managing Agent or Lender must certify to the Trust that, based upon advice from one of its inside or outside tax advisors, such Administrative Agent, Managing Agent or Lender does not reasonably expect to receive a refund or realize the benefit of a credit or reduction in taxes or amount owed to any taxing jurisdiction as a result of such Other Taxes.

(b) In addition, the Trust shall pay to the relevant Governmental Authority in accordance with applicable law all Other Taxes imposed upon the Administrative Agent, any Managing Agent, such Lender or any Program Support Provider that arise from any payment made hereunder or from the execution, delivery, or registration of or otherwise similarly with respect to, this Agreement.

(c) Whenever any Other Taxes are payable by the Trust, the Administrative Agent or the applicable Managing Agent shall promptly notify the Trust in writing and as soon as practicable, but no later than 30 days thereafter the Trust shall send to the Administrative Agent for its own account or for the account of the Syndication Agent, any Co-Valuation Agent, any Managing Agent, any Program Support Provider or relevant Lender, as the case may be, a certified copy of an original official receipt received by the Trust showing payment thereof. The Trust agrees to indemnify the Administrative Agent, any Managing Agent, any Program Support Provider and each Lender within 10 days after demand therefor from and against the full amount of the Other Taxes arising out of this Agreement (whether directly or indirectly) imposed upon or paid by the Administrative Agent, any Managing Agent, any Program Support Provider or such Lender and any liability (including penalties, interest, and expenses arising with respect thereto), regardless of whether such Other Taxes were correctly or legally asserted by the relevant Governmental Authority; provided, that such Lender shall have provided the Trust with evidence, setting forth in reasonable detail, of payment of such Other Taxes, and the certification required in clause (a) above.

(d) Each Lender (or transferee) that is not a "U.S. Person" as defined in section 7701(a)(30) of the Code (a "**Non-U.S. Lender**") shall deliver to the Trust and the Administrative Agent and its Managing Agent two copies of either U.S. Internal Revenue Service form W-8BEN or form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from the withholding of U.S. federal income tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest," both a form W-8BEN and a certificate substantially in the form of Exhibit I (a "**2.20(d) Certificate**") or any subsequent versions thereof or successors thereto, in all cases properly completed and duly executed by such Non-U.S. Lender, claiming complete exemption from withholding of U.S. federal income tax on all payments by the Trust under this Agreement. Such forms shall be delivered by each Non-U.S. Lender at least five Business Days before the date of the initial payment to be made pursuant to this Agreement by the Trust to such Lender. In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Trust at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Trust (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision in this paragraph, a Non-U.S. Lender shall not be required to deliver any subsequent form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) For any period with respect to which a Lender has failed to provide the Trust, the Administrative Agent or its Managing Agent with the appropriate form, certificate or other document described in Section 2.20(d) (unless such failure is due to a change in treaty, law or regulation, or any interpretation or administration thereof by any Governmental Authority, occurring after the date on which a form, certificate or other document originally was required to be provided), such Lender shall not be entitled to indemnification of additional amounts under Section 2.20 with respect to Other Taxes by reason of such failure; provided, however, that should a Lender, which is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Other Taxes because of its failure to deliver a form required hereunder, the Trust shall take such steps as such Lender shall reasonably request to recover such Other Taxes.

(f) A Lender which is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Trust is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Trust (with a copy to the Administrative Agent), at the time or times prescribed by the applicable law or reasonably requested by the Trust, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate; provided, that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

(g) In cases in which the Trust makes a payment under this Agreement to a U.S. Person with knowledge that such U.S. Person is acting as an agent for a foreign person, the Trust will not treat such payment as being made to a U.S. Person for purposes of Treas. Reg. § 1.1441-1(b)(2)(ii) (or a successor provision) without the express written consent of such U.S. Person.

(h) Each Lender hereby agrees that, upon the occurrence of any circumstances entitling such Lender to indemnification or additional amounts pursuant to this Section 2.20, such Lender shall use reasonable efforts to designate a different lending office if the making of such a change would avoid the need for, or materially reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Lender, be materially disadvantageous to such Lender.

(i) If a Lender receives a refund or realizes the benefit of a credit or reduction in respect of any Other Taxes as to which the Lender has been indemnified by the Trust, or with respect to which the Trust has paid an additional amount hereunder, the Lender shall, within 30 days after the date of such receipt or realization, pay over the amount of such refund or credit (to the extent so attributable, but only to the extent of indemnity payments made, or additional amounts paid, by the Trust under this Section with respect to the taxes or Other Taxes giving rise to such refund or credit) to the Trust, net of all out-of-pocket expenses of such Lender related to claiming such refund or credit, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund or credit); provided, however, that (i) the Lender, acting in good faith, will be the sole judge of the amount of any such refund, credit or reduction and of the date on which such refund, credit or reduction is received, (ii) the Lender, acting in good faith, shall have absolute discretion as to the order and manner in which it employs or claims tax refunds, credits, reductions and allowances available to it and (iii) the Trust agrees to repay the Lender, upon written request from the Lender, as the case may be, the amount of such refund, credit or reduction received by the Trust, plus any penalties, interest or other charges imposed by the relevant Governmental Authority, in the event and to the extent, the Lender is required to repay such refund, credit or reduction to any relevant Governmental Authority.

(j) Notwithstanding any other provision of this Agreement, in the event that a Lender is party to a merger or consolidation pursuant to which such Lender no longer exists or is not the surviving entity (but excluding any change in the ownership of such Lender), any taxes payable under applicable law as a result of such change shall be considered Excluded Taxes to the extent such taxes are in excess of the taxes that would have been payable had such change not occurred.

(k) Within 30 days of the written request of the Trust therefor, the applicable Lender shall execute and deliver to the Trust such certificates, forms or other documents which can be furnished consistent with the facts and which are reasonably necessary to assist the Trust in applying for refunds of taxes remitted hereunder; provided that nothing in this Section 2.20 shall be construed to require any Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Trust or any other Person.

(l) The Trust and each Lender will treat the Class A Notes as debt for U.S. federal income tax purposes.

(m) The agreements in this Section shall survive the termination of this Agreement and the payment of all amounts payable hereunder.

**Section 2.21. Replacement or Repayment of Facility Group.**

(a) **Departing Facility Group.** In the event that (i) the Trust is required to pay amounts under Section 2.15, 2.20 or 10.08 or Article VIII of this Agreement that are particular to an individual Lender, a Program Support Provider or its Managing Agent, (ii) the Administrator reasonably determines that, as a result of a Conduit Lender issuing CP outside the United States commercial paper market, the funding costs for such Conduit Lender are materially higher than for other Lenders, (iii) a Program Support Termination Event occurs with respect to a Program Support Provider or (iv) a Lender becomes a Distressed Lender, then the Trust may require, at its sole expense and effort, upon notice to such Lender or Program Support Provider or to the applicable Managing Agent, that the Managing Agent for such Lender or Program Support Provider assign, without recourse, to one or more financial institutions designated by the Administrator, on behalf of the Trust, all of the rights and obligations hereunder of all, or with the consent of the related Managing Agent, the applicable, Lenders or Program Support Providers within such Facility Group in accordance with Section 10.04; provided, that in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.20, such assignment will result in a reduction in such compensation or payments thereafter; and provided, further that all amounts owing to any member of the Departing Facility Group shall have been paid in full immediately upon the effectiveness of such assignment.

A Managing Agent shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by the affected Lender, Program Support Provider, or Managing Agent or otherwise, the circumstances entitling the Trust to require such assignment and delegation cease to apply. Each member of the Departing Facility Group shall cooperate fully with the Trust in effecting any such assignment.

(b) **Non-Renewing Facility Group.** In the event that one or more Managing Agents (but less than all) gives notice that its Facility Group will not extend the Scheduled Maturity Date pursuant to Section 2.16, then the Trust, acting through the Administrator, may request that the Managing Agent for such Facility Group arrange for an assignment to one or more entities and financial institutions designated by the Administrator, acting on behalf of the Trust, of all of the rights and obligations hereunder of such Non-Renewing Facility Group. If the Managing Agent does not comply with such request within ten Business Days of such request, then the

Administrator, on behalf of the Trust, may arrange for an assignment to one or more existing Facility Groups or replacement Facility Groups of all of the rights and obligations hereunder of the Non-Renewing Facility Group in accordance with Section 10.04. Each member of the Non-Renewing Facility Group shall cooperate fully with the Administrator in effecting any such assignment. If the Administrator is unable to arrange such an assignment within an additional 15 Business Days, then the Commitment of the Non-Renewing Facility Group to make new Advances hereunder shall terminate on the relevant Scheduled Maturity Date; provided, that the Non-Renewing Facility Group shall make a Capitalized Interest Advance in an amount equal to the lesser of (i) its Pro Rata Share of the Capitalized Interest Account Unfunded Balance and (ii) such Non-Renewing Facility Group's unused Commitment on the Business Day prior to its Scheduled Maturity Date for deposit into the Capitalized Interest Account; provided further, that the Non-Renewing Facility Group will continue to make Advances in an amount not to exceed the amount of such Non-Renewing Facility Group's unused Commitment until its Scheduled Maturity Date. The Exiting Facility Group Amortization Period for the Non-Renewing Facility Group shall begin on its Scheduled Maturity Date. So long as the Exiting Facility Group Amortization Period for such Non-Renewing Facility Group has not terminated pursuant to clause (i) or (ii) of the definition thereof, at such time as all other Advances made by such Non-Renewing Facility Group have been paid in full, the aggregate amount of all Capitalized Interest Advances made by the Non-Renewing Facility Group shall be repaid to such Non-Renewing Facility Group to reduce its portion of the Aggregate Note Balance to zero.

(c) [Reserved].

(d) **Termination of the Exiting Facility Group Amortization Period.** The Exiting Facility Group Amortization Period with respect to any Exiting Facility Group shall terminate upon the occurrence of an Amortization Event or Termination Event. After the occurrence of either such event, the Exiting Facility Group shall be entitled to payment with respect to the Aggregate Note Balance pro rata with other Note Purchasers in accordance with Section 2.05(b) or Section 7.03, as applicable.

**Section 2.22. Notice of Amendments to Program Support Agreements.** Each Managing Agent shall provide the Trust and the Administrator with written notice of any amendment to the Program Support Agreements executed in connection with this Agreement if such amendment is reasonably expected by such Managing Agent to result in any material increase in costs or expenses for the Trust or otherwise materially impact the Trust.

**Section 2.23. Lender Holding Account.**

(a) Each Non-Rated Lender must, at the time such Lender becomes a party hereto (or, if a Lender hereunder subsequently becomes a Non-Rated Lender, within ten Business Days of the time it becomes a Non-Rated Lender), and any other Lender may, in its sole discretion at any time, make an advance (such advance, the "**Lender Holding Deposit**") to the Administrative Agent in an amount equal to its Pro Rata Share of the Capitalized Interest Account Unfunded Balance (such amount, the "**Required Holding Deposit Amount**"). Upon receipt of any such Lender Holding Deposit, the Administrative Agent shall deposit such funds into a trust account maintained at a Qualified Institution (each such account, a "**Lender Holding Account**"), in the name of such Holding Account Lender and referencing the name of the Trust. The Lender

Holding Account shall be maintained as a segregated account at the Administrative Agent, and shall be under the sole dominion and control of the Administrative Agent, on behalf of the applicable Holding Account Lender and the Trust. The Lender Holding Account shall not be deemed to be a Trust Account for purposes of this Agreement, but shall be deemed to be property of the Holding Account Lender held for the benefit of the Trust as described herein, and neither the Administrator nor the Trust shall have any rights to withdraw funds from such Lender Holding Account or any interest in or rights to the earnings thereon. Thereafter, until the release and termination of such Lender Holding Account under clause (b) below, any Capitalized Interest Advance to be made by such Holding Account Lender shall be made by withdrawing funds from such Lender Holding Account. Each of the applicable Holding Account Lender and the Trust hereby grants to the Administrative Agent full power and authority, on behalf of the Trust and the applicable Holding Account Lender, to withdraw funds from the applicable Lender Holding Account in order to honor such Holding Account Lender's obligations to fund any Capitalized Interest Advance.

(b) Each Lender Holding Account with respect to any Holding Account Lender, once established, shall continue to be maintained until the earliest of (i) the assignment by such Lender of all of its rights pursuant to Section 10.04 hereof, (ii) such Lender receiving a short-term unsecured indebtedness rating of at least A-1 by S&P and P-1 by Moody's, (iii) such Lender obtaining a guarantee or letter of credit that causes it to cease to be a Holding Account Lender, (iv) the funding of a Capitalized Interest Advance through a withdrawal of funds from such Lender Holding Account that satisfies in full such Holding Account Lender's obligation to fund further Capitalized Interest Advances and (v) the payment in full of the Aggregate Note Balance and the termination of the Commitments hereunder. Upon any of the events described in clauses (i) through (v) of the immediately preceding sentence, the Administrative Agent, at the times and in the manner requested by the Holding Account Lender, shall sell, liquidate or otherwise transfer the investments on deposit in the applicable Lender Holding Account to such accounts as the Holding Account Lender may request, and release to the Holding Account Lender any remaining funds on deposit in such Lender Holding Account. If, due to a reduction in or partial assignment of Commitments of the Holding Account Lender, the amounts on deposit in its Lender Holding Account exceed the applicable Required Holding Deposit Amount, the Administrative Agent shall, at the request of such Holding Account Lender, release such excess to such Holding Account Lender.

(c) From and after the establishment of a Lender Holding Account until one of the events described in clauses (i) through (v) of the first sentence of Section 2.23(b), the Administrative Agent shall continue to maintain such Lender Holding Account and shall, at the direction of the applicable Holding Account Lender, from time to time invest and reinvest the funds on deposit in such Lender Holding Account in Eligible Investments having a maturity not greater than those permitted for funds in the Trust Accounts under Section 2.08(a). The funding of a Lender Holding Deposit shall not be considered an Advance or part of the Aggregate Note Balance for any purpose under this Agreement, including for purposes of calculating any Yield or Non-Use Fees owed to the Facility Groups hereunder or under the Lenders Fee Letter, as applicable. The Administrative Agent shall remit or cause to be remitted to the Managing Agent for each relevant Holding Account Lender, on each Settlement Date or on such other dates on which the Administrative Agent and such Managing Agent mutually agree, all realized investment earnings earned or received in connection with the investment of such funds on



deposit in the Lender Holding Account of such Holding Account Lender so long as the release of such earnings would not cause the amount on deposit in the Lender Holding Account to be less than the Required Holding Deposit Amount. Notwithstanding anything contained herein to the contrary, neither the Administrative Agent nor the Trust shall have any liability for any loss arising from any investment or reinvestment made by it in accordance with, and pursuant to, the provisions hereof.

**Section 2.24. Deliveries by Administrative Agent.** The Administrative Agent agrees that it will forward to the Managing Agents each of the following, promptly after receipt thereof: (a) the annual Administrator's statement delivered to the Administrative Agent pursuant to Section 3.02(a) of the Administration Agreement and (b) any notice of a change in the location of the records of a Servicer delivered to the Administrative Agent pursuant to Section 2.03 of the Servicing Agreement.

**Section 2.25. Mark-to-Market Valuation.**

(a) In accordance with the Valuation Agent Agreement, the Administrator shall provide to the Co-Valuation Agents and, upon request, to each Managing Agent, no later than (i) the fifth calendar day of each month, a collateral tape reflecting the portfolio of Trust Student Loans as of the end of the immediately preceding calendar month and (ii) if required under the Valuation Agent Agreement, the fifth calendar day after each Valuation Date, a collateral tape reflecting the portfolio of Trust Student Loans as of such Valuation Date (provided that portfolio information from subservicers may not be available). Pursuant to the Valuation Agent Agreement, on or before the fifth Business Day after receipt of such collateral tape, each Co-Valuation Agent will deliver to the Administrative Agent two mark-to-market valuations of the Trust Student Loans based on such collateral tape. The Administrative Agent shall deliver to the Administrator, each Managing Agent and the Co-Valuation Agents on or before the Business Day following receipt of the mark-to-market valuations from the Co-Valuation Agents, a Valuation Report setting forth (i) the mark-to-market valuations submitted by the Co-Valuation Agents and (ii) the resulting Applicable Percentage determined in accordance with the Valuation Agent Agreement. The Managing Agents may request, within reason, that such mark-to-market valuations occur more frequently in accordance with and subject to the terms of the Valuation Agent Agreement.

(b) If any Managing Agent disagrees at any time with the mark-to-market valuation stated in the Valuation Report by more than 0.25% (e.g., such Managing Agent believes that a different percentage, which is at least 0.25% less than the mark-to-market valuation set forth in such Valuation Report, should be used to reflect the market value of the Trust Student Loans), such Managing Agent shall submit a notice of such dispute in writing together with such Managing Agent's own good faith valuation to each Co-Valuation Agent, the Administrative Agent and the Administrator within two Business Days after receipt of the related Valuation Report. In such event, the Co-Valuation Agents shall be required to negotiate with such Managing Agent in good faith to determine an agreed upon mark-to-market valuation within three Business Days after receipt of such notice. If the Co-Valuation Agents do not reach an agreement with the Managing Agent within such three Business Day period, the mark-to-market valuation to be used for determining the new Applicable Percentage shall be the average of the mark-to-market valuations submitted by the Co-Valuation Agents and such Managing Agent.

(c) If the Administrator disagrees at any time with the mark-to-market valuation stated in the Valuation Report by more than 0.25% (e.g., the Administrator believes that a different percentage, which is at least 0.25% greater than the mark-to-market valuation set forth in such Valuation Report, should be used to reflect the market value of the Trust Student Loans), the Administrator shall submit a notice of such dispute in writing to the Administrative Agent and each Co-Valuation Agent within two Business Days after receipt of the related Valuation Report. The Co-Valuation Agents shall be required to negotiate with the Administrator in good faith to determine an agreed upon mark-to-market valuation within three Business Days after receipt of such notice. At the end of such period, each Co-Valuation Agent shall resubmit its good faith valuation (adjusted, to the extent applicable, following such negotiation) to the Administrative Agent and the mark-to-market valuation to be used for determining the new Applicable Percentage shall be the average of the mark-to-market valuations submitted by the Co-Valuation Agents.

(d) During the pendency of any dispute described in clause (b) or (c) above, the Applicable Percentage to be applied shall be the disputed Applicable Percentage set forth in the Valuation Report; provided, however, that to the extent the Administrator has disputed the Applicable Percentage, the Administrator, on behalf of the Trust, shall cause to be transferred into the Administration Account amounts required to cure any breach of the Minimum Asset Coverage Requirement based on the disputed Applicable Percentage, which amounts shall be maintained therein until such dispute is resolved, at which time the Administrator, on behalf of the Trust, may, if the dispute is resolved at a higher valuation, withdraw the portion of such payment that is no longer required to satisfy the Minimum Asset Coverage Requirement and release such amount to the Trust. To the extent an Applicable Percentage changes due to either a mark-to-market valuation or as a result of the process required to obtain a periodic ratings confirmation letter, all new Eligible FFELP Loans shall thereafter be sold to the Trust using such revised Applicable Percentages, and with respect to all Eligible FFELP Loans then owned by the Trust, the Administrator, on behalf of the Trust, shall cure any Minimum Asset Coverage Requirement deficiency by causing cash to be contributed, or by causing Eligible FFELP Loans to be transferred, to the Trust by the Business Day following the date of adjustment of the Applicable Percentage and deliver an updated calculation of the Asset Coverage Ratio on such Business Day demonstrating that the Minimum Asset Coverage will be satisfied after giving effect to such cure.

(e) No amounts shall be paid to the holder of the Excess Distribution Certificate pursuant to Section 2.05(b)(xxi) until any dispute as to the Applicable Percentage is resolved and, if applicable, any additional amounts required to be deposited into the Administration Account to satisfy the Minimum Asset Coverage Requirement shall have been deposited therein.

(f) In connection with any Permitted Release under Section 2.18 involving a release of Trust Student Loans with an aggregate Principal Balance of more than \$500,000,000, the Trust, acting through the Administrator, shall deliver to each Co-Valuation Agent either (i) summary statistics of the Pledged Collateral being released, together with a copy of a collateral tape describing the released assets, to the extent such a tape has been prepared and delivered to any third parties in connection with such release, or (ii) an updated collateral tape reflecting the portfolio of Trust Student Loans after giving effect to such release. The Trust, acting through the Administrator, shall also use commercially reasonable efforts to provide, with reasonable

promptness, such other information as may be reasonably requested by any Managing Agent in connection with such release.

(g) The parties agree that, for purposes of this Agreement and the Valuation Agent Agreement, delivery of any collateral tape shall be effective if (i) the same is posted through the Administrator's customary file transfer protocols as in effect on the Original Closing Date (as such protocols may be modified in a manner mutually acceptable to the Administrator and the Co-Valuation Agents), and (ii) notice of such posting is given to the applicable recipient in accordance with [Section 10.02](#).

**Section 2.26. Inability to Determine Rates.** If the Required Managing Agents determine, for any reason in connection with any request for a LIBOR Advance, that (a) dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Tranche Period of such LIBOR Advance, (b) adequate and reasonable means do not exist for determining the LIBOR Base Rate for any requested Tranche Period with respect to a proposed LIBOR Advance, or (c) the LIBOR Base Rate for any requested Tranche Period with respect to a proposed LIBOR Advance does not adequately and fairly reflect the cost to such Lenders of funding such Advance, the Administrative Agent will promptly so notify the Trust and each Lender. Thereafter, the obligation of the Lenders to make or maintain a LIBOR Advance shall be suspended until the Administrative Agent (upon the instruction of the Required Managing Agents) revokes such notice. Upon receipt of such notice, the Trust may revoke any pending request for a LIBOR Advance, or failing that, will be deemed to have converted such request into a request for Base Rate Advances in the amount specified therein.

**Section 2.27. Calculation of Monthly Yield.** On or before the fifth calendar day after the last day of any Settlement Period, each Managing Agent shall notify the Administrator and the Administrative Agent of the Yield payable to its Facility Group on the succeeding Settlement Date together with, (i) if interest for any portion of any Class A Note for any portion of such Settlement Period is determined by reference to the CP Rate, the applicable CP Rate for such Settlement Period for the applicable Conduit Lender and if such CP Rate is calculated based on match-funding rather than pool funding, the Related LIBOR Rate applicable to such Conduit Lender; (ii) if interest for any portion of any Class A Note for any portion of such Settlement Period is determined by reference to the LIBOR Rate, such Managing Agent's calculation of the applicable LIBOR Rate for such Settlement Period (which rate may be based on such Managing Agent's good faith estimates of the LIBOR Rates to be in effect during the remainder of such Interest Accrual Period) and (iii) any Estimated Interest Adjustments owing in respect of the previous Settlement Date.

### ARTICLE III.

#### THE NOTES

##### **Section 3.01. Form of Class A Notes Generally.**

(a) The Class A Notes shall be in substantially the form set forth in [Exhibit J](#) with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Agreement, and may have such letters, numbers or other marks of identification

and such legends or endorsements placed thereon as may, consistently herewith, be determined by the officers executing such Class A Notes, as evidenced by their execution of the Class A Notes.

