UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

/X/ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1999 OR

/ / Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE TRANSITION PERIOD FROM ______________ TO ______________

(Amended by Exch Act Rel No. 312905. eff 4/26/93.)
Commission File Number: 001-13251

SLM HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	52-2013874 (I.R.S. Employer Identification No.)
11600 SALLIE MAE DRIVE, RESTON, VIRGINIA (Address of principal executive offices)	20193 (Zip Code)

Registrant's telephone number, including area code: (703) 810-3000

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 /X/ 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 SEPTEMBER 30, 1999
Common Stock, $.20 par value	159,083,464 shares

SLM HOLDING CORPORATION
FORM 10-Q
INDEX
SEPTEMBER 30, 1999

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SLM HOLDING CORPORATION

CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	SEPTEMBER 30, 1999 (UNAUDITED)	DECEMBER 31, 1998
ASSETS		
Student loans	$35,782,434	$28,282,505
Warehousing advances	949,826	1,542,732
Academic facilities financings		
Bonds available-for-sale	666,227	734,994
Loans	412,738	445,418
Total academic facilities financings	1,078,965	1,180,412
Investments		
Available-for-sale	2,828,147	3,306,972
Held-to-maturity	697,218	683,452
Total investments	3,525,365	3,990,424
Cash and cash equivalents	118,219	115,912
Other assets, principally accrued interest receivable	2,352,180	2,098,024
Total assets	$43,806,989	$37,210,009
LIABILITIES		
Short-term borrowings	$36,246,460	$26,588,504
Long-term notes	5,674,801	8,810,597
Other liabilities	1,038,105	943,399
Total liabilities	42,959,366	36,342,500
COMMITMENTS AND CONTINGENCIES		
Minority interest in subsidiary	213,883	213,883
STOCKHOLDERS' EQUITY		
Common stock, par value $.20 per share, 250,000,000 shares authorized, 185,496,466 and 184,453,866 shares issued, respectively	37,099	36,891
Additional paid-in capital	36,608	26,871
Unrealized gains on investments (net of tax of $164,337 and $200,167, respectively)	305,197	371,739
Retained earnings	1,346,793	1,060,334
Stockholders' equity before treasury stock	1,725,697	1,495,835
Common stock held in treasury at cost: 26,413,002 and 20,327,213 shares, respectively	1,091,957	842,209
Total stockholders' equity	633,740	653,626
Total liabilities and stockholders' equity	$43,806,989	$37,210,009

See accompanying notes to consolidated financial statements.

SLM HOLDING CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
INTEREST INCOME:				
Student loans	$640,198	$494,720	$1,732,346	$1,599,260
Warehousing advances	13,567	23,010	53,826	81,143
Academic facilities financings:				
Taxable	9,614	11,100	29,703	33,703
Tax-exempt	8,693	10,028	26,819	31,535
Total academic facilities financings	18,307	21,128	56,522	65,238
Investments	53,285	68,176	156,255	236,368
Total interest income	725,357	607,034	1,998,949	1,982,009
INTEREST EXPENSE:				
Short-term debt	448,343	314,392	1,206,056	981,161
Long-term debt	92,656	142,766	278,177	510,077
Total interest expense	540,999	457,158	1,484,233	1,491,238
Net interest income	184,358	149,876	514,716	490,771
Less: provision for losses	6,545	6,685	27,210	18,362
Net interest income after provision for losses	177,813	143,191	487,506	472,409
OTHER INCOME:				
Gains on student loan securitizations	3,627	--	11,540	117,068
Servicing and securitization revenue	61,866	74,552	228,499	189,925
Gains on loans securitized	8,706	6,624	9,779	12,423
Other	21,111	23,146	63,762	65,094
Total other income	95,310	104,322	313,580	384,510
OPERATING EXPENSES:				
Salaries and benefits	49,461	45,773	138,571	143,899
Other	42,059	40,767	125,627	127,235
Total operating expenses	91,520	86,540	264,198	271,134
Income before income taxes and minority interest in net earnings of subsidiary	181,603	160,973	536,888	585,785
INCOME TAXES:				
Current	85,878	80,007	248,947	220,224
Deferred	(28,354)	(29,520)	(78,957)	(33,511)
Total income taxes	57,524	50,487	169,990	186,713
Minority interest in net earnings of subsidiary	2,674	2,674	8,021	8,021
NET INCOME	$121,405	$107,812	$ 358,877	$ 391,051
Basic earnings per share	$ .76	$ .65	$ 2.22	$ 2.32
Average common shares outstanding	159,661	166,298	161,377	168,751
Diluted earnings per share	$ .75	$ .64	$ 2.19	$ 2.29
Average common and common equivalent shares outstanding	162,303	168,630	163,916	171,133

See accompanying notes to consolidated financial statements.