(b) The Class A Notes shall be typewritten or printed.

(c) The Class A Notes shall be issuable only in registered form and with a maximum aggregate principal amount that, when aggregated with the maximum aggregate principal amounts of each other Outstanding Class A Note, will not be less than the Maximum Financing Amount. One Class A Note in the maximum aggregate principal amount equal to the Pro Rata Share of the Maximum Financing Amount of each Facility Group shall be registered in the name of the Managing Agent for such Facility Group.

(d) All Class A Notes shall be substantially identical except as to maximum denomination and except as may otherwise be provided in or pursuant to this Section.

**Section 3.02. Securities Legend.** Each Note issued hereunder will contain the following legend:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR REGULATORY AUTHORITY OF ANY STATE. THIS NOTE HAS BEEN OFFERED AND SOLD PRIVATELY. THE REGISTERED OWNER HEREOF ACKNOWLEDGES THAT THESE SECURITIES ARE "RESTRICTED SECURITIES" THAT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREES FOR THE BENEFIT OF THE TRUST AND ITS AFFILIATES THAT THESE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (I) TO A PERSON WHOM THE TRANSFEROR REASONABLY BELIEVES IS AN INSTITUTIONAL ACCREDITED INVESTOR TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR TRANSFER IS BEING MADE IN RELIANCE ON REGULATION D, AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION OR (II) TO A PERSON IN A TRANSACTION THAT IS REGISTERED UNDER THE SECURITIES ACT OR THAT IS OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS. THE HOLDER HEREOF, BY ACQUIRING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE DEPOSITOR, THE ADMINISTRATOR, THE ADMINISTRATIVE AGENT AND THE ELIGIBLE LENDER TRUSTEE THAT: IT IS AN INSTITUTIONAL ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a)(1)-(3) AND (7) OF REGULATION D UNDER THE SECURITIES ACT) OR AN ENTITY IN WHICH ALL THE EQUITY OWNERS COME WITHIN SUCH PARAGRAPHS; ITS ACQUISITION OF THIS NOTE IS OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY

APPLICABLE STATE SECURITIES LAWS AND IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION.

**Section 3.03. Priority.** Except as permitted by Section 2.05(b), Section 2.21 or Section 7.03(b), all Class A Notes issued under this Agreement shall be in all respects equally and ratably entitled to the benefits hereof and secured by the Pledged Collateral without preference, priority or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Agreement. All payments of Financing Costs on the Class A Notes shall be made pro rata among all Outstanding Class A Notes based on the amount of Financing Costs owed on such Class A Notes, without preference or priority of any kind. Except as provided in Sections 2.05(b) and 2.21, payments of principal on the Class A Notes shall be made pro rata among all Outstanding Class A Notes, without preference or priority of any kind.

**Section 3.04. Execution and Dating.** The Class A Notes shall be executed on behalf of the Trust by any of the Authorized Officers of the Eligible Lender Trustee. The signature of any of these officers on the Class A Notes may be manual or facsimile. Each Note shall be dated the date of its execution.

**Section 3.05. Registration, Registration of Transfer and Exchange, Transfer Restrictions.**

(a) The Trust shall cause to be kept a register (the “**Note Register**”) in which, subject to such reasonable regulations as it may prescribe, the Trust shall provide for the registration of the Class A Notes and for transfers of the Class A Notes. The Administrative Agent, acting solely for this purpose as agent for the Trust, shall serve as “**Note Registrar**” for the purpose of registering the Class A Notes and transfers of the Class A Notes as herein provided.

(b) Upon surrender for registration of transfer of any Note at the address of the Trust referred to in Exhibit M, the Trust shall execute and deliver in the name of the designated transferee or transferees, one or more new Class A Notes of any authorized denominations and of a like tenor and aggregate principal amount.

(c) At the option of the Registered Owner, Class A Notes may be exchanged for other Class A Notes of the same series and of like tenor in a maximum principal amount consistent with Section 3.01(c), upon surrender of the Class A Notes to be exchanged at such office or agency. Whenever any Class A Notes are so surrendered for exchange, the Trust shall execute and deliver the Class A Notes, which the Registered Owner making the exchange is entitled to receive.

(d) All Class A Notes issued upon any registration of transfer or exchange of Class A Notes shall be the valid obligations of the Trust, evidencing the same debt, and entitled to the same benefits under this Agreement, as the Class A Notes surrendered upon such registration of transfer or exchange.

(e) Every Note presented or surrendered for registration of transfer or for exchange shall (if so required by the Trust or the Administrative Agent) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Trust and the Note

Registrar duly executed, by the Registered Owner thereof or his attorney duly authorized in writing with such signature guaranteed by a commercial bank or trust company, or by a member firm of a national securities exchange, and such other documents as the Administrative Agent may require. The Trust shall notify the Administrative Agent, as the Note Registrar, of each transfer or exchange of Class A Notes.

(f) No service charge shall be made for any registration of transfer or exchange of Class A Notes, but the Trust or the Administrative Agent may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Class A Notes.

**Section 3.06. Mutilated, Destroyed, Lost and Stolen Class A Notes.**

(a) If any mutilated Class A Note is surrendered to the Administrative Agent, the Trust shall execute and deliver in exchange therefor a new Class A Note of the same series and of like tenor and maximum principal amount and bearing a number not contemporaneously outstanding. If there shall be delivered to the Trust (i) evidence to the Trust's satisfaction of the destruction, loss or theft of any Class A Note and (ii) such security or indemnity as may be required by them to hold the Trust and any of its agents, including the Administrative Agent and the Eligible Lender Trustee, harmless, then, in the absence of notice to the Trust that such Class A Note has been acquired by a bona fide purchaser, the Trust shall execute and deliver, in lieu of any such destroyed, lost or stolen Class A Note, a new Class A Note of the same series and of like tenor and principal amount and maximum principal amount and bearing a number not contemporaneously outstanding.

(b) In case any such mutilated, destroyed, lost or stolen Class A Note has become or is about to become due and payable, the Trust in its discretion may, instead of issuing a new Class A Note, pay such Class A Note.

(c) Upon the issuance of any new Class A Note under this Section, the Trust may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Note Registrar) connected therewith.

(d) Every new Class A Note issued pursuant to this Section in lieu of any destroyed, lost or stolen Class A Note shall constitute an original additional contractual obligation of the Trust, whether or not the destroyed, lost or stolen Class A Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Class A Notes duly issued hereunder.

(e) The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Class A Notes.

**Section 3.07. Persons Deemed Owners.** Prior to due presentment of a Class A Note for registration of transfer, the Trust, the Administrative Agent and any agent of the Trust or the Administrative Agent may treat the Person in whose name such Class A Note is registered as the absolute owner of such Class A Note for the purpose of receiving payment of principal of and

Financing Costs on such Class A Note and for all other purposes whatsoever, whether or not such Class A Note be overdue, and none of the Trust, the Administrative Agent or any agent of the Trust or the Administrative Agent shall be affected by notice to the contrary.

**Section 3.08. Cancellation.** Subject to Section 3.05(b), all Class A Notes surrendered for payment, prepayment in whole, registration of transfer or exchange shall, if surrendered to any Person other than the Trust, be delivered to the Trust and shall be promptly cancelled by the Trust. The Trust may at any time cancel any Class A Notes previously delivered hereunder which the Trust may have acquired in any manner whatsoever, and may cancel any Class A Notes previously executed hereunder which the Trust has not issued and sold. No Class A Notes shall be executed and delivered in lieu of or in exchange for any Class A Notes cancelled as provided in this Section, except as expressly permitted by this Agreement. All cancelled Class A Notes held by the Trust shall be held or destroyed by the Trust in accordance with its standard retention or disposal policy as in effect at the time.

**Section 3.09. CUSIP/DTC Listing.** Each of the Administrator, SLM Corporation and the Trust hereby covenants and agrees, at the request of any Lender, to take any actions reasonably requested by any such requesting Lender in order to obtain a CUSIP number for such Lender's Class A Notes or to list such Lender's Class A Notes on The Depository Trust Company ("*DTC*"); provided, however, that the Trust shall not be required to pay amounts under Section 2.15, 2.20 or 10.08 as a result of such action. The requesting Lender agrees to pay all costs and expenses (other than legal expenses) associated with obtaining any such CUSIP number or making such listing on DTC, and the Administrator agrees to pay all costs and expenses associated with any amendments to be made to this Agreement as determined to be reasonably necessary to accomplish the foregoing; provided further, that the parties hereto agree that no amendment fee in connection therewith will apply.

**Section 3.10. Legal Final Maturity Date.** The Class A Notes shall be due and payable in full on the Legal Final Maturity Date.

#### ARTICLE IV.

##### CONDITIONS TO ORIGINAL CLOSING DATE, A&R CLOSING DATE AND ADVANCES

**Section 4.01. Conditions Precedent to Original Closing Date.** The parties hereto hereby agree that the following conditions precedent to the purchase of the Notes under the Initial Note Purchase Agreement on the Original Closing Date were represented by the Trust to have been satisfied or were otherwise waived in writing by the Required Managing Agents on or prior to the Original Closing Date:

- (a) the following documents and opinions have been delivered to the Administrative Agent, in form and substance satisfactory to each Managing Agent:
  - (i) executed copies of the Transaction Documents and each Note,
  - (ii) UCC-1 Financing Statements;

(iii) Officer's Certificates of the Trust, the Eligible Lender Trustee, the Administrator, the Master Servicer, SLM Corporation, each Seller, the Master Depositor, and the Depositor certifying, in each case the articles of incorporation or equivalent organization document, certificate of formation, by-laws or the equivalent, board resolutions, good standing certificates and the incumbency and specimen signature of each officer authorized to execute the Transaction Documents (on which certificates the Administrative Agent, Managing Agents and Note Purchasers may conclusively rely until such time as the Administrative Agent and the Managing Agents shall receive from the applicable Person a revised certificate meeting the requirements of this clause);

(iv) Officer's Certificates of the Trust certifying that each of the Guarantee Agreements that have been provided to the Administrative Agent are true and correct copies thereof and remain in full force and effect;

(v) Opinions of Counsel to the Trust, the Depositor, the Master Depositor, each Seller, the Administrator, the Master Servicer, SLM Corporation, and the Eligible Lender Trustee in form and substance acceptable to the Administrative Agent; with respect to, among other things: (A) the due organization, good standing and power and authority of each of the Transaction Parties; (B) the due authorization, execution and delivery of each of the Transaction Documents by the Transaction Parties party thereto; (C) the enforceability of each of the transaction documents against each of the Transaction Parties party thereto; (D) that all governmental consents or filings required under New York or federal law or applicable corporate law in connection with the execution, delivery and performance of the Transaction Documents have been made; (E) the absence of conflicts with organizational documents, laws, regulations, court orders or contracts arising from the execution, delivery and performance by the Transaction Parties of the Transaction Documents; (F) the exemption from registration of the Notes under the Securities Act; (G) the exemption of the Trust and the Depositor from registration under the Investment Company Act; (H) the validity and perfection of the security interests created under the Transaction Documents; (I) that each transfer of assets under the Purchase Agreements, the Conveyance Agreement and the Tri-Party Transfer Agreement constitutes a "true sale" in the event of the bankruptcy of the applicable Seller or, in the case of the Conveyance Agreement, the Master Depositor; (J) the priority of any security interests created under the Transaction Documents; (K) the non-consolidation of the assets and liabilities of the Depositor and the Trust with the Sellers, the Master Depositor, Sallie Mae, Inc. and SLM Corporation in the event of the bankruptcy of any such entity; and (L) the treatment of the Class A Notes as debt for federal income tax purposes and the classification of the Trust not as an association or otherwise taxable as a corporation for federal income tax purposes;

(vi) a schedule of all Trust Student Loans as of the Closing Date;

(vii) UCC search report results dated a date reasonably near the Closing Date listing all effective financing statements which name the Trust, any Seller, the Master Depositor, the Depositor or the Eligible Lender Trustee (under its present name or any previous names) in any jurisdictions where filings are to be made under clause (ii) above (or similar filings would have been made in the past five years);



- (viii) financing statement terminations on Form UCC-3, if necessary, to release any liens;
  - (ix) evidence of establishment of the Trust Accounts;
  - (x) evidence of any required certification from S&P and Moody's with respect to pre-review Conduit Lenders;
  - (xi) such powers of attorney as the Administrative Agent or any Managing Agent shall reasonably request to enable the Administrative Agent to collect all amounts due under any and all of the Pledged Collateral;
  - (xii) a list of any pre-approved Lockbox Bank arrangements and copies of all related documentation; and
  - (xiii) a letter from Moody's stating that the Class A Notes have received a long term definitive rating of "Aaa" and the Class B Notes have received a long term definitive rating of "A2", in each case subject to customary surveillance procedures;
- (b) all fees due and payable to the Arrangers, the Co-Valuation Agents, the Lenders, the Managing Agents, the Administrative Agent, the Syndication Agent and the Eligible Lender Trustee on the Closing Date were paid;
- (c) a review of the portfolio and servicing operations had been conducted by Protiviti Inc. based on procedures agreed upon among the Managing Agents, the Administrative Agent, the Administrator and the Master Servicer;
- (d) the Managing Agents completed satisfactory due diligence on the status of SLM Corporation's current class action litigation and legal compliance issues;
- (e) the Private Credit Loan Facility and the other FFELP Loan Facilities closed contemporaneously;
- (f) the senior unsecured debt rating of SLM Corporation was not downgraded by Moody's or S&P below investment grade;
- (g) no event had occurred since December 31, 2007 which could reasonably have been expected to have a material adverse effect on the business, assets or condition of SLM Corporation and its Affiliates taken as a whole, other than as disclosed to each of the Administrative Agent, the Lead Arrangers, the Managing Agents and the Lenders prior to January 25, 2008;
- (h) there were no Competing Financing Transactions outstanding or being offered, placed or arranged, other than the other FFELP Loan Facilities, the Private Credit Loan Facility, the VG Funding Facility, the Mustang Funding I Facility, the Mustang Funding II Facility and the Phoenix Fundings Facility;

(i) the Administrator delivered to the Administrative Agent evidence of (i) notification to the administrative agents under the VG Funding Facility, the Mustang Funding I Facility and the Mustang Funding II Facility that no further advances shall be made thereunder after the Closing Date; (ii) an irrevocable written request from or on behalf of VG Funding I to terminate the VG Funding Facility in full on the date of the initial Advance; (iii) written agreement from VG Funding I and Sallie Mae, Inc., in its capacity as administrator under the VG Funding Facility to waive any waiting period or extension period during which the lenders under the VG Funding Facility are stayed from exercising remedies; (iv) an irrevocable written request from or on behalf of each of Mustang Funding I, LLC and Mustang Funding II, LLC providing for the termination of the Mustang Funding I Facility and the Mustang Funding II Facility, on or prior to the 15th Business Day after the date the initial Advance has been made under this Agreement and (v) written agreement from Mustang Funding I, LLC, Mustang Funding II, LLC and Sallie Mae, Inc., in its capacity as administrator under the Mustang Funding I Facility and Mustang Funding II Facility to waive any waiting period or extension period during which the lenders under the Mustang Funding I Facility and Mustang Funding II Facility are stayed from exercising remedies;

(j) the aggregate amount of (i) Commitments under the Initial Note Purchase Agreement, (ii) commitments under the other FFELP Loan Facilities, (iii) commitments under the Private Credit Loan Facility, (iv) commitments under any Competing Financing Transactions with a commitment maturity of not less than 364 days, and (v) funds received from any term securitizations or whole loan sales consummated after January 25, 2008, the proceeds of which have been or will be used to repay outstanding amounts under the VG Funding Facility, the Mustang Funding I Facility or the Mustang Funding II Facility and which financings of the type described in this clause (v) were in excess of any financings projected by SLM Corporation on or prior to January 25, 2008 and which did not involve a material portion of the unencumbered assets of SLM Corporation or its Affiliates, was equal to or exceeded \$30,000,000,000; and

(k) such other information, certificates, documents and actions as the Required Managing Agents and the Administrative Agent reasonably requested had been received or performed.

Capitalized terms used in this Section 4.01 have the meanings assigned thereto in the Initial Note Purchase Agreement or, if not defined therein, in this Agreement.

**Section 4.02. Conditions Precedent to Advances.**

(a) [Intentionally Reserved].

(b) **Conditions Precedent to All Advances.** Each Advance (excluding any Capitalized Interest Advances) shall be subject to the further conditions precedent, unless waived by the Required Managing Agents (or, in the case of clauses (iv)(B)(1), (iv)(B)(2), (iv)(B)(4), (iv)(C), (iv)(D), (iv)(F), (v), (x) and (xi) below, waived by all of the Managing Agents exclusive of any Managing Agent for any Distressed Lender), that on the date of such Advance (and the Trust, by accepting the proceeds of such Advance, shall be deemed to have certified that all such conditions unless waived are satisfied on the date of such Advance):

(i) with respect to any Purchase Price Advance, the Eligible FFELP Loans are being (A) purchased by the Master Depositor from a Seller (or, if on or after the A&R Closing Date, an Ongoing Seller) pursuant to a Purchase Agreement, (B) then purchased by the Depositor from the Master Depositor pursuant to the Conveyance Agreement and (C) subsequently purchased by the Trust from the Depositor pursuant to the Sale Agreement;

(ii) with respect to any Purchase Price Advance, on or prior to the Advance Date, the Trust shall cause to be delivered to the Administrative Agent copies of the relevant Purchase Agreement (except to the extent previously delivered), Conveyance Agreement (except to the extent previously delivered), Sale Agreement (except to the extent previously delivered), bills of sale and blanket endorsements, together with a Schedule of Trust Student Loans, and copies of all schedules, financing statements and other documents required to be delivered by the applicable Seller, the Master Depositor and the Depositor as a condition of purchase thereunder;

(iii) with respect to any Advance, on or prior to the Advance Date, the Trust shall cause to be delivered to the Administrative Agent an Advance Request at the time required in Section 2.02(b);

(iv) on the Advance Date, the following statements shall be true, and the Trust by accepting the amount of such Advance shall be deemed to have certified that:

(A) the representations and warranties contained in Article V are correct on and as of such day as though made on and as of such date, both before and after giving effect to such Advance (or, to the extent such representations and warranties speak as of a specific date, were true and correct on and as of such date);

(B) no event has occurred and is continuing, or would result from such Advance, which constitutes (1) a Termination Event, (2) a Servicer Default, (3) a Potential Termination Event, or (4) an Amortization Event;

(C) the Requested Advance Amount does not exceed the Maximum Advance Amount;

(D) there has occurred no event which could reasonably be determined to have a Material Adverse Effect with respect to the Trust;

(E) no law or regulation shall prohibit, and no order, judgment or decree of any Official Body shall prohibit or enjoin, the making of such Advances in accordance with the provisions hereof;

(F) the amount of money equal to any shortfall in the Reserve Account Specified Balance on such date shall be deposited into the Reserve Account on such date from the proceeds of such Advance;

(G) all covenants and agreements contained in the Transaction

Documents, including the delivery of all reports required to be delivered thereunder, shall have been complied with by the Trust, subject to any applicable grace periods or waivers granted; and

(H) immediately before and after giving effect to such Advance, no Step-Down Deficiency exists;

(v) the Termination Date shall not have been declared;

(vi) with respect to any Purchase Price Advance, the related Servicer, as bailee for the Administrative Agent for the benefit of the Secured Creditors, shall be in possession of the original Student Loan Notes or certified copies thereof, to the extent more than one loan is evidenced by such Student Loan Note, representing the Student Loans being financed with the proceeds of such Advance;

(vii) with respect to any Purchase Price Advance, all conditions precedent to the Trust's acquisition of the Student Loans to be financed with the proceeds of such Advance (other than the payment of the purchase price therefor) shall have been satisfied;

(viii) no suit, action or other proceeding, investigation or injunction, or final judgment relating thereto, shall be pending or threatened before any court or governmental agency, seeking to restrain or prohibit or to obtain damages or other relief in connection with any of the Transaction Documents or the consummation of the transactions contemplated hereby;

(ix) no statute, rule, regulation or order shall have been enacted, entered or deemed applicable by any government or governmental or administrative agency or court that would make the transactions contemplated by any of the Transaction Documents illegal or otherwise prevent the consummation thereof;

(x) after giving effect to such Advance, the Asset Coverage Ratio shall be greater than or equal to the Minimum Asset Coverage Requirement;

(xi) the ratings for the Class A Notes shall not have been reduced below the applicable Required Ratings on such Advance Date;

(xii) the amount of such Advance, together with any amounts drawn under the Revolving Credit Agreement in connection with the purchase of the related Student Loans, shall, in the aggregate, be reasonably equal to the fair market value of such Student Loans;

(xiii) with respect to any Purchase Price Advance, after giving effect to the purchase by the Trust of the related additional Eligible FFELP Loans, the Weighted Average Remaining Term in School shall not be more than 24 months;

(xiv) the Requested Advance Amount for such Advance Date, together with the aggregate amount of all advances to be made under the other FFELP Loan Facilities on such Advance Date, shall not exceed \$1,500,000,000;

(xv) the sum of (A) the Requested Advance Amount on such Advance Date, (B) the aggregate amount of all advances to be made under the other FFELP Loan Facilities on such Advance Date, (C) the amount of all Advances already made during such calendar week and (D) the aggregate amount of all advances already made under the other FFELP Loan Facilities during such calendar week, shall not exceed \$5,000,000,000; and

(xvi) there were no Financing Costs (including Step-Up Fees) due and not paid as of the most recent Settlement Date.

(c) **Conditions Precedent to Capitalized Interest Advances.** Each Capitalized Interest Advance shall be subject to the following conditions precedent, unless waived by each of the Managing Agents, that on the date of such Advance (and the Trust, by accepting the proceeds of such Advance, shall be deemed to have certified that all such conditions unless waived are satisfied on the date of such Advance):

(i) the Trust shall cause to be delivered to the Administrative Agent an Advance Request (and, if the Trust fails to deliver such Advance Request, the Administrative Agent shall prepare and deliver to the Managing Agents on the Trust's behalf) at the time required in Section 2.02(b); and

(ii) on the Advance Date, the following statements shall be true, and the Trust by accepting the amount of such Advance shall be deemed to have certified that:

(A) the Requested Advance Amount for the Capitalized Interest Advance does not, in the aggregate, exceed the Maximum Advance Amount;

(B) no law or regulation shall prohibit, and no order, judgment or decree of any Official Body shall prohibit or enjoin, the making of such Advances in accordance with the provisions hereof;

(C) no Event of Bankruptcy shall have occurred with respect to the Trust; and

(D) the Scheduled Maturity Date shall not have occurred.

(d) **Additional Condition Precedent to Initial Advance for the Purchase of Student Loans from Phoenix Fundings LLC after the A&R Closing Date.** With respect to the initial Purchase Price Advance after the A&R Closing Date the proceeds of which will be used to purchase Eligible Student Loans from Phoenix Fundings LLC, such Purchase Price Advance shall be subject to the further conditions precedent, unless waived by the Required Managing Agents, that the Administrative Agent shall have received (i) a copy of each purchase agreement pursuant to which Phoenix Fundings LLC purchased such Student Loans and (ii) a reliance letter permitting the parties hereto to rely on the true sale opinion of counsel delivered in connection with such purchase of Student Loans by Phoenix Fundings LLC.

(e) **Additional Condition Precedent to Initial Advance for the Purchase of Student Loans from VG Funding, LLC after the A&R Closing Date.** With respect to the initial

Purchase Price Advance after the A&R Closing Date the proceeds of which will be used to purchase Eligible Student Loans from VG Funding, LLC, such Purchase Price Advance shall be subject to the further conditions precedent, unless waived by the Required Managing Agents, that the Administrative Agent shall have received (i) a copy of each purchase agreement pursuant to which VG Funding, LLC purchased such Student Loans and (ii) a reliance letter permitting the parties hereto to rely on the true sale opinion of counsel delivered in connection with such purchase of Student Loans by VG Funding, LLC.

(f) **Additional Condition Precedent to Initial Advance for the Purchase of Student Loans from VL Funding LLC after the A&R Closing Date.** With respect to the initial Purchase Price Advance after the A&R Closing Date the proceeds of which will be used to purchase Eligible Student Loans from VL Funding LLC, such Purchase Price Advance shall be subject to the further conditions precedent, unless waived by the Required Managing Agents, that the Administrative Agent shall have received (i) a copy of each purchase agreement pursuant to which VL Funding LLC purchased such Student Loans and (ii) a reliance letter permitting the parties hereto to rely on the true sale opinion of counsel delivered in connection with such purchase of Student Loans by VL Funding LLC (it being understood that the Administrative Agent received on the A&R Closing Date the agreement described in clause (i) of the definition of Permitted SPE Sale Agreement and a reliance letter with respect to the true sale opinion of counsel delivered in connection therewith).

**Section 4.03. Condition Subsequent to Advances (other than the Initial Advance).** Within five Business Days after each Advance other than the initial Advance, the Trust shall cause to be delivered to the Administrative Agent a reconciliation statement (the "**Advance Reconciliation Statement**") which shall include an updated calculation, based on actual figures, and certification in the form attached as Exhibit L confirming that the Minimum Asset Coverage Requirement was satisfied after giving effect to the related Advance. If the Advance Reconciliation Statement shows that the actual value of the Trust Student Loans was less than the value provided on the pro forma certification or that the Minimum Asset Coverage Requirement was not satisfied as of the Advance Date, then the Trust shall deposit into the Administration Account an amount for each Trust Student Loan equal to the product of (a) the Applicable Percentage for such Trust Student Loan multiplied by (b) such difference in value. If the Advance Reconciliation Statement shows that the value of the Trust Student Loans was greater than the value provided on the pro forma certification, then the Administrative Agent shall release funds to the Depositor in an amount, for each Trust Student Loan, equal to the product of (x) the Applicable Percentage for such Trust Student Loan multiplied by (y) such difference in value from the following accounts in order and to the extent available: *first*, from the Administration Account and *second*, from the Collection Account. Before funds from the Collection Account may be used for this purpose, the Administrator must determine that the amounts on deposit in the Collection Account as of the date of payment (excluding any Special Allowance Payments or Interest Subsidy Payments received during the current Settlement Period) after any withdrawal for this purpose are sufficient to pay items (i) through (iv) in Section 2.05(b) of this Agreement due and payable on the next Settlement Date.

**Section 4.04. Conditions Precedent to Addition of New Seller.** The addition of any new Seller to a Purchase Agreement shall be subject to the prior written consent of the Administrative Agent and the further conditions precedent that (a) at least five Business Days

prior to the first transfer of Eligible FFELP Loans from such Seller, the Trust or the Administrator shall have delivered copies of the following documents to the Administrative Agent and the Managing Agents in form acceptable to the Administrative Agent and the Required Managing Agents and (b) at least three Business Days prior to the first transfer of Eligible FFELP Loans from such Seller, the Administrative Agent shall have delivered notice of the proposed addition of such new Seller to the Rating Agencies:

- (i) Executed agreements adding the Seller (and, if applicable, the eligible lender trustee for such Seller) to the Purchase Agreement;
- (ii) If applicable, an executed trust agreement with respect to the Seller and the Seller's "Eligible Lender Trustee" (as defined in such trust agreement), to the extent the Seller will be transferring Student Loans with respect to which legal title is held by such trustee;
- (iii) UCC, tax lien, pending suit and judgment searches against the Seller in the appropriate jurisdictions;
- (iv) A good standing certificate and organizational documents certified by the Secretary of State of such Seller's jurisdiction of organization, together with an officer's certificate with respect to such Seller's organizational documents and incumbency of officers in the form prepared for the initial Sellers;
- (v) Evidence of filing of UCC financing statements reflecting the Seller and, to the extent applicable, its eligible lender trustee, in the form prepared for the initial Sellers in the appropriate jurisdiction; and
- (vi) To the extent not already covered by a legal opinion of outside legal counsel given to the Administrative Agent, a legal opinion in form reasonably acceptable to the Administrative Agent with respect to true sale, non-consolidation, enforceability and security interest issues.

**Section 4.05. Conditions Precedent to A&R Closing Date.** The amendment and restatement of the Initial Note Purchase Agreement pursuant to this Agreement on the A&R Closing Date is subject to the conditions precedent, unless waived by each of the Managing Agents (and the Trust, by executing this Agreement, shall be deemed to have certified that all such conditions precedent unless waived are satisfied on the A&R Closing Date), that:

- (a) the Administrative Agent shall have received on or before the A&R Closing Date the following documents and opinions, in form and substance satisfactory to each Managing Agent:
  - (i) duly executed copies of the A&R Transaction Documents;
  - (ii) evidence of the increase in the Aggregate Note Balance of each Class A Note and evidence of cancellation of each Class B Note;

(iii) Officer's Certificates of the Trust, the Eligible Lender Trustee, the Administrator, the Master Servicer, SLM Corporation, each Ongoing Seller, the Master Depositor, and the Depositor certifying, in each case the articles of incorporation or equivalent organization document, certificate of formation, by-laws or the equivalent (to the extent any of the foregoing has been amended or otherwise modified since the Original Closing Date), board resolutions with respect to the A&R Transaction Documents (and reconfirming that the resolutions delivered pursuant to Section 4.01(a)(iii) of the Initial Note Purchase Agreement have not been modified or revoked and are otherwise in full force and effect), good standing certificates and the incumbency and specimen signature of each officer authorized to execute the A&R Transaction Documents (on which certifies the Administrative Agent, the Managing Agents and the Note Purchasers may conclusively rely until such time as the Administrative Agent and the Managing Agents shall receive from the applicable Person a revised certificate meeting the requirements of this clause);

(iv) the Minimum Asset Coverage Requirement shall be satisfied;

(v) Officer's Certificates of the Administrator and (solely in the case of subclause (A)) the Eligible Lender Trustee certifying a listing of each of the (A) Guarantee Agreements, (B) Servicing Agreements and (C) the Interim Trust Agreements relating to the Trust Student Loans as being true, correct and complete and that each such agreement remains in full force and effect, has not been amended or otherwise modified since the Original Closing Date and has been delivered to the Administrative Agent;

(vi) Opinions of Counsel to the Trust, the Depositor, the Master Depositor, each Seller, the Administrator, the Master Servicer and SLM Corporation in form and substance acceptable to the Administrative Agent; with respect to, among other things: (A) the due organization, good standing and power and authority of each of the Transaction Parties; (B) the due authorization, execution and delivery of each of the A&R Transaction Documents by the Transaction Parties party thereto; (C) the enforceability of each of the A&R Transaction Documents against each of the Transaction Parties party thereto; (D) that all governmental consents or filings required under New York or federal law or applicable corporate law in connection with the execution, delivery and performance of the A&R Transaction Documents have been made; (E) the absence of conflicts with organizational documents, laws, regulations, court orders or contracts arising from the execution, delivery and performance by the Transaction Parties of the A&R Transaction Documents; (F) the exemption from registration of the Class A Notes under the Securities Act; (G) the exemption of the Trust and the Depositor from registration under the Investment Company Act; and (H) the treatment of the Class A Notes as debt for federal income tax purposes and the classification of the Trust not as an association or otherwise taxable as a corporation for federal income tax purposes;

(vii) bring-down Opinions of Counsel to the Trust, the Depositor, the Master Depositor, each Ongoing Seller, the Administrator, the Master Servicer and SLM Corporation in form and substance acceptable to the Administrative Agent, stating that the conclusions set forth in the Opinions of Counsel delivered on the Original Closing Date with respect to (A) each transfer of assets under the Purchase Agreements, the



Conveyance Agreement and the Tri-Party Transfer Agreement constituting a "true sale" in the event of the bankruptcy of the applicable Ongoing Seller or, in the case of the Conveyance Agreement, the Master Depositor; (B) the non-consolidation of the assets and liabilities of the Depositor and the Trust with the Ongoing Sellers, the Master Depositor, Sallie Mae, Inc. and SLM Corporation in the event of the bankruptcy of any such entity, are true and correct as of the A&R Closing Date taking into consideration all facts, and any changes in law, that have occurred since the Original Closing Date; (C) the validity and perfection of the security interests created under the Transaction Documents; and (D) the priority of any security interests created under the Transaction Documents will not be adversely affected by, and remain unchanged as a result of, the transactions contemplated by the A&R Transaction Documents;

(viii) a schedule of all Trust Student Loans as of the A&R Closing Date;

(ix) a letter from Moody's affirming that the Class A Notes will continue to have long term definitive rating of "Aaa";

(x) a letter from S&P affirming that the Class A Notes will continue to have long term definitive rating of "AAA"; and

(xi) Opinion of Counsel to the Eligible Lender Trustee in form and substance acceptable to the Administrative Agent with respect to, among other things: (A) the due organization, good standing and power and authority of the Eligible Lender Trustee; (B) the due authorization, execution and delivery by the Eligible Lender Trustee of each of the A&R Transaction Documents to which it is a party; (C) the enforceability against the Eligible Lender Trustee of each of the A&R Transaction Documents to which it is a party; (D) that all governmental consents or filings required under New York or federal law or applicable corporate law in connection with the execution, delivery and performance of the A&R Transaction Documents by the Eligible Lender Trustee have been made; (E) the status of the Eligible Lender Trustee as an "Eligible Lender" under the FFELP Program; (F) the absence of conflicts with organizational documents, laws, regulations, court orders or contracts arising from the execution, delivery and performance by the Eligible Lender Trustee of the A&R Transaction Documents and (G) the absence of any pending or threatened proceedings that would have a material adverse effect on the obligations of the Eligible Lender Trustee under the A&R Transaction Documents;

(b) all fees due and payable to the Lead Arrangers, the Co-Valuation Agents, the Lenders, the Managing Agents, the Administrative Agent, the Syndication Agent and the Eligible Lender Trustee on or prior to the A&R Closing Date shall have been paid;

(c) an annual review of the portfolio and servicing operations pursuant to Section 3.07 of the Servicing Agreement shall have been conducted and completed by Protiviti Inc. based on procedures agreed upon among the Managing Agents, the Administrative Agent, the Administrator and the Master Servicer;

- (d) the Managing Agents shall have completed satisfactory due diligence on the status of SLM Corporation's current litigation and legal and regulatory compliance issues;
- (e) assuming the payment described in clause (x) of Section 2.01(a)(ii) has been made, and after giving effect to any changes to the Aggregate Note Balance, the Capitalized Interest Account Specified Balance and the Maximum Financing Amount on the A&R Closing Date, the sum of (i) the Aggregate Note Balance and (ii) the Capitalized Interest Account Unfunded Balance shall not exceed the Maximum Financing Amount;
- (f) the other FFELP Loan Facilities shall have closed contemporaneously;
- (g) the Private Credit Loan Facility shall be terminated and all outstanding amounts under the Private Credit Loan Facility shall have been paid in full;
- (h) the amendments to SLM Corporation's bank credit facilities as described on Exhibit N shall have become effective (except to the extent that such effectiveness is conditioned on the effectiveness of this Agreement);
- (i) no Amortization Event, Termination Event, Servicer Default or, to the best of the Trust's or the Administrator's knowledge, Potential Termination Event has occurred and is continuing pursuant to the provisions of the Initial Note Purchase Agreement and after giving effect to the provisions of this Agreement, pursuant to this Agreement; and
- (j) such other information, certificates, documents and actions as the Required Managing Agents and the Administrative Agent may reasonably request has been received or performed.

**ARTICLE V.**

**REPRESENTATIONS AND WARRANTIES**

**Section 5.01. General Representations and Warranties of the Trust.** The Administrator (on behalf of the Trust) represents and warrants for the benefit of the Secured Creditors as follows on the A&R Closing Date, on the date of each Advance and on each Reporting Date:

- (a) The Trust is a statutory trust duly organized, validly existing and in good standing solely under the laws of the State of Delaware and is duly qualified to do business, and is in good standing, in every jurisdiction in which the nature of its business requires it to be so qualified.
- (b) The execution, delivery and performance by the Trust of this Agreement and all Transaction Documents to be delivered by it in connection herewith or therewith, including the Trust's use of the proceeds of Advances,
  - (i) are within the Trust's organizational powers,
  - (ii) have been duly authorized by all necessary organizational action,

(iii) do not contravene (A) the Trust's organizational documents; (B) any law, rule or regulation applicable to the Trust; (C) any contractual restriction binding on or affecting the Trust or its property; or (D) any order, writ, judgment, award, injunction or decree binding on or affecting the Trust or its property,

(iv) do not result in a breach of or constitute a default under any indenture, agreement, lease or other instrument to which the Trust is a party,

(v) do not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its properties (other than in favor of the Administrative Agent, for the benefit of the Secured Creditors, with respect to the Pledged Collateral), and

(vi) no transaction contemplated hereby or by the other Transaction Documents to which it is a party requires compliance with any bulk sales act or similar law.

(c) This Agreement and the other Transaction Documents to which it is named as a party have each been duly executed and delivered by the Eligible Lender Trustee, on behalf of the Trust. The Class A Notes have been duly and validly authorized and, when executed and paid for in accordance with the terms of this Agreement, will be duly and validly issued and Outstanding, and will be entitled to the benefits of this Agreement.

(d) No permit, authorization, consent, license or approval or other action by, and no notice to or filing with, any Official Body is required for the due execution, delivery and performance by the Trust of this Agreement or any other Transaction Document to which it is a party, except for the filing of UCC financing statements which shall have been filed on or prior to the date of the initial Advance and except as may be required under non-U.S. law in connection with any future transfer of the Class A Notes.

(e) This Agreement and each other Transaction Document to which the Trust is a party constitute the legal, valid and binding obligations of the Trust, enforceable against the Trust in accordance with their respective terms, subject to (i) applicable bankruptcy, insolvency, moratorium, or other similar laws affecting the rights of creditors and (ii) general principles of equity, whether such enforceability is considered in a proceeding in equity or at law.

(f) No Amortization Event, Termination Event, Servicer Default, or, to the best of the Trust's knowledge, Potential Termination Event has occurred and is continuing.

(g) No Monthly Report, Valuation Report (but only to the extent that information contained therein is supplied by the Administrator on behalf of the Trust or by the Trust), information, exhibit, financial statement, document, book, record or report furnished or to be furnished by or on behalf of the Trust to the Affected Parties in connection with this Agreement is or will be incorrect in any material respect as of the date it is or shall be dated.

(h) The Class A Notes will be characterized as debt for federal income tax purposes. The Trust has or has caused to be (i) timely filed all tax returns (federal, state and local) required to be filed, (ii) paid or made adequate provision for the payment of all taxes, assessments and

other governmental charges and (iii) accounted for the sale and pledge of the Trust Student Loans in its books consistent with GAAP.

(i) There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or, to the knowledge of the Trust, overtly threatened in writing against or affecting the Trust (x) asserting the invalidity of this Agreement or any other Transaction Document, (y) seeking to prevent the consummation of any of the transactions contemplated by this Agreement and the other Transaction Documents, or (z) wherein an unfavorable decision, ruling or finding would have a Material Adverse Effect on the Trust or which affects, or purports to affect, the validity or enforceability against the Trust of any Transaction Document.

(j) The Trust is not required to register as an "investment company" or a company controlled by an "investment company" under the Investment Company Act.

(k) The Trust is Solvent on the A&R Closing Date and at the time of (and immediately after) each Advance and each purchase of Eligible FFELP Loans made by the Trust. The Trust has given reasonably equivalent value to the Depositor in consideration for the transfer to it of the Trust Student Loans from the Depositor and each such transfer shall not have been made for or on account of an antecedent debt owed by the Depositor to it. No Event of Bankruptcy has occurred with respect to the Trust.

(l) The principal place of business and chief executive office of the Trust and the office where the Trust keeps any Records in its possession are located at the addresses of the Trust referred to in Section 10.02 or such other location as the Trust shall have given notice of to the Administrative Agent pursuant to this Agreement.

(m) The Trust has no trade names, fictitious names, assumed names or "doing business as" names or other names under which it has done or is doing business.

(n) All representations and warranties of the Trust set forth in the Transaction Documents to which it is a party are true and correct in all material respects as of the date made the Trust is hereby deemed to have made each such representation and warranty, as of the date made, to, and for the benefit of, the Secured Creditors as if the same were set forth in full herein.

(o) The Trust is not in violation of, or default under, any material law, rule, regulation, order, writ, judgment, award, injunction or decree binding upon it or affecting the Trust or its property or any indenture, agreement, lease or instrument.

(p) The Trust has incurred no Debt and has no other obligation or liability, other than normal trade payables and the Liabilities.

(q) The sale of the Class A Notes to the initial Note Purchasers pursuant to this Agreement will not require the registration of the Class A Notes under the Securities Act.

(r) (i) No Reportable Event has occurred during the six year period prior to the date on which this representation is made or deemed made with respect to any Benefit Plan; (ii) no steps have been taken by any Person to terminate any Benefit Plan subject to Title IV of ERISA;

(iii) no contribution failure or other event has occurred with respect to any Benefit Plan which is sufficient to give rise to a lien on the assets of the Trust or any ERISA Affiliate in favor of the PBGC, during such six-year period; (iv) each Benefit Plan has been administered in all material respects in compliance with its terms and the applicable provisions of ERISA and the Code; (v) neither the Trust nor any ERISA Affiliate maintains or contributes to any employee welfare benefit plan within the meaning of Section 3(1) of ERISA which provides benefits to employees after termination of employment and which is unfunded by a material amount, except as specifically required by the continuation requirements of Part 6 of Title I of ERISA; (vi) the present value of all accrued benefits under each Benefit Plan subject to Title IV of ERISA (based on those assumptions used to fund such Benefit Plans) did not, as of the last valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Benefit Plan allocable to such accrued benefits; (vii) neither the Trust nor any ERISA Affiliate has had a complete or partial withdrawal from any Multiemployer Plan and neither the Trust nor any ERISA Affiliate would become subject to any liability under ERISA if the Trust or any such ERISA Affiliate were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made; and (viii) no such Multiemployer Plan is insolvent within the meaning of Section 4245 of ERISA or in reorganization within the meaning of Section 4241 of ERISA; provided that this subsection (r) shall not apply to events which could not reasonably be expected to have a Material Adverse Effect on the Trust or on SLM Corporation.

(s) No proceeds of any Advances will be used by the Trust for any purpose that violates applicable law, including Regulation U of the Federal Reserve Board. The Trust does not own any "margin stock" within the meaning of Regulation T, U and X of the Federal Reserve Board.

(t) Each Student Loan to be financed with the proceeds of any Advance constitutes an Eligible FFELP Loan as of the date of such Advance and is purchased, or was previously purchased by the Trust, from the Depositor pursuant to the Sale Agreement. Each Trust Student Loan represented as an Eligible FFELP Loan in a Monthly Report, in fact satisfied as of the last day of the related Settlement Period the definition of "Eligible FFELP Loan". Each Trust Student Loan represented to be an Eligible FFELP Loan on any other date or included in the calculation of Asset Coverage Ratio on any other date in fact satisfied as of such date the definition of "Eligible FFELP Loan".

(u) Since the date of its formation, no event has occurred which has had a Material Adverse Effect on the Trust.

(v) The information provided to the Administrative Agent and the Managing Agents with respect to the Trust Student Loans is accurate in all material respects.

(w) Each payment of interest on and principal of the Class A Notes will have been (i) in payment of a debt incurred in the ordinary course of business or financial affairs on the part of the Trust and (ii) made in the ordinary course of business or financial affairs of the Trust.

(x) At all times from and after the Original Closing Date, the Administrator has caused the Trust to comply with the factual assumptions set forth in the opinion letters issued as

of the Original Closing Date by McKee Nelson LLP to the Secured Creditors relating to the issues of substantive consolidation and true sale and with the covenants set forth in Sections 6.01(b) and 6.01(c).

(y) As of the A&R Closing Date, before giving effect to this Agreement, no Amortization Event, Termination Event, Servicer Default or, to the best of the Administrator's knowledge, Potential Termination Event has occurred and is continuing pursuant to the provisions of the Initial Note Purchase Agreement and after giving effect to the provisions of this Agreement.

**Section 5.02. Representations and Warranties of the Trust Regarding the Administrative Agent's Security Interest.** The Administrator (on behalf of the Trust) hereby represents and warrants for the benefit of the Secured Creditors as follows on the A&R Closing Date, on the date of each Advance and on each Reporting Date:

(a) This Agreement creates a valid and continuing security interest (as defined in the New York UCC) in the Pledged Collateral in favor of the Administrative Agent, which security interest is both perfected and prior to all other liens, charges, security interests, mortgages or other encumbrances, and is enforceable as such as against creditors of and purchasers from the Trust.

(b) The Trust, by and through the Eligible Lender Trustee as its Eligible Lender, owns and has good and marketable title to the Trust Student Loans and other Pledged Collateral free and clear of any Adverse Claim.

(c) The Trust has caused the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Pledged Collateral granted to the Administrative Agent hereunder.

(d) All executed originals (or certified copies thereof to the extent more than one loan is evidenced by such Student Loan Note) of each Student Loan Note that constitute or evidence the Trust Student Loans have been delivered to the applicable Servicer, as bailee for the Administrative Agent for the benefit of the Secured Creditors.

(e) Other than the security interest granted to the Administrative Agent pursuant to this Agreement, the Trust has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Pledged Collateral. The Trust has not authorized the filing of and is not aware of any financing statements against the Trust that include a description of collateral covering the Pledged Collateral other than any financing statement relating to the security interest granted to the Administrative Agent hereunder or any financing statement that has been terminated. There are no judgments or tax lien filings against the Trust.

(f) The Trust is a "registered organization" (as defined in §9-102(a)(70) of the UCC) organized exclusively under the laws of the State of Delaware and, for purposes of Article 9 of the UCC, the Trust is located in the State of Delaware.

(g) The Trust's exact legal name is the name set forth for it on the signature page hereto.

(h) At all times from and after the Original Closing Date, the Administrator has caused the Trust to comply with the factual assumptions set forth in the opinion letters issued as of the Original Closing Date by McKee Nelson LLP to the Secured Creditors relating to the issues of substantive consolidation and true sale, and the Administrator has caused the Trust to comply with the covenants set forth in Sections 6.01(b) and 6.01(c).