SLM HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)
(UNAUDITED)

	COMMON STOCK SHARES ISSUED	COMMON STOCK SHARES TREASURY	COMMON STOCK SHARES OUTSTANDING	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
BALANCE AT JUNE 30, 1998	184,041,735	(16,565,869)	167,475,866	$36,808	$22,310	$ 889,917
Comprehensive income:						
Net income						107,812
Other comprehensive income, net of tax:						
Unrealized gains (losses) on investments, net of tax						
Comprehensive income						
Cash dividends ($.14 per share)						(23,207)
Issuance of common shares	78,939		78,939	16	1,810	
Premiums on equity forward purchase contracts					(4,422)	
Repurchase of common shares		(1,846,165)	(1,846,165)			
BALANCE AT SEPTEMBER 30, 1998	184,120,674	(18,412,034)	165,708,640	$36,824	$19,698	$ 974,522
BALANCE AT JUNE 30, 1999	184,976,111	(24,068,203)	160,907,908	$36,995	$34,964	$1,249,278
Comprehensive income:						
Net income						121,405
Other comprehensive income, net of tax:						
Unrealized gains (losses) on investments, net of tax						
Comprehensive income						
Cash dividends ($.15 per share)						(23,890)
Issuance of common shares	520,355		520,355	104	9,788	
Premiums on equity forward purchase contracts					(8,144)	
Repurchase of common shares		(2,344,799)	(2,344,799)			
BALANCE AT SEPTEMBER 30, 1999	185,496,466	(26,413,002)	159,083,464	$37,099	$36,608	$1,346,793

	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL STOCKHOLDERS' EQUITY
BALANCE AT JUNE 30, 1998	$ (690,290)	$371,635	$630,380
Comprehensive income:			
Net income			107,812
Other comprehensive income, net of tax:			
Unrealized gains (losses) on investments, net of tax		28,552	28,552
Comprehensive income			136,364
Cash dividends ($.14 per share)			(23,207)
Issuance of common shares			1,826
Premiums on equity forward purchase contracts			(4,422)
Repurchase of common shares	(74,573)		(74,573)
BALANCE AT SEPTEMBER 30, 1998	$ (764,863)	$400,187	$666,368
BALANCE AT JUNE 30, 1999	$ (992,827)	$330,973	$659,383
Comprehensive income:			
Net income			121,405
Other comprehensive income, net of tax:			
Unrealized gains (losses) on investments, net of tax		(25,776)	(25,776)
Comprehensive income			95,629
Cash dividends ($.15 per share)			(23,890)
Issuance of common shares			9,892
Premiums on equity forward purchase contracts			(8,144)
Repurchase of common shares	(99,130)		(99,130)
BALANCE AT SEPTEMBER 30, 1999	$(1,091,957)	$305,197	$633,740

See accompanying notes to consolidated financial statements.

SLM HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)
(UNAUDITED)

	COMMON STOCK SHARES					
	ISSUED	TREASURY	OUTSTANDING	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
BALANCE AT DECEMBER 31, 1997	183,632,694	(10,221,757)	173,410,937	$36,726	$28,838	$ 654,135
Comprehensive income:						
Net income						391,051
Other comprehensive income, net of tax:						
Unrealized gains (losses) on investments, net of tax						
Comprehensive income						
Cash dividends ($.42 per share)						(70,664)
Issuance of common shares	487,980		487,980	98	12,376	
Premiums on equity forward purchase contracts					(21,516)	
Repurchase of common shares		(8,190,277)	(8,190,277)			
BALANCE AT SEPTEMBER 30, 1998	184,120,674	(18,412,034)	165,708,640	$36,824	$19,698	$ 974,522
BALANCE AT DECEMBER 31, 1998	184,453,866	(20,327,213)	164,126,653	$36,891	$26,871	$1,060,334
Comprehensive income:						
Net Income						358,877
Other comprehensive income, net of tax:						
Unrealized gains (losses) on investments, net of tax						
Comprehensive income						
Cash dividends ($.45 per share)						(72,418)
Issuance of common shares	1,042,600		1,042,600	208	27,585	
Premiums on equity forward purchase contracts					(20,345)	
Tax benefits related to employee stock option and purchase plan					2,497	
Repurchase of common shares		(6,085,789)	(6,085,789)			
BALANCE AT SEPTEMBER 30, 1999	185,496,466	(26,413,002)	159,083,464	$37,099	$36,608	$1,346,793