**Section 5.03. Particular Representations and Warranties of the Trust.** The Administrator (on behalf of the Trust) further represents and warrants to each of the parties hereto with respect to each of the Trust Student Loans included in the Pledged Collateral:

(a) Such Trust Student Loans constitute “accounts,” “promissory notes” or “payment intangibles” within the meaning of the applicable UCC and are within the coverage of Sections 432(m)(1)(E) and 439(d)(3) of the Higher Education Act;

(b) Such Trust Student Loans are Eligible FFELP Loans as of the date they become Pledged Collateral and as of any other date upon which they are declared by the Trust or the Administrator to be Eligible FFELP Loans and the description of such Eligible FFELP Loans set forth in the Transaction Documents or the Schedule of Trust Student Loans and in any other documents or written information provided to any of the parties hereunder (other than documents or information stated to be preliminary which have subsequently been replaced by definitive documents or information), as applicable, is true and correct in all material respects;

(c) The Trust is authorized to pledge such Trust Student Loans and the other Pledged Collateral; and the sale, assignment and transfer of such Trust Student Loans has been made pursuant to and consistent with the laws and regulations under which the Trust operates, and will not violate any decree, judgment or order of any court or agency, or conflict with or result in a breach of any of the terms, conditions or provisions of any agreement or instrument to which the Trust is a party or by which the Trust or its property is bound, or constitute a default (or an event which could constitute a default with the passage of time or notice or both) thereunder;

(d) No consents or approvals are required for the consummation of the pledge of the Pledged Collateral hereunder to the Administrative Agent for the benefit of the Secured Creditors;

(e) Any payments on such Trust Student Loans received by the Trust which have been allocated to the reduction of principal and interest on such Trust Student Loans have been allocated on a simple interest basis;

(f) Due diligence and reasonable care have been exercised in making, administering, servicing and collecting the Trust Student Loans and, with respect to any Trust Student Loan for which repayment terms have been established, all disclosures of information required to be made pursuant to the Higher Education Act have been made;

(g) Except for Trust Student Loans executed electronically or Trust Student Loans evidenced by a master promissory note, there is only one original executed copy of the Student Loan Note evidencing each such Trust Student Loan. For such Trust Student Loans that were executed electronically, the Master Servicer has possession of the electronic records evidencing the Student Loan Note. Each applicable Servicer has in its possession a copy of the endorsement

and each Loan Transmittal Summary Form identifying the Student Loan Notes that constitute or evidence the Trust Student Loans. The Student Loan Notes that constitute or evidence the Trust Student Loans do not have any marks or notations indicating that they are currently pledged, assigned or otherwise conveyed to any Person other than the Administrative Agent. All financing statements filed or to be filed against the Eligible Lender Trustee and the Trust in favor of the Administrative Agent in connection herewith describing the Pledged Collateral contain a statement to the following effect: "A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Secured Party"; and

(h) The applicable parties shall have performed, satisfied and complied with the conditions set forth in Section 3 of the Purchase Agreement, the Conveyance Agreement (or the Tri-Party Transfer Agreement, as applicable) and the Sale Agreement as of the date of the related bill of sale.

**Section 5.04. Repurchase of Student Loans; Reimbursement.** The Trust shall cause the obligations of each of the Depositor, the Master Depositor, the Master Servicer and the Sellers (or any guarantor on its respective behalf) to purchase, repurchase, make reimbursement or substitute Trust Student Loans to be enforced to the extent such obligations are set forth in the Sale Agreement, the Conveyance Agreement, the Tri-Party Transfer Agreement, the applicable Purchase Agreement and the Servicing Agreement. The Trust shall cause any such repurchase amount or reimbursement to be remitted to the Collection Account. Any substitute Trust Student Loan obtained by the Trust from the Master Depositor, Depositor, any Servicer or Seller shall constitute Pledged Collateral hereunder.

**Section 5.05. Administrator Actions Attributable to the Trust.** Any action required to be taken by the Trust hereunder may be taken by the Administrator on behalf of the Trust, to the extent permitted under the Administration Agreement. The Trust shall be fully responsible for each of the representations, warranties, certifications and other statements made herein, in any other Transaction Document, any Advance Request, any Notice of Release or any other communication hereunder or thereunder by the Administrator on its behalf as if such representations, warranties, certifications or statements had been made directly by the Trust. In addition, the Trust shall be fully responsible for all actions of the Administrator taken on its behalf under this Agreement or any other Transaction Document as if such actions had been taken directly by the Trust. Nothing in this Section shall limit the responsibility of the Administrator, or relieve the Administrator from any liability for exceeding its authority under the Administration Agreement.

#### ARTICLE VI.

#### COVENANTS OF THE TRUST

From and after the A&R Closing Date until all of the Obligations hereunder and under the other Transaction Documents have been satisfied in full:



**Section 6.01. Preservation of Separate Existence.**

(a) **Nature of Business.** The Trust will engage in no business other than (i) purchases, sales and financings of Trust Student Loans, (ii) the other transactions permitted or contemplated by this Agreement and the other Transaction Documents, and (iii) any other transactions permitted or contemplated by its organizational documents as they exist on the A&R Closing Date, or as amended as such amendments may be permitted pursuant to the terms of this Agreement. The Trust will incur no other Debt except as expressly contemplated by the Transaction Documents.

(b) **Maintenance of Separate Existence.** The Trust will do all things necessary to maintain its existence as a Delaware statutory trust separate and apart from all Affiliates of the Trust, including complying with the provisions described in Section 9(j)(iv) of the Limited Liability Company Agreement of the Depositor.

(c) **Transactions with Affiliates.** The Trust will not enter into, or be a party to, any transaction with any of its respective Affiliates, except (i) the transactions permitted or contemplated by this Agreement (including the sale and purchase of Eligible FFELP Loans to or from Affiliates) or the other Transaction Documents; and (ii) other transactions (including, without limitation, the lease of office space or computer equipment or software by the Trust to or from an Affiliate) (A) in the ordinary course of business, (B) pursuant to the reasonable requirements of the Trust's business, (C) upon fair and reasonable terms that are no less favorable to the Trust than could be obtained in a comparable arm's-length transaction with a Person not an Affiliate of the Trust, and (D) not inconsistent with the factual assumptions set forth in the opinion letter issued as of the Original Closing Date by McKee Nelson LLP to the Secured Creditors relating to the issues of substantive consolidation.

**Section 6.02. Notice of Termination Event, Potential Termination Event or Amortization Event.** As soon as possible and in any event within three Business Days after the occurrence of each Termination Event, each Potential Termination Event, each Amortization Event and each Potential Amortization Event (or, to the extent the Trust does not have knowledge of a Termination Event, Potential Termination Event, Amortization Event or Potential Amortization Event, promptly upon obtaining such knowledge), the Trust will provide (or shall cause the Administrator to provide) to the Administrative Agent a statement setting forth details of such Termination Event, Potential Termination Event, Amortization Event or Potential Amortization Event and the action which the Trust has taken or proposes to take with respect thereto. The Administrative Agent shall promptly forward such notice to the Managing Agents. The Administrative Agent shall promptly provide written notice of any Termination Event, Potential Termination Event, Amortization Event or Potential Amortization Event of which it has knowledge to the applicable Rating Agencies.

**Section 6.03. Notice of Material Adverse Change.** As soon as possible and in any event within three Business Days after becoming aware of an event which could reasonably be expected to have a Material Adverse Effect on the Trust, the Trust will provide to the Administrative Agent written notice thereof. The Administrative Agent shall promptly forward such notice to the Managing Agents.

**Section 6.04. Compliance with Laws; Preservation of Corporate Existence; Code of Conduct.**

(a) The Trust will comply in all material respects with all applicable laws, rules, regulations and orders and preserve and maintain its legal existence, and will preserve and maintain its rights, franchises, qualifications and privileges in all material respects.

(b) Sallie Mae, Inc. agrees to comply in all material respects with the Student Loan Code of Conduct that it entered into with the New York Attorney General on April 11, 2007 and agrees to comply in all material respects with any other similar codes of conduct that it may expressly agree to after the Original Closing Date.

**Section 6.05. Enforcement of Obligations.**

(a) **Enforcement of Trust Student Loans.** The Trust shall cause to be diligently enforced and taken all steps, actions and proceedings reasonably necessary for the enforcement of all terms, covenants and conditions of all Trust Student Loans and agreements in connection therewith (except as otherwise permitted pursuant to the Transaction Documents), including the prompt payment of all principal and interest payments and all other amounts due the Trust or the Eligible Lender Trustee, as applicable thereunder.

(b) **Enforcement of Servicing Agreements and Administration Agreement.** The Trust shall cause to be diligently enforced and taken all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Servicing Agreements and the Administration Agreement, including all Interest Subsidy Payments, Special Allowance Payments and all defaulted payments Guaranteed by any Guarantor and/or by the Department of Education which relate to any Trust Student Loans. Except as otherwise permitted under any Transaction Document, the Trust shall not permit the release of the obligations of any Servicer under any Servicing Agreement or of the Administrator under the Administration Agreement and shall at all times, to the extent permitted by law, cause to be defended, enforced, preserved and protected the rights and privileges of the Trust, the Eligible Lender Trustee and the Secured Creditors under or with respect to each Servicing Agreement and the Administration Agreement. The Trust shall not consent or agree to or permit any amendment or modification of any Servicing Agreement or of the Administration Agreement, except (i) as required by the Higher Education Act; (ii) solely for the purpose of extending the term thereof; or (iii) in any other manner, if such modification, amendment or supplement is made pursuant to the terms of that agreement. Upon the occurrence of a Servicer Default and during the continuation thereof, the Trust shall replace the Servicer subject to such Servicer Default if instructed to do so by the Administrative Agent. Upon the occurrence of an Administrator Default and during the continuation thereof, the Trust shall replace the Administrator if instructed to do so by the Administrative Agent.

(c) **Enforcement of Purchase Agreements, Conveyance Agreement and Sale Agreement.** The Trust shall cause to be diligently enforced and taken all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of each Purchase Agreement, the Conveyance Agreement, the Tri-Party Transfer Agreement and the Sale Agreement. Except as otherwise permitted under any Transaction Document, the Trust

shall not permit the release of the obligations of any Seller under any Purchase Agreement, of the Master Depositor under the Conveyance Agreement, of any Related SPE Seller under the Tri-Party Transfer Agreement or of the Depositor under the Sale Agreement (or in each case any guarantor of the obligations thereof) and shall at all times, to the extent permitted by law, cause to be defended, enforced, preserved and protected the rights and privileges of the Trust, the Depositor, the Master Depositor, the Eligible Lender Trustee and the Secured Creditors under or with respect to each Purchase Agreement, the Conveyance Agreement, the Tri-Party Transfer Agreement and the Sale Agreement. Except as otherwise permitted under any Transaction Document, the Trust shall not consent or agree to or permit any amendment or modification of any Purchase Agreement, the Conveyance Agreement, the Tri-Party Transfer Agreement or the Sale Agreement which will in any manner materially adversely affect the rights or security of the Administrative Agent, the Eligible Lender Trustee or the Secured Creditors. To the extent such action is required under the terms of the Sale Agreement, upon a determination that a Trust Student Loan sold pursuant to a Purchase Agreement was not an Eligible FFELP Loan at the time it was represented to be as such, the Trust shall require the Depositor to repurchase such Trust Student Loan from the Trust pursuant to the Sale Agreement.

(d) **Enforcement and Amendment of Guarantee Agreements.** So long as any Class A Notes are Outstanding and each Trust Student Loan is guaranteed by a Guarantee, the Administrator on behalf of the Trust shall (i) from and after the date on which the Eligible Lender Trustee on its behalf shall have entered into any Guarantee Agreement covering Trust Student Loans, cause the Eligible Lender Trustee to maintain such Guarantee Agreement and diligently enforce the Eligible Lender Trustee's rights thereunder; (ii) cause the Eligible Lender Trustee to enter into such other similar or supplemental agreements as shall be required to maintain benefits for all Trust Student Loans covered thereby; and (iii) not voluntarily consent to or permit any rescission of or consent to any amendment to or otherwise take any action under or in connection with any such Guarantee Agreement or any similar or supplemental agreement in any manner which would materially and adversely affect the ability of the Trust to perform its obligations under this Agreement or cause a Material Adverse Effect with respect to the Trust without the prior written consent of the Administrative Agent.

**Section 6.06. Maintenance of Books and Records.** The Administrator on behalf of the Trust shall maintain and implement or cause to be maintained and implemented administrative and operating procedures (including, without limitation, an ability to recreate records evidencing the Pledged Collateral in the event of the destruction of the originals thereof), and keep and maintain, or cause to be kept and maintained, all documents, books, records and other information reasonably necessary or advisable for the collection of all the Pledged Collateral.

**Section 6.07. Fulfillment of Obligations.** The Trust shall fulfill its obligations pursuant to the Transaction Documents. The Trust shall cause each of its Affiliates to fulfill its respective obligations pursuant to the Transaction Documents.

**Section 6.08. Notice of Material Litigation.** As soon as possible and in any event within three Business Days of the Trust's actual knowledge thereof, the Trust shall cause the Administrative Agent to be provided with written notice of (a) any litigation, investigation or proceeding which may exist at any time which could be reasonably likely to have a Material Adverse Effect on the Trust; and (b) to the extent reasonably requested by the Administrative

Agent in connection with the delivery of each Monthly Report, a monthly update of material adverse developments in previously disclosed litigation, including in each case, if known to the Trust, including any of the same against a Servicer.

**Section 6.09. Notice of Relocation.** The Administrator on behalf of the Trust shall cause the Administrative Agent to be provided notice of any change in the location of the Trust's principal offices or any change in the location of the Trust's books and records within thirty days before any such change.

**Section 6.10. Rescission or Modification of Trust Student Loans and Transaction Documents.**

(a) Except as expressly permitted in the Servicing Agreement, the Trust shall not permit the release of the obligations of any Obligor under any Trust Student Loan and shall at all times, to the extent permitted by law, cause to be defended, enforced, preserved and protected the rights and privileges of the Trust and the Secured Creditors under or with respect to each Trust Student Loan and each agreement in connection therewith. The Trust shall not consent or agree to or permit any modification, extension or renegotiation in any way of any Trust Student Loan or agreement in connection therewith unless such modification, extension or renegotiation is (i) required under the Higher Education Act or other applicable laws, rules and regulations and the applicable Guarantee Agreement, (ii) provided for in the applicable underwriting guidelines or Servicing Policies, if such modification, extension or renegotiation does not materially adversely affect the value or collectability thereof or (iii) expressly provided for or permitted in the Transaction Documents. Nothing in this Agreement shall be construed to prevent the Trust, the Eligible Lender Trustee or the Administrative Agent, as applicable, from offering any Obligor any borrower benefit to the extent permissible by this Agreement or the Servicing Agreement or settling a default or curing a delinquency on any Trust Student Loan on such terms as shall be permitted by law and shall be consistent with the applicable underwriting guidelines or Servicing Policies.

(b) Unless otherwise specified pursuant to clause (a) above or in any Transaction Document, without the written consent of the Required Managing Agents (and the written consent of the Administrative Agent or the Syndication Agent to the extent any of the following would require the Administrative Agent or the Syndication Agent to take any action or amend, modify or waive the duties or responsibilities of the Administrative Agent or the Syndication Agent hereunder), the Trust will not (nor will it permit any of its agents to):

(i) cancel, terminate, extend, amend, modify or waive (or consent to or approve any of the foregoing) any provision of any Transaction Document (other than any cancellation or termination of a Guarantee Agreement that does not apply at such time to any Trust Student Loans or any extension, amendment, modification or waiver of a Guarantee Agreement that would not have a Material Adverse Effect on the Trust); or

(ii) take or consent to any other action that may impair the rights of any Secured Creditor to any Pledged Collateral or modify, in a manner adverse to any Secured Creditor, the right of such Secured Creditor to demand or receive payment under any of the Transaction Documents (other than any action with regard to a Guarantee

Agreement that does not apply at such time to any Trust Student Loans or any extension, amendment, modification or waiver of a Guarantee Agreement that would not have a Material Adverse Effect on the Trust).

**Section 6.11. Liens.**

(a) **Transaction Documents.** The Trust (i) will cause to be taken all action necessary to perfect, protect, keep in full force and effect and more fully evidence the ownership interest of the Trust (or of the Eligible Lender Trustee, acting on behalf of the Trust) and the first priority perfected security interest of the Administrative Agent in favor of the Secured Creditors in the Trust Student Loans, Collections with respect thereto and in the other Pledged Collateral and the Transaction Documents including, without limitation, (A) filing and maintaining effective financing statements (Form UCC-1) in all necessary or appropriate filing offices; (B) filing continuation statements, amendments or assignments with respect thereto in such filing offices; (C) filing amendments, releases and terminations with respect to filed financing statements, as necessary; and (D) executing or causing to be executed such other instruments or notices as may be necessary or appropriate; and (ii) will cause to be taken all additional actions to perfect, protect, keep in full force and effect and fully evidence the first priority security interest of the Administrative Agent, for the benefit of the Secured Creditors, in the Trust Student Loans and other Pledged Collateral related thereto reasonably requested by the Administrative Agent.

(b) **UCC Matters; Protection and Perfection of Pledged Collateral; Delivery of Documents.** Unless the Trust has complied with Section 6.09, the Trust will keep its principal place of business and chief executive office, and the office where it keeps any Records in its possession, at the address of the Trust referred to in Exhibit M. The Trust will not make any change to its name unless prior to the effective date of any such name change or use, the Trust delivers to the Administrative Agent such financing statements necessary, or as the Administrative Agent may request, to reflect such name change, together with such other documents and instruments as the Administrative Agent may request in connection therewith. The Trust will not change its jurisdiction of formation or its corporate structure.

The Trust agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action necessary, or that the Administrative Agent may reasonably request, in order to maintain the Administrative Agent's first priority perfected security interest in the Pledged Collateral for the benefit of the Secured Creditors, or to enable the Administrative Agent or the Secured Creditors to exercise or enforce any of their respective rights hereunder (provided, however, that the foregoing sentence shall not be deemed to require the Trust or the Master Servicer to relocate or deliver any Student Loan Notes to or at the direction of the Administrative Agent prior to the Termination Date). Without limiting the generality of the foregoing, the Trust will: (i) authorize and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate (or as the Administrative Agent may request); and (ii) mark their master data processing records evidencing such Pledged Collateral with a legend or numeric code acceptable to the Administrative Agent, evidencing that the Administrative Agent, for the benefit of the Secured Creditors, has acquired an interest therein as provided in this Agreement. The Trust hereby authorizes the Administrative Agent, or any Secured Creditor on behalf of the Trust, to file one or more financing or continuation statements,

and amendments thereto and assignments thereof, relative to all or any of the Pledged Collateral now existing or hereafter arising without the signature of the Trust where permitted by law. A carbon, photographic or other reproduction of this Agreement or any financing statement covering the Pledged Collateral, or any part thereof, shall be sufficient as a financing statement. If the Trust fails to perform any of its agreements or obligations under this Section, the Administrative Agent or any Secured Creditor may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the expenses of the Administrative Agent or such Secured Creditor incurred in connection therewith shall be payable by the Trust upon the Administrative Agent's or such Secured Creditor's demand therefor.

For purposes of enabling the Administrative Agent or any such Secured Creditor to exercise their respective rights described in the preceding sentence and elsewhere in this Agreement, the Trust and the Eligible Lender Trustee hereby authorize, and irrevocably grant a Power of Attorney, exercisable only after the occurrence and during the continuation of a Termination Event, to the Administrative Agent and its respective successors and assigns to take any and all steps in the Trust's and the Eligible Lender Trustee's name and on behalf of the Trust and/or the Eligible Lender Trustee necessary or desirable, in the determination of the Administrative Agent, as the case may be, to collect all amounts due under any and all Trust Student Loans and other Pledged Collateral, including, without limitation, (i) endorsing the promissory notes to the Administrative Agent or its designee, such that the Administrative Agent or such designee becomes the holder of the promissory notes and has the rights and powers of a holder under applicable law, (ii) endorsing the Trust's and/or the Eligible Lender Trustee's name on checks and other instruments representing Collections and (iii) enforcing such Trust Student Loans and other Pledged Collateral.

**Section 6.12. Sales of Assets; Consolidation/Merger.**

(a) **Sales, Liens, Etc.** Except as otherwise provided herein or in any other Transaction Document, the Trust will not (nor will it permit the Eligible Lender Trustee to) sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon or with respect to, any Pledged Collateral.

(b) **Merger, Etc.** The Trust will not merge or consolidate with any other entity. The Trust will not convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions), all or substantially all of its assets (whether now owned or hereafter acquired), or acquire all or substantially all of the assets or capital stock or other ownership interest of any Person, other than with respect to asset acquisitions or dispositions permitted under the Transaction Documents. The Trust shall not form or create any subsidiary without the consent of each Managing Agent.

**Section 6.13. Change in Business.** The Trust will not make any change in the character of its business, which change could reasonably be expected to impair the collectability of any Pledged Collateral or otherwise materially adversely affect the interests or remedies of the Administrative Agent or the Note Purchasers under this Agreement or any other Transaction Document.

**Section 6.14. Residual Interest.** The Trust will not issue any Excess Distribution Certificates (other than replacement Excess Distribution Certificates) to any Person other than the Depositor; provided, however, that the Excess Distribution Certificate may be transferred to and owned by an Affiliate of the Depositor and the Depositor or such Affiliate may pledge the Excess Distribution Certificate to the Administrative Agent for the benefit of the Secured Creditors to secure the obligations under the Transaction Documents.

**Section 6.15. General Reporting Requirements.** The Trust shall provide to the Administrative Agent (and, as applicable, will cause the Master Servicer to provide) the following:

- (a) as soon as available and in any event within 120 days after the end of each fiscal year of the Trust, the Depositor and the Master Servicer, an annual statement of compliance with the Transaction Documents and applicable law together with an agreed upon procedures letter delivered by an independent public accountant with respect to the Transaction Documents, all in form acceptable to the Administrative Agent;
- (b) as soon as available and in any event within 90 days after the end of each fiscal year of SLM Corporation, a copy of the balance sheet of SLM Corporation and its consolidated subsidiaries and the related statements of income, stockholders' equity and cash flows for such year, each prepared in accordance with GAAP consistently applied and duly certified by nationally recognized independent certified public accountants selected by SLM Corporation, together with a certificate of an officer certifying that such financial statements fairly present in all material respects the financial condition of SLM Corporation and its consolidated subsidiaries;
- (c) as soon as available and in any event within 60 days after the end of each fiscal quarter of SLM Corporation, a copy of an unaudited balance sheet of SLM Corporation and its consolidated subsidiaries and the related statements of income, stockholders' equity and cash flows for such fiscal quarter, each prepared in accordance with GAAP consistently applied, together with a certificate of an officer certifying that such financial statements fairly present in all material respects the financial condition of SLM Corporation and its consolidated subsidiaries;
- (d) promptly following the Administrative Agent's or any Managing Agent's request therefor, copies of all financial statements, settlement statements, portfolio and other material reports, notices, disclosures, certificates and other written material delivered or made available to the Trust by any Person pursuant to the terms of any Transaction Document;
- (e) promptly following the Administrative Agent's or any Managing Agent's request therefor, such other information respecting the Trust Student Loans and the other Pledged Collateral or the conditions or operations, financial or otherwise, of the Trust as the Administrative Agent or any Managing Agent may from time to time reasonably request;
- (f) with respect to each Guarantor, promptly after receipt thereof as made available to the Trust after request therefor, copies of any audited financial statements of such Guarantor certified by an independent certified public accounting firm;

(g) with respect to each Servicer and promptly after receipt thereof after a good faith effort to obtain such material is made by the Trust, (i) copies of any annual audited financial statements of such Servicer other than the Master Servicer for so long as the Master Servicer is a consolidated subsidiary of SLM Corporation, to the extent available, certified by an independent certified public accounting firm, (ii) on an annual basis within 30 days after receipt thereof, copies of SAS 70 reports for such Servicer, or, if not available, the annual compliance audit for each Servicer required by Section 428(b)(1)(U) of the Higher Education Act and (iii) to the extent not included in the financial information provided pursuant to clauses (i) and (ii) above and to the extent available, such Servicer's net dollar loss for the year due to servicing errors;

(h) promptly following the Administrative Agent's or any Managing Agent's request therefor, a Schedule of Trust Student Loans;

(i) promptly and in any event within 45 days after the filing or receiving thereof, copies of all reports and notices with respect to (A) any "Reportable Event," relating to a Benefit Plan (B) the institution of proceedings or the taking of any other action regarding the termination of, withdrawal from, reorganization within the meaning of Section 4241 of ERISA or insolvency within the meaning of Section 4245 of ERISA, any Benefit Plan subject to Title IV of ERISA which the Trust or any of its ERISA Affiliates files under ERISA with the Internal Revenue Service, the PBGC or the U.S. Department of Labor or which the Trust or any of its ERISA Affiliates receives from the PBGC, (C) a failure to make any required contribution to a Benefit Plan or (D) the creation of any lien against the assets of the Trust or an ERISA Affiliate in favor of the PBGC or a Benefit Plan under ERISA;

(j) promptly after the occurrence thereof, written notice of changes in the Higher Education Act or any other law of the United States that could reasonably have a probability of having a Material Adverse Effect on the Trust or could materially and adversely affect (i) the ability of a Servicer to perform its obligations under its Servicing Agreement, (ii) the ability of a Subservicer to perform its obligations under its Servicing Agreement, or (iii) the collectability or enforceability of a material amount of the Trust Student Loans, or any Guarantee Agreement or Federal Reimbursement Contract with respect to a material amount of Trust Student Loans;

(k) promptly, notice of any change in the accountants of the Trust or SLM Corporation;

(l) promptly, after the occurrence thereof or if sooner upon any executive officer of the Administrator having direct or primary responsibility for ABS trust administration obtaining knowledge of any pending change, notice of any change in the accounting policy of the Trust or SLM Corporation to the extent such change could reasonably be seen to have a material and adverse impact on the transactions contemplated herein; and

(m) promptly, copies of any written notices received by SLM Corporation or any of its Affiliates from the Department or other Governmental Authority regarding any material non-compliance by SLM Corporation or any of its Affiliates with any Government Facility.

**Section 6.16. Inspections.** The Administrative Agent and the Managing Agents may, upon reasonable notice and from time to time during regular business hours, once per calendar



year (or, after the occurrence and during the continuation of an Amortization Event or a Termination Event, as frequently as requested by the Administrative Agent on behalf of any Managing Agent) (i) examine and make copies of and take abstracts from all books, records and documents (including computer tapes and disks) relating to the Pledged Collateral and (ii) visit the offices and properties of the Trust (or the Master Servicer or Subservicer, as applicable) for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to the Pledged Collateral or the Trust's (or the Master Servicer's or Subservicer's) performance hereunder and under the other Transaction Documents with any of the officers, directors, employees or independent public accountants of the Trust (to the extent available), the Master Servicer or Subservicer having knowledge of such matters. Any reasonable expenses related to such inspections shall be reimbursable directly by the Master Servicer. In addition, from time to time during the year, the Administrative Agent and the Managing Agents may, at their own expense, conduct any other inspections as they may deem necessary or appropriate, provided such inspections occur upon reasonable notice and during regular business hours.

**Section 6.17. ERISA.** The Trust will not adopt, maintain, contribute to or incur by any of its own actions or assume any legal obligation with respect to any Benefit Plan or Multiemployer Plan.

**Section 6.18. Servicers.** Except as permitted by any Servicing Agreement, the Trust will not permit any Person other than the Master Servicer or a Subservicer to collect, service or administer the Trust Student Loans. The Trust will promptly provide, or cause to be provided, to the Rating Agencies notice of any resignation, replacement, merger or consolidation of the Servicer and of any amendments or other modifications made to the Servicing Agreement.

**Section 6.19. Acquisition, Financing, Collection and Assignment of Student Loans.** The Trust shall acquire or finance only Eligible FFELP Loans with proceeds of the Advances and shall cause to be collected all principal and interest payments on all the Trust Student Loans and all sums to which the Trust or Administrative Agent is entitled pursuant to the Sale Agreement, and all Interest Subsidy Payments, Special Allowance Payments and all defaulted payments Guaranteed by any Guarantor which relate to such Trust Student Loans as more fully set forth in the Servicing Agreement. The Trust shall assign or direct the assignment of such Trust Student Loans for payment of guarantee benefits as required by applicable law and regulations. The Trust shall comply in all material respects with any Guarantor's rules and regulations which apply to such Trust Student Loans. From and after the A&R Closing Date, the Trust shall purchase only Student Loans from the Depositor pursuant to the Sale Agreement that have been sold by an Ongoing Seller to the Master Depositor pursuant to a Purchase Agreement and by the Master Depositor to the Depositor pursuant to the Conveyance Agreement.

**Section 6.20. Administration and Collection of Trust Student Loans.** All Trust Student Loans shall be administered and collected either by the Trust or by the Master Servicer or a Subservicer on behalf of the Trust in accordance in all material respects with the Servicing Agreements.

**Section 6.21. Obligations of the Trust With Respect to Pledged Collateral.** The Trust will (a) at its expense, regardless of any exercise by any Secured Creditor of its rights hereunder, timely and fully perform and comply with all provisions, covenants and other

promises required to be observed by it under the Transaction Documents included in the Pledged Collateral to the same extent as if the Pledged Collateral had not been pledged hereunder; and (b) pay when due any taxes, including without limitation, sales and excise taxes, payable in connection with the Pledged Collateral. In no event shall any Secured Creditor have any obligation or liability with respect to any Trust Student Loans or other instrument document or agreement included in the Pledged Collateral, nor shall any of them be obligated to perform any of the obligations of the Trust or any of its Affiliates thereunder. The Trust will timely and fully comply in all respects with each Transaction Document to which it is a party.

**Section 6.22. Asset Coverage Requirement.** The Trust shall maintain at all times, to the best of its actual knowledge, the Minimum Asset Coverage Requirement.

**Section 6.23. Amendment of Organizational Documents.** The Trust shall cause the Administrative Agent to be notified in writing of any proposed amendments to the Trust's organizational documents. No such amendment shall become effective unless and until the Required Managing Agents have consented in writing thereto, which consent shall not be unreasonably withheld or delayed.

**Section 6.24. Amendment of Underwriting Guidelines or Servicing Policies.** Promptly after the occurrence thereof, the Trust shall cause the Administrative Agent to be notified of any material changes to the underwriting guidelines or Servicing Policies. The Trust shall not permit or implement any change in the underwriting guidelines or Servicing Policies applicable to any Trust Student Loan which would materially and adversely affect the collectability of any Trust Student Loan, the performance of the portfolio of Trust Student Loans or the Administrative Agent's security interest in such Trust Student Loans without the prior written consent of the Required Managing Agents, and unless such changes are made with respect to all FFELP Loans serviced by the Servicer for its own portfolio and for securitization trusts sponsored by SLM Corporation.

**Section 6.25. No Payments on Excess Distribution Certificate.** Except as expressly permitted by Section 2.05(b) or Section 2.18(d) of this Agreement, the Trust shall not make any payments or distributions with respect to the Excess Distribution Certificate without the prior written consent of the Required Managing Agents.

**Section 6.26. Borrower Benefit Programs.** The Trust shall cause the Servicer to maintain any rate reduction programs or other borrower benefit programs in effect at the time the Trust purchased such Trust Student Loan. The Trust shall not permit any Servicer to apply any additional rate reduction programs with respect to the Trust Student Loans unless (i) such borrower benefit program is required under the Higher Education Act, (ii) the Master Servicer, the Depositor or the applicable Seller has deposited funds into the Borrower Benefit Account in an amount sufficient to offset any effective yield reductions in accordance with Section 3.12 of the Servicing Agreement and the Rating Agency Condition has been satisfied with respect to such program or (iii) the Administrative Agent has consented to the Trust's participation in that borrower benefit program or other rate reduction program and the Rating Agency Condition has been satisfied with respect to such program.

**Section 6.27. [RESERVED].**

**Section 6.28. Most Favored Nations.** If, at any time while the Class A Notes are Outstanding, SLM Corporation or any of its Affiliates enters into, or commits to enter into, any financing transaction which contains financial covenants substantially similar or in addition to those set forth in Section 7.02(p) or 7.02(q) herein, the Administrator must, prior to the time SLM Corporation or any of its Affiliates enters into such transaction, certify to the Administrative Agent and the Managing Agents a true and correct copy of all financial covenants contained in any such financing transaction. If, in the reasonable determination of the Required Managing Agents, such financial covenants are materially more favorable to the lenders under such financing transaction than the corresponding covenants set forth herein, then, at the request of the Administrative Agent, this Agreement shall be amended in accordance with Section 10.01 to conform to the more restrictive (or more expansive, as applicable) financial covenants set forth in the related transaction documents.

**Section 6.29. [RESERVED].**

**Section 6.30. Government Sponsored Refinancings.** As soon as reasonably practicable after the effective date thereof, the Administrator, on behalf of the Trust, shall take all actions necessary to satisfy all conditions to the utilization of each type of government sponsored facility for the financing of FFELP Loans (each, a "**Government Facility**"). Upon such satisfaction, the Administrator shall, to the extent economically reasonable, cause the release and transfer, in accordance with Section 2.18, of the maximum amount of Trust Student Loans eligible for such Government Facility which is possible operationally, but in all cases subject to the amounts and procedures associated with such Government Facility.

**ARTICLE VII.**

**AMORTIZATION EVENTS AND TERMINATION EVENTS**

**Section 7.01. Amortization Events.**

Each of the following events (each, an "**Amortization Event**") shall be an Amortization Event under this Agreement:

- (a) the Aggregate Note Balance and all other Obligations due under the Transaction Documents are not repaid in full on the Scheduled Maturity Date (as such date may be extended from time to time); or
- (b) any settlement or one or more judgments or orders for the payment of money or adverse rulings shall be rendered against any Seller, the Depositor, the Master Depositor, any Related SPE Seller, the Administrator or the Master Servicer in excess of \$50,000,000 on an individual basis or on an aggregate basis that relates to the student loan origination or servicing practices of such Person and such settlement, judgment or ruling shall remain unsatisfied or unstayed for a period in excess of 30 days; or
- (c) the filing of any judgment or adverse ruling against any Seller, the Depositor, the Master Depositor, the Master Servicer, the Administrator, any Related SPE Seller or SLM

Corporation that could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on such Person and such judgment or ruling shall remain unsatisfied or unstayed for a period in excess of 30 days; or

(d) any material adverse development in any federal or state litigation, investigation or proceeding against the Trust, the Depositor, the Administrator, any Seller, the Master Servicer, the Master Depositor, any Related SPE Seller, or SLM Corporation shall occur that could reasonably be expected to have a Material Adverse Effect on such Person or on the Pledged Collateral which continues for 30 days after the earlier to occur of knowledge thereof or written notice thereof shall have been received by the Trust; or

(e) the filing of any actions or proceedings against the Trust, the Depositor, the Administrator, any Seller, the Master Servicer, any Related SPE Seller, the Master Depositor or SLM Corporation that involves the Transaction Documents or any material portion of the Pledged Collateral as to which the Administrative Agent reasonably believes there is likely to result a materially adverse determination which remains unsettled, unsatisfied or unstayed for a period in excess of 30 days; or

(f) (i) the Internal Revenue Service shall file notice of a lien involving a sum in excess of \$50,000,000 pursuant to Section 6323 of the Code with regard to any assets of the Trust and such lien shall not have been released within two Business Days, (ii) any Person shall institute steps to terminate any Benefit Plan if the assets of such Benefit Plan are insufficient to satisfy all of its benefit liabilities in excess of \$50,000,000 (as determined under Title IV of ERISA), or a contribution failure in excess of \$50,000,000 occurs with respect to any Benefit Plan, which is sufficient to give rise to a lien under Section 302(f) or 303(k), as applicable, of ERISA or where the PBGC shall, or shall indicate its intention to, file notice of a lien pursuant to Section 4068 of ERISA with regard to any of the assets of the Trust and in each case such lien shall not have been released within two Business Days, or (iii) any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving a Benefit Plan; or any Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, a Benefit Plan subject to Title IV of ERISA, which Reportable Event is likely to result in termination of such Benefit Plan; or the Trust or any ERISA Affiliate is likely to incur any liability in connection with the withdrawal from, or the insolvency within the meaning of Section 4245 of ERISA or reorganization within the meaning of Section 4241 of ERISA of, a Multiemployer Plan; provided, that an event described in this subsection (f) shall not be an Amortization Event unless such event could reasonably be expected to have a Material Adverse Effect on the Trust or on SLM Corporation; or

(g) any material provision of this Agreement or any other Transaction Document (other than a Guarantee Agreement that does not apply at such time to any Trust Student Loans) to which the Trust, the Administrator, any Seller, the Depositor, the Master Depositor or the Master Servicer is a party shall cease to be in full force and effect for a period of 30 days subject to any other applicable cure period under this Agreement or any other Transaction Documents; or

(h) any amendment to the Higher Education Act or any other federal law becomes effective that materially adversely affects the interests of the Administrative Agent or the Note Purchasers in the Pledged Collateral.

**Section 7.02. Termination Events.**

Each of the following events (each, a "**Termination Event**") shall be a Termination Event under this Agreement:

(a) (i) the Trust shall fail to pay the Aggregate Note Balance or any other Obligations in full on the last day of the Amortization Period, (ii) the Trust shall fail to make any payment under Sections 2.05(b)(i) through 2.05(b)(iv) within five Business Days of the due date thereof, or (iii) the Trust, the Depositor, the Master Servicer, the Master Depositor, any Material Subservicer, SLM Corporation or the Eligible Lender Trustee shall fail to make any other payment, transfer or deposit (unless waived by the payee or in the case of a failure to make a payment by a Material Subservicer, such failure was cured by the Master Servicer within the permissible grace period) on the date first required of such party under the Transaction Documents and such failure shall remain uncured following the expiration of any applicable payment or grace period provided for in the Transaction Documents (including the Amortization Period, if applicable); provided, however, that failure by the Trust to make a required payment on a Settlement Date under Sections 2.05(b)(v) through (ix) solely due to insufficient Available Funds on such Settlement Date shall not by itself constitute a Termination Event (other than with respect to all amounts due and owing on the Termination Date or as expressly specified below); or

(b) any material representation, warranty, certification or statement made or deemed to be made by the Trust, the Administrator, the Eligible Lender Trustee, any Seller, the Depositor, the Master Depositor, the Master Servicer or any Material Subservicer (to the extent such entity remains a Subservicer after the 30-day cure period noted below) under or in connection with this Agreement or any other Transaction Document, or other information, report or document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made, deemed made or delivered (except for representations and warranties concerning Eligible FFELP Loans with respect to which the applicable Seller, the Depositor, the Master Depositor or the Servicer has repurchased the related Student Loans) and shall remain unremedied (if such default can be remedied) for the greater of (i) 30 days or (ii) the time period expressly provided for the cure of such representation or warranty in the related Transaction Document, in each case after written notice thereof shall have been received by the Trust; or

(c) the Trust, the Administrator, the Eligible Lender Trustee, any Seller, the Depositor, the Master Depositor, the Master Servicer, any Material Subservicer or SLM Corporation shall materially default in the performance or observance of any term, covenant or undertaking to be performed or observed herein or in any other Transaction Document on its part and any such failure shall remain unremedied (if such default can be remedied) for 30 days after the earlier of actual knowledge by an Authorized Officer of the Trust, the Administrator or the Master Servicer and written notice thereof shall have been received by the Trust (or, if the obligation in question arises under another Transaction Document, within the cure period, if any,

provided in such Transaction Document); provided, however, such 30-day cure period shall not apply to defaults under Section 6.01, 6.11, 6.12, 6.25 or 6.29; or

(d) a Servicer Default shall have occurred with respect to the Master Servicer or the Servicing Agreement of the Master Servicer shall not be in full force and effect for any reason and the Master Servicer shall not have been replaced within 30 days after notification from the Administrative Agent; or

(e) an Event of Bankruptcy shall have occurred with respect to the Trust, the Eligible Lender Trustee, the Depositor, the Master Depositor, any Seller, the Administrator, the Master Servicer, SLM Corporation or any Material Subservicer (to the extent such entity remains a Subservicer after the 30-day period provided in the definition of an Event of Bankruptcy); or

(f) [reserved]; or

(g) the Trust shall fail to deposit, (i) for two consecutive Settlement Periods, into the Reserve Account, such additional amounts, if any, as are necessary to cause the amount on deposit in the Reserve Account to be at least equal to the Reserve Account Specified Balance, (ii) into the Borrower Benefit Account, any amount required to be deposited therein under the Transaction Documents on or prior to the first Settlement Date for such deposit as described in the Transaction Documents or (iii) into the Floor Income Rebate Account, amounts required to be deposited therein when and as such amounts are required to be deposited pursuant to the Transaction Documents; or

(h) the filing of any judgment or adverse ruling against the Trust that could reasonably be expected to have a Material Adverse Effect on the Trust and such judgment or ruling shall continue unsatisfied or unstayed for a period in excess of 30 days; or

(i) the Administrative Agent, for the benefit of the Secured Creditors, shall, for any reason, cease to have a valid and perfected first priority security interest in the Pledged Collateral, or the Trust shall, for any reason, cease to have a valid and perfected first priority ownership interest in any of the Pledged Collateral, in each case for a period of two Business Days following the date the Administrator acquired such knowledge or its receipt of such notice; or

(j) a Change of Control has occurred with respect to the Trust, the Administrator, any Seller, the Depositor, the Master Depositor or the Master Servicer; or

(k) the Depositor shall fail to maintain its status as a limited purpose bankruptcy remote limited liability company or the Trust shall fail to maintain its status as a single purpose bankruptcy remote Delaware statutory trust; or

(l) the Excess Spread Test is not satisfied; or

(m) the Trust shall be required to register as an "investment company" or a company controlled by an "investment company" under the Investment Company Act; or

(n) any Seller, the Depositor, the Master Depositor, the Master Servicer, any Material Subservicer (to the extent such Material Subservicer has not been removed as a Subservicer prior to the expiration of any related cure period), the Administrator or any Affiliate thereof (other than the Trust) shall default with respect to any outstanding financing arrangement (other than in connection with this Agreement and the Transaction Documents) representing indebtedness in excess of \$50,000,000 and either (i) such indebtedness is incurred with respect to any other financing comprising part of the FFELP Loan Facilities or (ii) the result of such default is to cause the acceleration of such indebtedness; or

(o) the Asset Coverage Ratio shall be less than the Minimum Asset Coverage Requirement and such deficiency shall not have been cured within one Business Day; or

(p) the Consolidated Tangible Net Worth of SLM Corporation shall be less than \$1,380,000,000; or

(q) at the last day of any fiscal quarter of SLM Corporation, both (i) the Interest Coverage Ratio shall be less than 1.15:1.00 and (ii) the Net Adjusted Revenue shall be less than \$400,000,000, in each case for the period of four consecutive fiscal quarters then ended; or

(r) the Trust shall fail to pay to any Exiting Facility Group its Pro Rata Share of the Aggregate Note Balance within 90 days of the commencement of the Exiting Facility Group Amortization Period with respect to such Exiting Facility Group; or

(s) any Rating Agency shall withdraw or downgrade its rating of the Class A Notes below the Required Ratings; or

(t) any failure by the Trust to pay amounts required to be paid under Section 2.15, 8.01 or 10.08 on or before the 30<sup>th</sup> day following the date of demand for payment thereof.

**Section 7.03. Remedies.**

(a) **Amortization Event.** After the occurrence of an Amortization Event, the Yield Rate shall be increased to the Amortization Period Rate until the expiration of the Amortization Period and any increase in amounts owed shall be payable as Step-Up Fees subject to the priority of payments set forth in Section 2.05(b). In addition, following the occurrence of an Amortization Event, no further Advances (other than Capitalized Interest Advances) shall be made and all amounts on deposit in the Reserve Account will be transferred to the Collection Account and will become part of Available Funds on the next Settlement Date. During the Amortization Period, the Administrative Agent or any party acting on its behalf shall not have the right to seize or sell the Pledged Collateral. Upon the expiration of the Amortization Period, the Administrative Agent may, by notice to the Trust, declare that the Termination Date has occurred and may sell the Pledged Collateral to the extent required in order to repay in full all outstanding Advances and all other amounts due and owing under this Agreement and the other Transaction Documents in accordance with the procedures set forth in subsection (b) below.

(b) **Termination Event.** After the occurrence of a Termination Event, the Yield Rate shall be increased as set forth in clause (c) of the definition thereof and any increase in amounts owed shall be payable as Step-Up Fees subject to the priority of payments set forth in Section

2.05(b). In addition, after the occurrence of a Termination Event, the Administrative Agent may, and shall, at the direction of the Required Managing Agents, by notice to the Trust, declare that a Termination Date shall have occurred (except that, in the case of any event described in Section 7.02(e) above, the Termination Date shall be deemed to have occurred automatically). Upon the declaration of the Termination Date or the automatic occurrence thereof, no further Advances will be made and all of the Obligations due and owing to the Affected Party shall become immediately due and payable. Upon any such declaration or automatic occurrence, the Administrative Agent (for the benefit of the Secured Creditors) shall have, in addition to all other rights and remedies under this Agreement or otherwise, all other rights and remedies provided to a secured party under the UCC of the applicable jurisdiction and other applicable laws, which rights shall be cumulative. The rights and remedies of a secured party which may be exercised by the Administrative Agent pursuant to this Article shall include, without limitation, the right, without notice except as specified below, to solicit and accept bids for and sell the Pledged Collateral or any part thereof in one or more parcels at a public or private sale, at any exchange, broker's board or at any of the Administrative Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Administrative Agent may deem commercially reasonable, including selling Trust Student Loans on a servicing released basis; provided, that the Administrative Agent may not, without the prior written consent of the Required Managing Agents, sell the entire corpus of the Trust Student Loans unless the net proceeds of such sale will be sufficient to pay in full all interest and principal owing on the Class A Notes. Any sale or transfer by the Administrative Agent of Trust Student Loans shall only be made to an Eligible Lender. The Trust agrees that, to the extent notice of sale shall be required by law, ten Business Days' notice to the Trust and the Administrator of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification and that it shall be commercially reasonable for the Administrative Agent to sell the Pledged Collateral to an Eligible Lender on an "as is" basis, without representation or warranty of any kind. The proceeds of any such sale shall be deposited into the Collection Account and shall be distributed pursuant to Section 2.05(b). The Administrative Agent shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given and may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

**Section 7.04. Setoff.** Each of the Secured Creditors and the Administrative Agent on behalf of all the Secured Creditors is hereby authorized (in addition to any other rights it may have) at any time after the occurrence of the Termination Date due to the occurrence of a Termination Event or during the continuation of a Potential Termination Event to set off, appropriate and apply (without presentment, demand, protest or other notice which are hereby expressly waived) any deposits and any other indebtedness held or owing by such Secured Creditor or all the Secured Creditors, as applicable, to, or for the account of, the Trust against the amount of the Outstanding Class A Notes and other Obligations owing by the Trust to such Secured Creditor or to the Administrative Agent on behalf of such Secured Creditor (even if contingent or unmaturing).



**ARTICLE VIII.**  
**INDEMNIFICATION**

**Section 8.01. Indemnification by the Trust.**

(a) Without limiting any other rights which the Affected Parties or any of their respective Affiliates may have hereunder or under applicable law, the Trust hereby agrees to indemnify the Affected Parties and each of their respective members, investors, officers, directors, employees, agents, advisors, attorneys-in-fact and Affiliates (each, an “**Indemnified Party**”) from and against any and all damages, losses, claims, liabilities and related costs and expenses, including reasonable attorneys’ fees and disbursements (except as may be expressly limited by Section 10.08) awarded against or incurred by any of the Indemnified Parties arising out of or as a result of the purchase of any Class A Notes or Class B Notes, the funding of Advances, this Agreement, the other Transaction Documents or the Pledged Collateral; excluding, however (i) any indemnified amounts to the extent determined by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Indemnified Party seeking indemnification and (ii) any recourse for Defaulted Student Loans or Delinquent Student Loans or losses attributable to changes in the market value of the Trust Student Loans because of changes in market interest rates or in rate of prepayment (the foregoing, being collectively referred to as “**Trust Indemnified Amounts**”).

(b) Any amounts subject to the indemnification provisions of this Section 8.01 shall be paid by the Trust, to the extent not already paid by the Seller, the Depositor or the Servicer under any other Transaction Documents, to the related Indemnified Party on or before the 30<sup>th</sup> day following the date of demand therefor accompanied by reasonable supporting documentation with respect to such amounts.

**Section 8.02. Indemnification and Limited Guaranty by SLM Corporation.**

(a) Without limiting any other rights that any such Person may have hereunder or under applicable law (including, without limitation, the right to recover damages for breach of contract), SLM Corporation hereby agrees to indemnify each Indemnified Party, from and against any and all damages, losses, claims, liabilities and related costs and expenses, including attorneys’ fees and disbursements awarded against or incurred by any of them arising out of or relating to (i) the Transaction Documents, the transactions contemplated under the Transaction Documents or the Trust Student Loans, or (ii) use of proceeds hereunder, including indemnified amounts arising out of or relating to any Regulatory Change after the date of this Agreement that results in any Other Tax, all interest and penalties thereon or with respect thereto, and all out-of-pocket costs and expenses, including the reasonable fees and expenses of counsel in defending against the same, which may arise by reason of the purchases hereunder, or any security interest in the Trust Student Loans or any item of the Trust Student Loans; excluding, however, (A) indemnified amounts to the extent determined by a court of competent jurisdiction to have resulted from gross negligence or willful misconduct on the part of such Indemnified Party, (B) any amounts payable as indemnification by the Trust for which the Indemnified Party has a claim against the Depositor, the Master Depositor, a Seller or the Master Servicer under the indemnification provisions in the Sale Agreement, the Conveyance Agreement, the Tri-Party

Transfer Agreement, any Purchase Agreement or the Servicing Agreement, unless such claim has not been paid within the applicable timeframe provided therein, (C) recourse for Defaulted Student Loans or Delinquent Student Loans or losses attributable to changes in the market value of the Trust Student Loans because of changes in market interest rates or in rate of prepayment, or (D) indemnified amounts to the extent that such indemnified amounts, together with any amounts paid by SLM Corporation pursuant to Section 8.02(c), exceed in the aggregate the lesser of (1) 5% of the highest Aggregate Note Balance at any time during the immediately preceding 12-month period, and (2) \$133,333,333 (the foregoing being collectively referred to as "**SLM Indemnified Amounts**").

(b) Any Trust Indemnified Amounts which are also SLM Indemnified Amounts and are not paid by the Trust on or before the 30<sup>th</sup> day following the date of demand pursuant to Section 8.01, shall be paid by SLM Corporation to the related Indemnified Party within five Business Days following demand therefor accompanied by reasonable supporting documentation with respect to such amounts.

(c) SLM Corporation further agrees that, to the extent there are insufficient Available Funds in the Collection Account on any Settlement Date to pay any Non-Use Fee due and owing on such Settlement Date in accordance with Section 2.05(b), SLM Corporation shall pay to the Managing Agent for each Facility Group on such Settlement Date the portion of such Facility Group's Non-Use Fee that would otherwise not be paid; provided, however, that SLM Corporation shall not be obligated to pay any amounts under this Section 8.02(c) to the extent that the aggregate amounts paid under Section 8.02(a) and this Section 8.02(c) exceed the lesser of (1) 5% of the highest Aggregate Note Balance at any time during the immediately preceding 12-month period, and (2) \$133,333,333. Any failure by SLM Corporation to pay its obligations under this Section 8.02(c) (other than by reason of the proviso in the immediately preceding sentence) that remains uncured for five (5) Business Days after SLM Corporation receives notice from the Administrative Agent or any Managing Agent of any such obligation being due and payable shall constitute a Termination Event under Section 7.02(a) of this Agreement. SLM Corporation hereby subordinates (to the rights of the Secured Creditors to receive payment of the Obligations in full in immediately available funds) and releases any and all rights and claims it may now or hereafter have or acquire against the Trust in connection with this Section 8.02(c) that would constitute it a "creditor" of the Trust for purposes of the Bankruptcy Code, including all rights of subrogation against the Trust and its property and all rights of indemnification, contribution and reimbursement from the Trust and its property, all of which are hereby waived.

#### ARTICLE IX.

##### ADMINISTRATIVE AGENT, SYNDICATION AGENT AND MANAGING AGENTS

###### Section 9.01. Authorization and Action of Administrative Agent and Syndication Agent.

(a) The Conduit Lenders, the LIBOR Lenders, the Managing Agents and the Alternate Lenders, as of the Original Closing Date, accept the appointment of and authorize the Administrative Agent and the Syndication Agent to take such action as agent on their behalf and to exercise such powers as are delegated to the Administrative Agent and the Syndication Agent

by the terms hereof, together with such powers as are reasonably incidental thereto. Each of the Administrative Agent and the Syndication Agent reserves the right, in its sole discretion, to take any actions and exercise any rights or remedies under this Agreement and any related agreements and documents. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Transaction Document, the Administrative Agent and the Syndication Agent shall not have any duties or responsibilities, except those expressly set forth in this Agreement, nor shall the Administrative Agent or the Syndication Agent have or be deemed to have any fiduciary relationship with any Lender or Managing Agent, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Transaction Document or otherwise exist against the Administrative Agent and the Syndication Agent. Without limiting the generality of the foregoing sentence, the use of the terms "Administrative Agent" and "Syndication Agent" in this Agreement with reference to the Administrative Agent and the Syndication Agent, respectively, are not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such terms are used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) Each of the Administrative Agent and the Syndication Agent may execute any of its duties under this Agreement or any other Transaction Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Each of the Administrative Agent and the Syndication Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care. The Administrative Agent agrees to give the Managing Agents notice of each notice and determination and a copy of each certificate and report (if such notice, report, determination, or certificate is not given by the applicable Person to such Managing Agent) given to it by the Trust, the Administrator, any Seller, the Master Depositor, the Depositor, any Servicer, any Co-Valuation Agent or the Eligible Lender Trustee pursuant to the terms of the Transaction Documents within five Business Days of receipt thereof. Except for actions which each of the Administrative Agent and the Syndication Agent is expressly required to take pursuant to this Agreement, neither the Administrative Agent nor the Syndication Agent shall be required to take any action which exposes the Administrative Agent or the Syndication Agent to personal liability or which is contrary to applicable law unless the Administrative Agent or the Syndication Agent shall receive further assurances to its satisfaction from the Managing Agents that it will be indemnified against any and all liability and expense which may be incurred in taking or continuing to take such action.

**Section 9.02. Authorization and Action of Managing Agents.**

(a) Each Lender hereby accepts the appointment of and authorize its related Managing Agent to take such action as agent on its behalf and to exercise such powers as are delegated to such Managing Agent by the terms hereof, together with such powers as are reasonably incidental thereto. Each Managing Agent reserves the right, in its sole discretion, to take any actions and exercise any rights or remedies under this Agreement and any related agreements and documents. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Transaction Document, no Managing Agent shall have any duties or responsibilities, except those expressly set forth in this Agreement, nor shall any

Managing Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Transaction Document or otherwise exist against any Managing Agent. Without limiting the generality of the foregoing sentence, the use of the term "Managing Agent" in this Agreement with reference to any Managing Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) Each Managing Agent may execute any of its duties under this Agreement or any other Transaction Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Managing Agent shall be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care. Each Managing Agent agrees to give to its related Lenders prompt notice of each notice and determination and a copy of each certificate and report (if such notice, report, determination, or certificate is not given by the applicable Person to such Lender) given to it by the Administrative Agent, the Syndication Agent, the Trust, the Administrator, any Seller, the Depositor, any Servicer, any Co-Valuation Agent or the Eligible Lender Trustee pursuant to the terms of this Agreement. Except for actions which each Managing Agent is expressly required to take pursuant to this Agreement, such Managing Agent shall not be required to take any action which exposes such Managing Agent to personal liability or which is contrary to applicable law unless such Managing Agent shall receive further assurances to its satisfaction from its related Lenders that it will be indemnified against any and all liability and expense which may be incurred in taking or continuing to take such action.

**Section 9.03. Agency Termination.** The appointment and authority of the Administrative Agent, the Syndication Agent and the Managing Agents hereunder shall terminate upon the payment by the Trust of all Obligations hereunder unless sooner terminated pursuant to Sections 9.07 and 9.08, as applicable.

**Section 9.04. Administrative Agent's, Syndication Agent's and Managing Agent's Reliance, Etc.** None of the Administrative Agent, the Syndication Agent, any Managing Agent or any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it as Administrative Agent, the Syndication Agent, or Managing Agent, as applicable, under or in connection with this Agreement or any related agreement or document, except for its own gross negligence or willful misconduct. Without limiting the foregoing, each of the Administrative Agent, the Syndication Agent and each Managing Agent:

(a) may consult with legal counsel (including counsel for the Trust or any Affiliate of the Trust), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts;

(b) makes no warranty or representation to any Lender, any Managing Agent or any Program Support Provider and shall not be responsible to any Lender, any Managing Agent or any Program Support Provider for any statements, warranties or representations made by the Trust, the Administrator, SLM Corporation, the Eligible Lender Trustee, any Seller, the

Depositor, any Servicer, any Guarantor or any Co-Valuation Agent in connection with this Agreement or any other Transaction Document;

(c) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any other Transaction Document on the part of the Trust, the Administrator, SLM Corporation, the Eligible Lender Trustee, any Servicer, any Seller, the Depositor, any Guarantor or any Co-Valuation Agent or to inspect the property (including the books and records) of the Trust, the Administrator, SLM Corporation, the Eligible Lender Trustee, any Servicer, any Seller, the Depositor, any Guarantor or any Co-Valuation Agent;

(d) shall not be responsible to any Lender, any Managing Agent, or any Program Support Provider, as the case may be, for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any Transaction Document or any other instrument or document furnished pursuant hereto; and

(e) shall incur no liability under or in respect of this Agreement by acting upon any notice (including notice by telephone), consent, certificate or other instrument or writing (which may be by facsimile or other electronic means) believed by it in good faith to be genuine and signed or sent by the proper party or parties.

**Section 9.05. Administrative Agent, Syndication Agent, Managing Agents and Affiliates.** The Administrative Agent, the Syndication Agent, the Managing Agents and their Affiliates may generally engage in any kind of business with the Trust, the Administrator, SLM Corporation, the Eligible Lender Trustee, any Servicer, any Guarantor, any Seller, the Depositor, any of their respective Affiliates and any Person who may do business with or own securities of the Trust, the Administrator, SLM Corporation, the Eligible Lender Trustee, any Servicer, any Guarantor, any Seller, the Depositor, or any of their respective Affiliates, all as if such entities were not the Administrative Agent, the Syndication Agent or a Managing Agent and without any duty to account therefor to any Lender, any Managing Agent or any Program Support Provider.

**Section 9.06. Decision to Purchase Class A Notes and Make Advances.** The Lenders acknowledge that each has, independently and without reliance upon the Administrative Agent or any Managing Agent, and based on such documents and information as it has deemed appropriate, made its own evaluation and decision to enter into this Agreement and to make Advances hereunder. The Lenders also acknowledge that each will, independently and without reliance upon the Administrative Agent, any Managing Agent or any of their Affiliates, and based on such documents and information as it shall deem appropriate at the time, continue to make its own decisions in taking or not taking action under this Agreement or any related agreement, instrument or other document. Furthermore, each of the Lenders and Managing Agents acknowledges and agrees that although it may have received modeling and other structural information (including cash flow analysis) from the Administrative Agent or a Managing Agent, neither the Administrative Agent nor any Managing Agent assumes any responsibility for the accuracy or completeness of such information and such information is not intended to be relied upon as a prediction of performance or for any other reason.

**Section 9.07. Successor Administrative Agent or Syndication Agent.**

(a) The Administrative Agent or the Syndication Agent may resign at any time by giving five days' written notice thereof to the Syndication Agent or the Administrative Agent, as applicable, each Conduit Lender, each Managing Agent, each LIBOR Lender, each Alternate Lender, the Trust, the Administrator and the Eligible Lender Trustee. Upon any such resignation, the Conduit Lenders, the Managing Agents, the LIBOR Lenders and the Alternate Lenders shall have the right to appoint a successor Administrative Agent or Syndication Agent approved by the Administrator (which approval will not be unreasonably withheld or delayed and will not be required after the occurrence and during the continuation of a Termination Event). If no successor Administrative Agent or Syndication Agent shall have been so appointed and shall have accepted such appointment within sixty days after the retiring Administrative Agent's or Syndication Agent's giving of notice of resignation, then the retiring Administrative Agent or Syndication Agent may, on behalf of the Conduit Lenders, the Managing Agents, the LIBOR Lenders and the Alternate Lenders, appoint a successor Administrative Agent or Syndication Agent. If the successor Administrative Agent or Syndication Agent is not an Affiliate of the resigning Administrative Agent or Syndication Agent, a LIBOR Lender or an Alternate Lender, such successor Administrative Agent or Syndication Agent shall be subject to the Administrator's prior written approval (which approval will not be unreasonably withheld or delayed). Upon the acceptance of any appointment as Administrative Agent or Syndication Agent hereunder by a successor Administrative Agent or Syndication Agent, such successor Administrative Agent or Syndication Agent shall thereupon succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Administrative Agent or Syndication Agent, and the retiring Administrative Agent or Syndication Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's or Syndication Agent's resignation hereunder as Administrative Agent or Syndication Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was an Administrative Agent or Syndication Agent under this Agreement.

(b) The "Administrative Agent" and "Syndication Agent" shall include any successors to the Administrative Agent or Syndication Agent as a result of a merger, consolidation, combination, conversion, reorganization or any other transaction (or series of related transactions) in which shares of the Administrative Agent's or the Syndication Agent's capital stock are sold or exchanged for or converted or otherwise changed into other stock or securities, cash and/or any other property, or the sale, lease, assignment, transfer or other conveyance of a majority of the assets of the Administrative Agent or the Syndication Agent in any transaction (or series of related transactions). Notwithstanding anything to the contrary in this Agreement, no consent of the Lenders, the Managing Agents or the Trust shall be required in connection with the succession of the Administrative Agent or the Syndication Agent as a result of any of the foregoing transactions.

**Section 9.08. Successor Managing Agents.** Any Managing Agent may resign at any time by giving five days' written notice thereof to its related Lenders, the Trust, the Administrator, the Administrative Agent and the Eligible Lender Trustee. Upon any such resignation, the applicable Lenders shall have the right to appoint a successor Managing Agent approved by the Administrator (which approval will not be unreasonably withheld or delayed)

and will not be required after the occurrence and during the continuation of a Termination Event). If no successor Managing Agent shall have been so appointed and shall have accepted such appointment, within sixty days after the retiring Managing Agent's giving of notice of resignation, then the retiring Managing Agent may, on behalf of its related Lenders, appoint a successor Managing Agent. If the successor Managing Agent is not an Affiliate of the resigning Managing Agent, such successor Managing Agent shall be subject to the Administrator's prior written approval (which approval will not be unreasonably withheld or delayed and will not be required after the occurrence and during the continuation of a Termination Event). Upon the acceptance of any appointment as a Managing Agent hereunder by a successor Managing Agent, such successor Managing Agent shall thereupon succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Managing Agent, and the retiring Managing Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Managing Agent's resignation hereunder as a Managing Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was a Managing Agent under this Agreement.

**Section 9.09. Reimbursement.** Each Managing Agent, Alternate Lender, LIBOR Lender and Committed Conduit Lender agrees to reimburse and indemnify the Administrative Agent, the Syndication Agent and its officers, directors, employees, representatives, counsel and agents (to the extent the Administrative Agent or the Syndication Agent is not paid or reimbursed by the Trust, the Administrator, SLM Corporation, the Master Servicer, the Sellers or the Depositor), ratably according to the amounts owed to each such Person hereunder, from and against such Lender's ratable share of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Administrative Agent or the Syndication Agent in any way relating to or arising out of this Agreement or any other Transaction Document or any action taken or omitted by the Administrative Agent or the Syndication Agent under this Agreement or any Transaction Document; provided, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's or the Syndication Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Alternate Lender, LIBOR Lender and Committed Conduit Lender agrees to reimburse the Administrative Agent and the Syndication Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Administrative Agent and the Syndication Agent in connection with the due diligence, negotiation, preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any other Transaction Document and in connection with the initial syndication of the Commitments as described in the Syndication Procedures Letter, in each case to the extent that the Administrative Agent or the Syndication Agent is not reimbursed for such expenses by the Trust, the Administrator, SLM Corporation, the Master Servicer, the Sellers, the Master Depositor or the Depositor.

**Section 9.10. Notice of Amortization Events, Termination Events, Potential Amortization Events, Potential Termination Events or Servicer Defaults.** Neither the Administrative Agent nor the Syndication Agent shall be deemed to have knowledge or notice of the occurrence of an Amortization Event, a Termination Event, a Potential Amortization Event, a

Potential Termination Event or a Servicer Default, unless the Administrative Agent or the Syndication Agent has received written notice from a Note Purchaser, a Managing Agent or the Trust referring to this Agreement, describing such Amortization Event, Termination Event, Potential Amortization Event, Potential Termination Event or Servicer Default and stating that such notice is a "Notice of Termination Event or Potential Termination Event," "Notice of Amortization Event or Potential Amortization Event" or "Notice of Servicer Default," as applicable. The Administrative Agent or the Syndication Agent will notify the Managing Agents of its receipt of any such notice.

**ARTICLE X.**  
**MISCELLANEOUS**

**Section 10.01. Amendments, Etc.**

(a) Unless otherwise specified herein, no amendment to or waiver of any provision of this Agreement or the Side Letter nor consent to any departure by the Trust or any other Person therefrom shall in any event be effective unless the same shall be in writing and signed by the Trust, the Eligible Lender Trustee and the Required Managing Agents and the Rating Agency Condition has been satisfied; provided, however, that (u) SLM Education Credit Finance Corporation agrees that it shall notify the Administrative Agent in writing of any proposed amendments or other modifications to the organizational documents of any Seller, any Related SPE Seller, the Master Depositor or the Depositor and will not effect any such amendment or other modification without the prior written consent of the Required Managing Agents, not to be unreasonably withheld; (w) any waiver of the Termination Event set forth in Section 7.02(f) shall also require the consent of the applicable Exiting Facility Group; (x) no such amendment, waiver or consent shall, without the consent of the Administrative Agent or the Syndication Agent, require the Administrative Agent or the Syndication Agent, as applicable, to take any action or amend, modify or waive the duties, responsibilities or rights of the Administrative Agent or the Syndication Agent, as applicable, hereunder or under any other Transaction Document; (y) the consent of the applicable Alternate Lender, LIBOR Lender or Committed Conduit Lender, shall be required to increase the amount of its Commitment or extend the Scheduled Maturity Date; and (z) no such amendment, waiver or consent shall, without the consent of each affected Managing Agent exclusive (except in the case of clauses (ii)(A), (ii)(B), (iii), (v), (vi) and (vii) below) of any Managing Agent for any Distressed Lender (unless such amendment, waiver or consent is (A) necessary to correct a mistake or cure any ambiguity or (B) made solely to satisfy the Rating Agency Condition, in each case as reasonably determined by the Required Managing Agents):

(i) amend Section 7.01, Section 7.02 or Article VIII or the definitions of Adjusted Pool Balance, Amortization Period, Applicable Percentage (including as set forth in the Side Letter), Asset Coverage Ratio, Defaulted Student Loan, Eligible FFELP Loan, Excess Concentration Amount (including as set forth in the Side Letter), Excess Spread, Excess Spread Test, Maximum Advance Amount, Minimum Asset Coverage Ratio, or Required Managing Agents or any other provision hereof specifying the percentage of Managing Agents required to waive, amend or modify any rights hereunder



or make any determination or grant any consent hereunder contained in this Agreement or modify the then existing Excess Concentration Amount;

(ii) amend, modify or waive any provision of this Agreement in any way which would (A) reduce the amount of principal or Financing Costs payable on account of any Note or delay any scheduled date for payment thereof, (B) reduce fees payable by the Trust to the Administrative Agent, the Managing Agents or the Lenders or delay the dates on which such fees are payable or (C) modify any provisions relating to the Asset Coverage Ratio or any required reserves so as to reduce such reserves;

(iii) agree to the payment of a different rate of interest on the Class A Notes pursuant to this Agreement;

(iv) waive the Termination Events set forth in Section 7.02(e) (with respect to the Trust, the Administrator, the Master Servicer or SLM Corporation), Section 7.02(j), Section 7.02(o) and Section 7.02(s);

(v) amend this Section 10.01 in any way other than expanding the list of amendments, waivers or consents that require the consent of each Managing Agent;

(vi) release all or substantially all of the Pledged Collateral except as expressly permitted by this Agreement;

(vii) amend Section 2.14 in a manner that would alter the pro rata sharing of payments required thereby; or

(viii) amend, modify or waive any provision of the Side Letter.

(b) Any such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. To the extent the consent of any of the parties hereto (other than the Trust) is required under any of the Transaction Documents, the determination as to whether to grant or withhold such consent shall be made by such party in its sole discretion without any implied duty toward any other Person, except as otherwise expressly provided herein or therein. The parties acknowledge that, before entering into such an amendment or granting such a waiver or consent, Lenders may be entitled to receive an amount as may be mutually agreed upon between the Trust and the Managing Agents and, in addition, may be required to obtain the approval of some or all of the Program Support Providers. If any Conduit Lender is required pursuant to its program documents to provide notice of an amendment to the Transaction Documents to any Rating Agency rating the CP of such Conduit Lender, such Conduit Lender's related Managing Agent shall provide such Rating Agency with notice of such amendment to the Transaction Documents.

(c) The Administrative Agent covenants and agrees not to consent to any amendment or waiver to the Administration Agent or the Servicing Agreement without receiving the consent of the Required Managing Agents (or, in the case of any amendment to Section 5.01 of the Servicing Agreement in clause (a) of the definition of Servicing Agreement, all of the Managing Agents exclusive of any Managing Agent for any Distressed Lender).

**Section 10.02. Notices; Non-Public Information, Etc.**

(a) **Notices.** All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including communication by facsimile copy or other electronic means) and mailed, delivered by nationally recognized overnight courier service, transmitted or delivered by hand, as to each party hereto, at its address set forth on Exhibit M hereto or at such other address as shall be designated by such party in a written notice to the other parties hereto. Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the specified facsimile number and an appropriate confirmation is received, (ii) if given by e-mail, when sent to the specified e-mail address and an appropriate confirmation is received, (iii) if given by mail, five days after being deposited in the United States mails, first class postage prepaid (except that notices and communications pursuant to Article II shall not be effective until received), (iv) if given by nationally recognized courier guaranteeing overnight delivery, the Business Day following such day after such communication is delivered to such courier or (v) if given by any other means, when delivered at the address (electronic or otherwise) specified in this Section. Notwithstanding the foregoing, with respect to any Transaction Document, any recipient may designate what it deems to be appropriate confirmation and that notification by e-mail to it shall not be effective without such confirmation.

(b) **MNPI.** The Trust hereby acknowledges that (i) the Administrative Agent and/or the Syndication Agent will make available to the Lenders materials and/or information provided by or on behalf of the Trust hereunder (collectively, "**Trust Materials**") by posting the Trust Materials on IntraLinks or another similar electronic system (the "**Platform**") and (ii) certain of the Lenders may be "public-side" Lenders (each, a "**Public Lender**") which may have personnel who do not wish to receive material non-public information (within the meaning of the United States federal securities laws) with respect to the Trust or its Affiliates, or the respective securities of any of the foregoing ("**MNPI**"), and who may be engaged in investment and other market-related activities with respect to the Trust's or its Affiliate's securities or debt. The Trust hereby agrees that (w) all Trust Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Trust Materials "PUBLIC," the Trust shall be deemed to have authorized the Administrative Agent, the Syndication Agent and the Lenders to treat such Trust Materials as not containing any MNPI with respect to the Trust, its Affiliates or their respective securities for purposes of United States federal and state securities laws (provided, however, that to the extent such Trust Materials constitute confidential information, they shall be treated as set forth in Section 10.12); (y) all Trust Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) the Administrative Agent and the Syndication Agent shall be entitled to treat any Trust Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor."

(c) **The Platform.** THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE TRUST MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE TRUST MATERIALS. NO WARRANTY OF ANY KIND,

EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE TRUST MATERIALS OR THE PLATFORM. In no event shall any of the Administrative Agent, the Syndication Agent or any of its Related Parties (collectively, the "**Agent Parties**") have any liability to the Trust, any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Trust's, the Administrative Agent's or the Syndication Agent's transmission of Trust Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party.

(d) **Private Side Information.** Each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender at all times to have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable law, including United States federal and state securities laws, to make reference to Trust Materials that are not made available through the "Public Side Information" portion of the Platform and that may contain MNPI with respect to the Trust or its securities for purposes of United States federal or state securities laws.

**Section 10.03. No Waiver; Remedies; Limitation of Liability.** No failure or delay by any party hereto in exercising any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. No claim may be made by any Transaction Party or any other Person against any Lender, Managing Agent, the Administrative Agent, the Syndication Agent or any of their Related Parties for any indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages) in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement or any act, omission or event occurring in connection therewith; and each party hereto hereby waives, releases and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor. No claim may be made by any Lender, Managing Agent, the Administrative Agent, the Syndication Agent or any other Person against any Transaction Party or any of their Related Parties for any indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages) in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement or any act, omission or event occurring in connection therewith; and each party hereto hereby waives, releases and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

**Section 10.04. Successors and Assigns; Binding Effect.**

(a) This Agreement shall be binding on the parties hereto and their respective successors and permitted assigns; provided, however, that neither the Trust nor the Administrator

may assign or otherwise transfer any of its rights or obligations or delegate any of its duties hereunder or under any of the other Transaction Documents to which it is a party without the prior written consent of the Administrative Agent. Except as provided in clauses (b), (d), (f) and (g) below and except as provided in Article III, no provision of this Agreement shall in any manner restrict the ability of any Lender to assign, participate, grant security interests in, or otherwise transfer any portion of its Note.

(b) **Lenders.** Any Alternate Lender, LIBOR Lender or Committed Conduit Lender may assign all or any portion of its Commitment and any Lender may assign all or any portion of its interest in its Facility Group's Class A Notes, the Pledged Collateral and its other rights and obligations hereunder to any Person with the prior written approval of the Administrator and the Administrative Agent (which approvals shall not be unreasonably withheld or delayed and shall not be required after the occurrence and during the continuation of a Termination Event) and the approval of the Managing Agent of such Lender's Facility Group; provided, however, such consent of the Administrator or the Administrative Agent shall not be required in the case of an assignment to a Lender, an Affiliate of an existing Lender, an Approved Fund or a commercial paper conduit managed by an Affiliate of an existing Lender or Managing Agent (it being understood that in the case of an assignment to a commercial paper conduit that does not become a Committed Conduit Lender, the related Commitment must be assigned to or retained by, as applicable, an Alternate Lender within such conduit's Facility Group); provided further, that (x) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and interest in its Facility Group's Class A Notes at the time owing to it or in the case of any assignment to a Lender, an Affiliate of a Lender an Approved Fund or a commercial paper conduit managed by an Affiliate of an existing Lender or Managing Agent, no minimum amount need be assigned; and (y) in any case not described in clause (x) of this proviso, the aggregate minimum amount of the Commitment or interest in a Facility Group's Class A Notes to be assigned determined as of the date of the assignment and assumption agreement shall not be less than \$10,000,000, unless each of the Administrative Agent and, so long as no Amortization Event or Termination Event has occurred and is continuing, the Administrator otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignment from members of an Assignee Group to a single assignee (or to an assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met.

In connection with any such assignment, the assignor shall deliver to the assignee(s) an assignment and assumption agreement, duly executed, assigning to such assignee a pro rata interest in such assignor's Commitment and other obligations hereunder and in its interest in its Facility Group's Class A Notes and the Pledged Collateral and other rights hereunder, and such assignor shall promptly execute and deliver all further instruments and documents, and take all further action, that the assignee may reasonably request, in order to protect, or more fully evidence the assignee's right, title and interest in and to such interest and to enable the Administrative Agent, on behalf of such assignee, to exercise or enforce any rights hereunder and under the other Transaction Documents to which such assignor is or, immediately prior to such assignment, was a party. Upon any such assignment, (i) the assignee shall have all of the rights and obligations of the assignor hereunder and under the other Transaction Documents to which such assignor is or, immediately prior to such assignment, was a party with respect to such

assignor's Commitment and interest in its Facility Group's Class A Notes and the Pledged Collateral for all purposes of this Agreement and under the other Transaction Documents to which such assignor is or, immediately prior to such assignment, was a party and (ii) the assignor shall have no further obligations with respect to the portion of its Commitment which has been assigned and shall relinquish its rights with respect to the portion of its interest in its Facility Group's Class A Notes and Pledged Collateral which has been assigned for all purposes of this Agreement and under the other Transaction Documents to which such assignor is or, immediately prior to such assignment, was a party. No such assignment shall be effective until a fully executed copy of the related assignment and assumption agreement has been delivered to the Administrative Agent, the applicable Managing Agent and the Administrator, together with an assignment processing and recordation fee in the amount of \$3,500.00 (which fee includes all costs and expenses of the Administrative Agent, assignor and assignee for which the Trust is responsible in connection with such assignment); provided, however, that the Administrative Agent may, in its sole discretion elect to waive such processing recordation fee in the case of any assignment.

(c) The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. No such assignment shall be made to the Trust or any of the Trust's Affiliates, except as otherwise explicitly permitted by this Agreement.

(d) **Conduit Lenders.** Without limiting the foregoing, each Conduit Lender may, from time to time, with prior or concurrent notice to the Trust, the Administrator, the Managing Agent for such Conduit Lender's Facility Group, and the Administrative Agent, in one transaction or a series of transactions, assign all or a portion of its interest in its Facility Group's Class A Notes and its rights and obligations under this Agreement and any other Transaction Documents to which it is a party to a Conduit Assignee. Upon and to the extent of such assignment by a Conduit Lender to a Conduit Assignee:

(i) such Conduit Assignee shall be the owner of the assigned portion of the related Facility Group's Class A Notes and the right to make Advances;

(ii) unless otherwise provided for in an agreement among the Conduit Assignee, the Administrative Agent and the Trust, the Managing Agent for the Conduit Lender assignor will act as the Managing Agent for such Conduit Assignee, with all corresponding rights and powers, express or implied, granted to the Managing Agent hereunder or under the other Transaction Documents;

(iii) such Conduit Assignee (and any related commercial paper issuer, if such Conduit Assignee does not itself issue commercial paper) and their respective Program Support Providers and other Related Parties shall have the benefit of all the rights and protections provided to the Conduit Lender and its Program Support Provider(s) herein and in the other Transaction Documents (including any limitation on recourse against such Conduit Assignee or Related Parties, any agreement not to file or join in the filing of a petition to commence an insolvency proceeding against such Conduit Assignee, and the right to assign to another Conduit Assignee as provided in this paragraph);

(iv) such Conduit Assignee shall assume all (or the assigned or assumed portion) of the Conduit Lender's obligations, if any, hereunder or any other Transaction Document, and the Conduit Lender shall be released from such obligations, in each case to the extent of such assignment, and the obligations of the Conduit Lender and such Conduit Assignee shall be several and not joint;

(v) all distributions in respect of the Class A Notes shall be made to the applicable agent or Managing Agent, as applicable, on behalf of the Conduit Lender and such Conduit Assignee on a pro rata basis according to their respective interests;

(vi) the defined terms and other terms and provisions of this Agreement and the other Transaction Documents shall be interpreted in accordance with the foregoing; and

(vii) if requested by the Administrative Agent or the Managing Agent with respect to the Conduit Assignee, the parties will execute and deliver such further agreements and documents and take such other actions as the Administrative Agent or such Managing Agent may reasonably request to evidence and give effect to the foregoing.

No assignment by a Conduit Lender to a Conduit Assignee of all or any portion of its interest in its Facility Group's Class A Notes shall in any way diminish its related Alternate Lenders' obligation under this Agreement to fund any Advances not previously funded by the Conduit Lender or such Conduit Assignee.

(e) In the event that a Conduit Lender makes an assignment to a Conduit Assignee in accordance with clause (d) above, the Alternate Lenders in such Conduit Lender's Facility Group:

(i) if requested by the related Managing Agent, shall terminate their participation in the applicable Program Support Agreement related to the assigning Conduit Lender to the extent of such assignment;

(ii) if requested by the related Managing Agent, shall execute (either directly or through a participation agreement, as determined by such Managing Agent) the program support agreement related to such Conduit Assignee, to the extent of such assignment, the terms of which shall be substantially similar to those of the participation or other agreement entered into by such Alternate Lender with respect to the applicable Program Support Agreement (or which shall be otherwise reasonably satisfactory to the related Managing Agent and the Alternate Lenders);

(iii) if requested by the Conduit Assignee, shall enter into such agreements as requested by the Conduit Assignee pursuant to which they shall be obligated to provide funding to the Conduit Assignee on substantially the same terms and conditions as is provided for in this Agreement in respect of the Conduit Lender (or which agreements shall be otherwise reasonably satisfactory to the Conduit Assignee and the Alternate Lenders); and

(iv) shall take such actions as the Administrative Agent shall reasonably request in connection therewith.

(f) Notwithstanding the foregoing, each of the Administrator and the Trust hereby agrees and consents to the assignment by any Conduit Lender from time to time of all or any part of its rights under, interest in and title to the Advances, the Pledged Collateral, this Agreement, and the other Transaction Documents to any Program Support Provider.

(g) If its related Managing Agent so elects, a Conduit Lender shall assign (and each of the Administrator and the Trust consents to such assignment), effective on the Assignment Date referred to below, all or such portions as may be elected by the Conduit Lender of its interest in its Facility Group's Note, at such time to its related Alternate Lender(s); provided, however, that no such assignment shall take place pursuant to this paragraph at a time when an Event of Bankruptcy with respect to such Conduit Lender exists. No further documentation or action on the part of the Conduit Lender shall be required to exercise the rights set forth in the immediately preceding sentence, other than the giving of notice by its related Managing Agent on behalf of the Conduit Lender referred to above and the delivery by such related Managing Agent of a copy of such notice to each related Alternate Lender (the date of the receipt by the applicable Managing Agent of any such notice being the "**Assignment Date**"). Each related Alternate Lender hereby agrees, unconditionally and irrevocably and under all circumstances, without setoff, counterclaim or defense of any kind, to pay the full amount of its Assignment Amount on such Assignment Date to its related Conduit Lender or Conduit Lenders in immediately available funds to an account designated by the related Managing Agent. Upon payment of its Assignment Amount, each such Alternate Lender shall acquire an interest in such Facility Group's Class A Notes equal to that transferred by the Conduit Lender. In the event that the aggregate of the Assignment Amounts paid by any Facility Group's Alternate Lenders pursuant to this paragraph on any Assignment Date occurring is less than the principal balance of the Class A Notes of the applicable Conduit Lender on such Assignment Date, then to the extent payments are therefore received by the applicable Managing Agent hereunder in respect of such Class A Notes in excess of the aggregate of the unrecovered Assignment Amounts funded by the related Alternate Lenders, such excess shall be remitted by the applicable Managing Agent to the applicable Conduit Lenders.

(h) By executing and delivering an assignment and assumption agreement, the assignor and assignee thereunder confirm to and agree with each other and the other parties hereto as follows:

(i) other than as provided in such assignment and assumption agreement, the assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, the other Transaction Documents or any other instrument or document furnished pursuant hereto or thereto or the execution, legality, validity, enforceability, genuineness, sufficiency or value or this Agreement, the other Transaction Documents or any such other instrument or document;

(ii) the assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Administrator, SLM

Corporation, the Trust or any Affiliate thereof or the performance or observance by the Administrator, SLM Corporation, the Trust or any Affiliate thereof of any of their respective obligations under this Agreement or the other Transaction Documents or any other instrument or document furnished pursuant hereto;

- (iii) such assignee confirms that it has received a copy of this Agreement and each other Transaction Document and such other instruments, documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such assignment and assumption agreement and to purchase such interest;
- (iv) such assignee will, independently and without reliance upon the Administrative Agent, any Managing Agent, any other Lender, or any of their respective Affiliates, or the assignor and based on such agreements, documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Transaction Documents;
- (v) such assignee appoints and authorizes the Administrative Agent and its applicable Managing Agent to take such action as agent on its behalf and to exercise such powers under this Agreement, the other Transaction Documents and any other instrument or document furnished pursuant hereto or thereto as are delegated to the Administrative Agent or its applicable Managing Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto and to enforce its respective rights and interests in and under this Agreement, the other Transaction Documents and the Pledged Collateral;
- (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement and the other Transaction Documents are required to be performed by it as the assignee of the assignor; and
- (vii) such assignee agrees that it will not institute against the Conduit Lenders any proceeding of the type referred to in Section 10.15 prior to the date which is one year and one day (or, if longer, any applicable preference period plus one day) after the payment in full of all CP issued by the Conduit Lender (or any related commercial paper issuer, if the Conduit Lender does not itself issue CP).
- (i) From and after the effective date specified in each assignment and acceptance, (i) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such assignment and acceptance, have the rights and obligations of the assigning Lender under this Agreement, (ii) the assigning Lender shall, to the extent of the interest so assigned, be relieved from its obligations hereunder and (iii) in the case of an assignment of all of a Lender's rights and obligations hereunder, such Lender shall cease to be a party hereto; provided, that such Lender shall continue to be entitled to the benefits of Sections 2.02(c), 2.15, 2.20 and 10.08 and Article VIII, in each case solely with respect to facts and circumstances occurring prior to the effective date of such assignment.
- (j) The Administrative Agent shall, acting solely for this purpose as an agent of the Trust, maintain a register (the "**Register**") on which it will record the Lenders' rights hereunder,



and each assignment and acceptance and participation. The Register shall include the names and addresses of the Lenders (including all assignees, successors and participants). Failure to make any such recordation, or any error in such recordation, shall not affect the Lenders' obligations in respect of such rights. If a Lender assigns or sells a participation in its rights hereunder, it shall provide the Trust and the Administrative Agent with the information described in this paragraph and permit the Trust to review such information as reasonably needed for the Trust and the Administrative Agent to comply with its obligations under this Agreement or to maintain the Obligations at all times in "registered form" within the meaning of Sections 163(f), 871(h)(2) and 881(c)(2) of the Code and any related regulations. The entries in the Register shall be conclusive, and the Trust, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Trust and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(k) Each Lender may at any time pledge or Grant a security interest in all or any portion of its rights under this Agreement (including, without limitation, rights to payment of principal and Yield) to secure its obligations, including without limitation any pledge, grant, or assignment to secure obligations to a Federal Reserve Bank, without notice to or consent of SLM Corporation, the Administrator, the Trust or the Administrative Agent; provided, that no such pledge or Grant of a security interest shall release a Lender from any of its obligations under this Agreement, or substitute any such pledgee or grantee for such Lender as a party to this Agreement.

(l) [Reserved].

(m) Any Lender may, without the consent of, or notice to, the Trust or the Administrative Agent, sell participations to any Person (other than a natural person or the Trust or any of the Trust's Affiliates) (each, a "**Participant**") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or its interest in its Facility Group's Class A Notes owing to it); provided, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations; (iii) the Trust and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement; and (iv) such Lender shall obtain from the Participant, on behalf of the Administrator, a confidentiality agreement consistent with the restrictions set forth in Section 10.12 or a written agreement to comply with the provisions of Section 10.12.

**Section 10.05. Survival.** The rights and remedies with respect to any breach of a representation and warranty made by or on behalf of the Trust pursuant to Article V and the indemnification and payment provisions of Articles VIII and IX and Sections 2.14, 2.15, 2.20, 10.06, 10.07, 10.08, 10.09, 10.10, 10.12, 10.14, 10.15, 10.16 and 10.17 shall be continuing and shall survive the termination of this Agreement and, with respect to the Administrative Agent's, the Syndication Agent's, each Managing Agent's and the Eligible Lender Trustee's rights under Articles VIII, IX and X, the removal or resignation of the Administrative Agent, the Syndication Agent, such Managing Agent or the Eligible Lender Trustee.

**Section 10.06. Governing Law.** THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES THEREOF (OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

**Section 10.07. Submission to Jurisdiction; Waiver of Jury Trial; Appointment of Service Agent.**

(a) EACH OF THE PARTIES HERETO HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN THE CITY OF NEW YORK FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING IN THIS SECTION 10.07 SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT, THE SYNDICATION AGENT, THE MANAGING AGENTS OR THE NOTE PURCHASERS TO BRING ANY ACTION OR PROCEEDING AGAINST THE TRUST OR THE ADMINISTRATOR OR ANY OF THEIR RESPECTIVE PROPERTY IN THE COURTS OF OTHER JURISDICTIONS.

(b) EACH OF THE PARTIES HERETO HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG ANY OF THEM ARISING OUT OF, CONNECTED WITH, RELATING TO OR INCIDENTAL TO THE RELATIONSHIP BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS.

(c) The Trust and the Administrator each hereby appoint CT Corporation located at 111 Eighth Avenue, New York, New York 10011 as the authorized agent upon whom process may be served in any action arising out of or based upon this Agreement, the other Transaction Documents to which such Person is a party or the transactions contemplated hereby or thereby that may be instituted in the United States District Court for the Southern District of New York and of any New York State court sitting in The City of New York by the Administrative Agent or the Note Purchasers or any successor or assignee of any of them.

**Section 10.08. Costs and Expenses.** The Trust agrees to pay, on or before the 30<sup>th</sup> day following the date of demand, all reasonable and customary costs, fees and expenses of the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent, the Lead Arrangers, the Managing Agents, the Lenders or the Program Support Providers incurred in connection with the due diligence, negotiation, preparation, execution, delivery, renewal or any amendment or

modification of, or any waiver or consent issued in connection with, this Agreement, any Program Support Agreement or any other Transaction Document, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent, the Lead Arrangers, the Managing Agents, the Lenders or the Program Support Providers with respect thereto and all costs, fees and expenses, if any (including the applicable Rating Agency fees and reasonable auditors' and counsel fees and expenses), incurred by the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent, the Lead Arrangers, the Managing Agents, the Lenders or the Program Support Providers in connection with the enforcement of this Agreement and the other Transaction Documents. Notwithstanding the foregoing, each of the Managing Agents, the Lenders and the Program Support Providers agrees that the Trust shall only be required to pay amounts for legal fees and expenses of not more than two law firms engaged by the Administrative Agent or the Syndication Agent, as applicable, on behalf of the Secured Creditors, unless otherwise agreed to by the Trust in its sole discretion. Each of SLM Education Credit Finance Corporation and the Administrator agrees to pay such required payments on behalf of the Trust on the A&R Closing Date to the extent such expenses are properly invoiced prior to the A&R Closing Date.

**Section 10.09. Bankruptcy Non-Petition and Limited Recourse.** Notwithstanding any other provision of this Agreement, each party hereto (other than the Trust) covenants and agrees that it shall not, prior to the date which is one year and one day (or, if longer, any applicable preference period plus one day) after payment in full of the Class A Notes, institute against, or join any other Person in instituting against, the Trust, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or any similar proceeding under any federal or state bankruptcy or similar law; provided, that nothing in this provision shall preclude or be deemed to stop any party hereto (a) from taking any action prior to the expiration of the aforementioned one year and one day period in (i) any case or proceeding voluntarily filed or commenced by the Trust or (ii) any involuntary insolvency proceeding filed or commenced against the Trust by any Person other than a party hereto or (b) from commencing against the Trust or the Pledged Collateral any legal action which is not a bankruptcy, reorganization, arrangement, insolvency or a liquidation proceeding. The obligations of the Trust under this Agreement are limited recourse obligations payable solely from the Pledged Collateral and, following realization of the Pledged Collateral and its application in accordance with the terms hereof, any outstanding obligations of the Trust hereunder shall be extinguished and shall not thereafter revive. In addition, no recourse shall be had for any amounts payable or any other obligations arising under this Agreement against any officer, member, director, employee, partner or security holder of the Trust or any of its successors or assigns. The provisions of this Section shall survive the termination of this Agreement.

**Section 10.10. Recourse Against Certain Parties.** No recourse under or with respect to any obligation, covenant or agreement (including, without limitation, the payment of any fees or any other obligations) of the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent, the Managing Agents, the Lenders or the Program Support Providers as contained in this Agreement or any other agreement, instrument or document entered into by it pursuant hereto or in connection herewith shall be had against any administrator of the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent, the Managing Agents, the Lenders or the Program Support Providers or any incorporator, Affiliate, stockholder, officer, employee or director of the

Eligible Lender Trustee, the Administrative Agent, the Syndication Agent, the Managing Agents, the Lenders or the Program Support Providers or of any such administrator, as such, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that the agreements of the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent, the Managing Agents, the Lenders and the Program Support Providers contained in this Agreement and all of the other agreements, instruments and documents entered into by the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent, the Managing Agents, the Lenders or the Program Support Providers pursuant hereto or in connection herewith are, in each case, solely the corporate obligations of the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent, the Managing Agents, the Lenders or the Program Support Providers, as applicable. No personal liability whatsoever shall attach to or be incurred by any administrator of the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent, the Managing Agents, the Lenders or the Program Support Providers or any incorporator, stockholder, Affiliate, officer, employee or director thereof or any such administrator, as such, or any of them, under or by reason of any of the obligations, covenants or agreements of the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent, the Managing Agents, the Lenders or the Program Support Providers contained in this Agreement or in any other such instruments, documents or agreements, or which are implied therefrom, and any and all personal liability of every such administrator and each incorporator, stockholder, Affiliate, officer, employee or director of the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent, the Managing Agents, the Lenders or the Program Support Providers or of any such administrator, or any of them, for breaches by the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent, the Managing Agents, the Lenders or the Program Support Providers of any such obligations, covenants or agreements, which liability may arise either at common law or at equity, by statute or constitution, or otherwise, is hereby expressly waived as a condition of and in consideration for the execution of this Agreement. The provisions of this Section shall survive the termination of this Agreement and, with respect to the rights of the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent or the Managing Agents, the resignation or removal of the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent or the Managing Agents.

**Section 10.11. Execution in Counterparts; Severability.** This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. Delivery by facsimile or electronic mail of an executed signature page of this Agreement or any other Transaction Document shall be effective as delivery of an executed counterpart hereof. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

**Section 10.12. Confidentiality.**

(a) Each of the Administrative Agent, the Syndication Agent, the Managing Agents and the Lenders agrees to keep confidential and not disclose any non-public information or documents related to the Trust or any Affiliate of the Trust delivered or provided to such Person

in connection with this Agreement, any other Transaction Document or the transactions contemplated hereby or thereby and which are clearly identified in writing by the Trust or such Affiliate as being confidential; provided, however, that each of the foregoing may disclose such information:

- (i) to the extent required or deemed necessary and/or advisable by such Person's counsel in any judicial, regulatory, arbitration or governmental proceeding or under any law, regulation, order, subpoena or decree;
- (ii) to its officers, directors, employees, accountants, auditors and outside counsel, in each case, provided they are informed of the confidentiality thereof and agree to maintain such confidentiality;
- (iii) to any Program Support Provider, any potential Program Support Provider, or any assignee or participant or potential assignee or participant of any Program Support Provider, provided they are informed of the confidentiality thereof and agree to maintain such confidentiality;
- (iv) to any assignee, participant or potential assignee or participant of or with any of the foregoing;
- (v) in connection with the enforcement of its rights and remedies under this Agreement or of any of the other Transaction Documents or any Program Support Agreement;
- (vi) to any Rating Agency rating the Class A Notes, the CP of the Conduit Lenders or rating SLM Corporation; and
- (vii) to such other Persons as may be approved by the Trust.

Notwithstanding the foregoing, the foregoing obligations shall not apply to any such information, documents or portions thereof that (x) were of public knowledge or literature generally available to the public at the time of such disclosure; or (y) have become part of the public domain by publication or otherwise, other than as a result of the failure of such party or any of its respective employees, directors, officers, advisors, accountants, auditors, or legal counsel to preserve the confidentiality thereof.

(b) Each of the Trust and the Administrator hereby agrees that it will not disclose the contents of this Agreement or any other Transaction Document or any other proprietary or confidential information of or with respect to any Note Purchaser, any Managing Agent, the Administrative Agent, the Syndication Agent or any Program Support Provider to any other Person except (i) its auditors and attorneys, employees or financial advisors (other than any commercial bank) and any nationally recognized statistical rating organization, provided such auditors, attorneys, employees, financial advisors or rating agencies are informed of the highly confidential nature of such information or (ii) as otherwise required by applicable law or order of a court of competent jurisdiction; provided, that, to the extent reasonably practicable, the Trust and the Administrator shall provide to the Administrative Agent and Syndication Agent an opportunity to review the form and content of a disclosure pursuant to this clause (ii) prior to the

making of such disclosure and shall provide to each Managing Agent an opportunity to review any such disclosure which mentions by name such Managing Agent or any member of its Facility Group.

(c) Notwithstanding any other provision herein to the contrary, each of the parties hereto (and each employee, representative or other agent of each such party) may disclose to any and all persons, without limitation of any kind, any information with respect to the United States federal, state and local "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated by the Transaction Documents and all materials of any kind (including opinions or other tax analyses) that are provided to such party or its representatives relating to such tax treatment and tax structure; provided, that no person may disclose the name of or identifying information with respect to any party identified in the Transaction Documents or any pricing terms or other nonpublic business or financial information that is unrelated to the United States federal, state and local tax treatment of the transaction and is not relevant to understanding the United States federal, state and local tax treatment of the transaction, without complying with the provisions of Section 10.12(a); provided, further, that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall only apply to such portions of the document or similar item that relate to the United States federal, state and local tax treatment or tax structure of the transactions contemplated hereby.

**Section 10.13. Section Titles.** The section titles contained in this Agreement shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties.

**Section 10.14. Entire Agreement.** This Agreement, including all Exhibits, Schedules and Appendices and other documents attached hereto or incorporated by reference herein, together with the other Transaction Documents constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other negotiations, understandings and representations, oral or written, with respect to the subject matter hereof.

**Section 10.15. No Petition.** Each of the Trust, the Administrator, the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent and the Managing Agents hereby covenants and agrees with respect to each Conduit Lender that, prior to the date which is one year and one day (or, if longer, any applicable preference period plus one day) after the payment in full of all outstanding indebtedness of such Conduit Lender (or its related commercial paper issuer), it will not institute against or join any other person or entity in instituting against such Conduit Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States. The foregoing shall not limit the rights of the Trust, the Administrator, the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent or the Managing Agents to file any claim in, or otherwise take any action with respect to, any insolvency proceeding instituted against any Conduit Lender by a Person other than the Trust, the Administrator, the Eligible Lender Trustee, the Administrative Agent, the Syndication Agent or the Managing Agents, as applicable. The provisions of this Section shall survive the termination of this Agreement.

**Section 10.16. Excess Funds.** Notwithstanding any provisions contained in this Agreement to the contrary, no Conduit Lender shall, nor shall be obligated to, pay any amount pursuant to this Agreement unless (i) such Conduit Lender has received funds which may be used to make such payment and which funds are not required to repay its CP when due and (ii) after giving effect to such payment, either (x) such Conduit Lender could issue CP to refinance all of its outstanding CP (assuming such outstanding CP matured at such time) in accordance with the program documents governing such Conduit Lender's securitization program or (y) all of such Conduit Lender's CP are paid in full. Any amount which a Conduit Lender does not pay pursuant to the operation of the preceding sentence shall not constitute a claim (as defined in §101 of the Bankruptcy Code) against or corporate obligation of such Conduit Lender for any such insufficiency unless and until such Conduit Lender satisfies the provisions of clauses (i) and (ii) above.

**Section 10.17. Eligible Lender Trustee.**

(a) The parties hereto agree that the Eligible Lender Trustee shall be afforded all of the rights, immunities and privileges afforded to the Eligible Lender Trustee under the Trust Agreement in connection with its execution of this Agreement.

(b) Notwithstanding the foregoing, none of the Secured Parties shall have recourse to the assets of the Eligible Lender Trustee in its individual capacity in respect of the obligations of the Trust. The parties hereto acknowledge and agree that The Bank of New York Mellon Trust Company, National Association. (formerly known as The Bank of New York Trust Company, N.A.) and any successor eligible lender trustee is entering into this Agreement solely in its capacity as Eligible Lender Trustee, and not in its individual capacity, and in no case shall The Bank of New York Mellon Trust Company, National Association (formerly known as The Bank of New York Trust Company, N.A.) (or any person acting as successor eligible lender trustee) be personally liable for or on account of any of the statements, representations, warranties, covenants or obligations stated to be those of the Trust, all such liability, if any, being expressly waived by the parties hereto, any person claiming by, through, or under any such party.

**Section 10.18. USA PATRIOT Act Notice.** Each Lender that is subject to the Patriot Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Trust that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "*Patriot Act*"), it is required to obtain, verify and record information that identifies the Trust, which information includes the name and address of the Trust and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Trust in accordance with the Patriot Act.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

THE TRUST:

**BLUEMONT FUNDING I**

By: THE BANK OF NEW YORK MELLON TRUST COMPANY,  
NATIONAL ASSOCIATION (formerly known as THE BANK OF NEW  
YORK TRUST COMPANY, N.A.), not in its individual capacity but solely  
in its capacity as Eligible Lender Trustee under the Amended and Restated  
Trust Agreement dated as of the Original Closing Date by and among the  
Depositor, the Delaware Trustee and the Eligible Lender Trustee

By: /s/ Michael G. Ruppel \_\_\_\_\_  
Name: Michael G. Ruppel  
Title: Vice President

THE ELIGIBLE LENDER TRUSTEE:

**THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL  
ASSOCIATION** (formerly known as THE BANK OF NEW YORK  
TRUST COMPANY, N.A.), not in its individual capacity but solely in its  
capacity as Eligible Lender Trustee under the Amended and Restated Trust  
Agreement dated as of the Original Closing Date by and among the  
Depositor, the Delaware Trustee and the Eligible Lender Trustee

By: /s/ Michael G. Ruppel \_\_\_\_\_  
Name: Michael G. Ruppel  
Title: Vice President



THE ADMINISTRATOR:

**SALLIE MAE, INC.**

By: /s/ Stephen O'Connell

Name: Stephen O'Connell

Title: Senior Vice President

THE ADMINISTRATIVE AGENT:

**BANK OF AMERICA, N.A.**

By: /s/ Jeffrey K. Fricano

Name: Jeffrey K. Fricano

Title: Principal

**BANK OF AMERICA, N.A.**, as securities intermediary  
and depository bank with respect to the Trust Accounts

By: /s/ Jeffrey K. Fricano

Name: Jeffrey K. Fricano

Title: Principal

LEAD ARRANGER:

**BANK OF AMERICA SECURITIES LLC**

By: /s/ Jeffrey K. Fricano

Name: Jeffrey K. Fricano

Title: Principal

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**BANK OF AMERICA FACILITY GROUP:**

CONDUIT LENDERS:

**RANGER FUNDING COMPANY LLC**

By: /s/ Doris J. Hearn  
Name: Doris J. Hearn  
Title: Vice President

**YC SUSI TRUST**

By: BANK OF AMERICA, NATIONAL  
ASSOCIATION, as Administrative Trustee

By: /s/ Jeffrey K. Fricano  
Name: Jeffrey K. Fricano  
Title: Principal

**ENTERPRISE FUNDING COMPANY LLC**

By: /s/ Kevin P. Burns  
Name: Kevin P. Burns  
Title: Vice President

**KITTY HAWK FUNDING CORPORATION**

By: /s/ Philip A. Martone  
Name: Philip A. Martone  
Title: Vice President

**YC FUNDING LLC**

By: BANK OF AMERICA, NATIONAL  
ASSOCIATION, as YC Funding Agent

By: /s/ Jeffrey K. Fricano  
Name: Jeffrey K. Fricano  
Title: Principal

MANAGING AGENT:

**BANK OF AMERICA, N.A.**

By: /s/ Jeffrey K. Fricano

Name: Jeffrey K. Fricano

Title: Principal

ALTERNATE LENDER:

**BANK OF AMERICA, N.A.**

By: /s/ Jeffrey K. Fricano

Name: Jeffrey K. Fricano

Title: Principal

LIBOR LENDER:

**BANK OF AMERICA, N.A.**

By: /s/ Jeffrey K. Fricano

Name: Jeffrey K. Fricano

Title: Principal

THE SYNDICATION AGENT:

**JPMORGAN CHASE BANK, N.A.**

By: /s/ Catherine V. Frank  
Name: Catherine V. Frank  
Title: Executive Director

LEAD ARRANGER:

**J.P. MORGAN SECURITIES INC.**

By: /s/ Catherine V. Frank  
Name: Catherine V. Frank  
Title: Executive Director

**JPMORGAN FACILITY GROUP:**

CONDUIT LENDERS:

**CHARIOT FUNDING LLC**

By: JPMORGAN CHASE BANK, N.A., its  
attorney-in-fact

By: /s/ Catherine V. Frank  
Name: Catherine V. Frank  
Title: Executive Director

**FALCON ASSET SECURITIZATION COMPANY LLC**

By: JPMORGAN CHASE BANK, N.A., its  
attorney-in-fact

By: /s/ Catherine V. Frank  
Name: Catherine V. Frank  
Title: Executive Director

**JS SILOED TRUST**

By: JPMORGAN CHASE BANK, N.A., as  
Administrative Trustee

By: /s/ Catherine V. Frank  
Name: Catherine V. Frank  
Title: Executive Director

**PARK AVENUE RECEIVABLES COMPANY, LLC**

By: JPMORGAN CHASE BANK, N.A., its  
attorney-in-fact

By: /s/ Catherine V. Frank  
Name: Catherine V. Frank  
Title: Executive Director

MANAGING AGENT:

**JPMORGAN CHASE BANK, N.A.**

By: /s/ Catherine V. Frank

Name: Catherine V. Frank

Title: Executive Director

ALTERNATE LENDER:

**JPMORGAN CHASE BANK, N.A.**

By: /s/ Catherine V. Frank

Name: Catherine V. Frank

Title: Executive Director

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**BARCLAYS FACILITY GROUP:**

COMMITTED CONDUIT LENDERS:

**SHEFFIELD RECEIVABLES CORPORATION**

By: BARCLAYS BANK PLC, as attorney-in-fact

By: /s/ Jason D. Muncy

Name: Jason D. Muncy

Title: Associate Director

**SALISBURY RECEIVABLES COMPANY LLC**

By: BARCLAYS BANK PLC, as attorney-in-fact

By: /s/ Jason D. Muncy

Name: Jason D. Muncy

Title: Associate Director

MANAGING AGENT:

**BARCLAYS BANK PLC**

By: /s/ Jeffrey Goldberg

Name: Jeffrey Goldberg

Title: Associate Director

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**RBS FACILITY GROUP:**

CONDUIT LENDERS:

**AMSTERDAM FUNDING CORPORATION**

By: /s/ Frank B. Bilotta  
Name: Frank B. Bilotta  
Title: President

**WINDMILL FUNDING CORPORATION**

By: /s/ Frank B. Bilotta  
Name: Frank B. Bilotta  
Title: President

MANAGING AGENT:

**THE ROYAL BANK OF SCOTLAND PLC**

By: /s/ Jeffrey J. Orr  
Name: Jeffrey J. Orr  
Title: Managing Director

ALTERNATE LENDER:

**THE ROYAL BANK OF SCOTLAND PLC,  
NEW YORK BRANCH**

By: RBS SECURITIES, INC., as agent

By: /s/ Michael T. Fabiano  
Name: Michael T. Fabiano  
Title: Senior Vice President

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**DEUTSCHE BANK FACILITY GROUP:**

CONDUIT LENDER:

**GEMINI SECURITIZATION CORP., LLC**

By: /s/ Louise E. Colby

Name: Louise E. Colby

Title: Vice President

MANAGING AGENT:

**DEUTSCHE BANK AG, NEW YORK BRANCH**

By: /s/ Sumeet Wadhwa

Name: Sumeet Wadhwa

Title: Director

By: /s/ Chawey Wu

Name: Chawey Wu

Title: Vice President

ALTERNATE LENDER:

**DEUTSCHE BANK AG, NEW YORK BRANCH**

By: /s/ Sumeet Wadhwa

Name: Sumeet Wadhwa

Title: Director

By: /s/ Chawey Wu

Name: Chawey Wu

Title: Vice President

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**CREDIT SUISSE FACILITY GROUP:**

CONDUIT LENDER:

**ALPINE SECURITIZATION CORPORATION**

By: /s/ Mark Golombeck

Name: Mark Golombeck  
Title: Attorney-in-Fact

By: /s/ Alex Smith

Name: Alex Smith  
Title: Attorney-in-Fact

MANAGING AGENT:

**CREDIT SUISSE, NEW YORK BRANCH**

By: /s/ Mark Golombeck

Name: Mark Golombeck  
Title: Director

By: /s/ Alex Smith

Name: Alex Smith  
Title: Vice President

ALTERNATE LENDER:

**CREDIT SUISSE, NEW YORK BRANCH**

By: /s/ Mark Golombeck

Name: Mark Golombeck  
Title: Director

By: /s/ Alex Smith

Name: Alex Smith  
Title: Vice President

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**RBC FACILITY GROUP:**

CONDUIT LENDER:

**OLD LINE FUNDING, LLC**

By: Royal Bank of Canada, as its Agent, as attorney-in-fact

By: /s/ Sofia Shields

Name: Sofia Shields

Title: Authorized Signatory

**THUNDER BAY FUNDING, LLC**

By: Royal Bank of Canada, as its Agent, as attorney-in-fact

By: /s/ Sofia Shields

Name: Sofia Shields

Title: Authorized Signatory

MANAGING AGENT:

**ROYAL BANK OF CANADA**

By: /s/ Karen Stone

Name: Karen Stone

Title: Authorized Signatory

By: /s/ John Rhineland

Name: John Rhineland

Title: Authorized Signatory

ALTERNATE LENDER:

**ROYAL BANK OF CANADA**

By: /s/ Karen Stone

Name: Karen Stone

Title: Authorized Signatory

By: /s/ John Rhineland

Name: John Rhineland

Title: Authorized Signatory

**LLOYDS FACILITY GROUP:**

COMMITTED CONDUIT LENDER:

**GRESHAM RECEIVABLES (NO. 21) LIMITED**

By: /s/ S.M. Hollywood

Name: S.M. Hollywood

Title: Director

MANAGING AGENT:

**LLOYDS TSB BANK plc**

By: /s/ Chris Rigby

Name: Chris Rigby

Title: Director

**MERRILL LYNCH FACILITY GROUP:**

LIBOR LENDER:

**MERRILL LYNCH BANK USA**

By: /s/ Joseph Magnua

Name: Joseph Magnua

Title: Director

MANAGING AGENT:

**MERRILL LYNCH BANK USA**

By: /s/ Joseph Magnua

Name: Joseph Magnua

Title: Director



**BNP FACILITY GROUP:**

CONDUIT LENDER:

**STARBIRD FUNDING CORPORATION**

By: /s/ Louise E. Colby

Name: Louise E. Colby  
Title: Vice President

ALTERNATE LENDER:

**BNP PARIBAS, NEW YORK BRANCH**

By: /s/ Steve Parsons

Name: Steve Parsons  
Title: Managing Director

By: /s/ Mary Dierdorff

Name: Mary Dierdorff  
Title: Managing Director

MANAGING AGENT:

**BNP PARIBAS, NEW YORK BRANCH**

By: /s/ Steve Parsons

Name: Steve Parsons  
Title: Managing Director

By: /s/ Mary Dierdorff

Name: Mary Dierdorff  
Title: Managing Director

**NATIXIS FACILITY GROUP:**

CONDUIT LENDER:

**VERSAILLES ASSETS LLC**

By: Global Securitization Services, LLC, its Manager

By: /s/ Bernard J. Angela

Name: Bernard J. Angela  
Title: Senior Vice President

ALTERNATE LENDER:

**NATIXIS FINANCIAL PRODUCTS INC.**

By: /s/ David Bondy

Name: David Bondy  
Title: Managing Director

By: /s/ Adam True

Name: Adam True  
Title: Managing Director

MANAGING AGENT:

**NATIXIS FINANCIAL PRODUCTS INC.**

By: /s/ David Bondy

Name: David Bondy  
Title: Managing Director

By: /s/ Adam True

Name: Adam True  
Title: Managing Director

Agreed and acknowledged  
with respect to Section 3.09 and Section 8.02:

SLM CORPORATION

By: /s/ Stephen O'Connell  
Name: Stephen O'Connell  
Title: Senior Vice President

Agreed and acknowledged  
with respect to Section 10.01(a) and the last sentence of Section 10.08:

SLM EDUCATION CREDIT FINANCE CORPORATION

By: /s/ Mark D. Rein  
Name: Mark D. Rein  
Title: Vice President

**Schedule of Contracts Substantially Identical to EXHIBIT 10.3 in all Material Respects**

The following contracts are substantially identical in all material respects to the contract filed herewith as EXHIBIT 10.3, except as to the identity of the Trust that is the issuer of the variable funding notes that are to be sold pursuant to each such contract, as set forth below:

1. Amended and Restated Note Purchase and Security Agreement dated April 24, 2009, where **TOWN CENTER FUNDING I**, a statutory trust duly organized under the laws of the State of Delaware, is the "Trust" thereunder (instead of Bluemont Funding I, which is the Trust under EXHIBIT 10.3); and
2. Amended and Restated Note Purchase and Security Agreement dated April 24, 2009, where **TOWN HALL FUNDING I**, a statutory trust duly organized under the laws of the State of Delaware, is the "Trust" thereunder (instead of Bluemont Funding I, which is the Trust under EXHIBIT 10.3).

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

I, Albert L. Lord, 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 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/ ALBERT L. LORD

Albert L. Lord  
Vice Chairman and Chief Executive Officer  
(Principal Executive Officer)  
August 5, 2009

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

I, John F. Remondi, 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 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/ JOHN F. REMONDI

John F. Remondi  
Vice Chairman and Chief Financial Officer  
(Principal Financial and Accounting Officer)  
August 5, 2009

**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, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Albert L. Lord, Vice Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ ALBERT L. LORD

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Albert L. Lord  
Vice Chairman and Chief Executive Officer  
(Principal Executive Officer)  
August 5, 2009

**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, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John F. Remondi, Vice Chairman 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/ JOHN F. REMONDI

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John F. Remondi  
Vice Chairman and Chief Financial Officer  
(Principal Financial and Accounting Officer)  
August 5, 2009