	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL STOCKHOLDERS' EQUITY
BALANCE AT DECEMBER 31, 1997	$ (423,863)	$378,736	$674,572
Comprehensive income:			
Net income			391,051
Other comprehensive income, net of tax:			
Unrealized gains (losses) on investments, net of tax		21,451	21,451
Comprehensive income			412,502
Cash dividends ($.42 per share)			(70,664)
Issuance of common shares			12,474
Premiums on equity forward purchase contracts			(21,516)
Repurchase of common shares	(341,000)		(341,000)
BALANCE AT SEPTEMBER 30, 1998	$ (764,863)	$400,187	$666,368
BALANCE AT DECEMBER 31, 1998	$ (842,209)	$371,739	$653,626
Comprehensive income:			
Net Income			358,877
Other comprehensive income, net of tax:			
Unrealized gains (losses) on investments, net of tax		(66,542)	(66,542)
Comprehensive income			292,335
Cash dividends ($.45 per share)			(72,418)
Issuance of common shares			27,793
Premiums on equity forward purchase contracts			(20,345)
Tax benefits related to employee stock option and purchase plan			2,497
Repurchase of common shares	(249,748)		(249,748)
BALANCE AT SEPTEMBER 30, 1999	$(1,091,957)	$305,197	$633,740

See accompanying notes to consolidated financial statements.

SLM HOLDING CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998
	(UNAUDITED)	(UNAUDITED)
OPERATING ACTIVITIES		
Net income	$ 358,877	$ 391,051
Adjustments to reconcile net income to net cash provided by operating activities:		
Gains on student loan securitizations	(11,540)	(117,068)
Provision for losses	27,210	18,362
(Increase) decrease in accrued interest receivable	(132,911)	166,604
(Decrease) in accrued interest payable	(68,880)	(165,262)
Decrease (increase) in other assets	17,222	(84,477)
Increase in other liabilities	146,654	144,759
Total adjustments	(22,245)	(37,082)
Net cash provided by operating activities	336,632	353,969
INVESTING ACTIVITIES		
Insured student loans purchased	(9,427,361)	(5,879,621)
Reduction of insured student loans purchased:		
Installment payments	2,136,388	2,054,476
Claims and resales	366,261	602,042
Proceeds from securitization of student loans	2,031,320	6,035,218
Warehousing advances made	(577,459)	(715,981)
Warehousing advance repayments	810,365	1,096,560
Academic facilities financings made	(35,919)	(4,226)
Academic facilities financings reductions	118,733	140,914
Investments purchased	(7,958,809)	(8,151,265)
Proceeds from sale or maturity of investments	8,351,871	8,875,794
Purchase of Nellie Mae, net of cash acquired (Note 6)	(317,722)	--
Net cash (used in) provided by investing activities	(4,502,332)	4,053,911
FINANCING ACTIVITIES		
Short-term borrowings issued	409,501,619	318,600,741
Short-term borrowings repaid	(406,398,210)	(317,077,287)
Long-term notes issued	10,283,891	4,227,531
Long-term notes repaid	(8,907,072)	(9,711,077)
Equity forward contracts and common stock issued	9,945	(9,042)
Common stock repurchased	(249,748)	(341,000)
Dividends paid	(72,418)	(70,664)
Net cash provided by (used in) financing activities	4,168,007	(4,380,798)
Net increase in cash and cash equivalents	2,307	27,082
Cash and cash equivalents at beginning of period	115,912	54,022
Cash and cash equivalents at end of period	$ 118,219	$ 81,104
Cash disbursements made for:		
Interest	$ 1,323,214	$ 1,539,653
Income taxes	$ 248,500	$ 263,336

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(INFORMATION AT SEPTEMBER 30, 1999 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 1998 IS UNAUDITED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of SLM Holding Corporation (the "Company") have been prepared in accordance with generally accepted accounting principles ("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 (consisting of normal recurring accruals) considered necessary for a fair presentation 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 financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three and nine months ended September 30, 1999 are not necessarily indicative of the results for the year ending December 31, 1999.

2. NEW ACCOUNTING PRONOUNCEMENTS

In September 1998, the FASB issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," which requires that every derivative instrument, including derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133, as amended by Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of Effective Date of FASB Statement No. 133," is effective for the Company's financial statements beginning January 1, 2001. SFAS 133 requires that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for derivative financial instruments that qualify as fair value hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the income statement and requires that a company formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment. Derivative financial instruments that qualify as cashflow hedges are reported as an adjustment to stockholders' equity as a component of other comprehensive income. SFAS 133 could result in increased period to period volatility in reported net income. Management is continuing to assess the potential impact of SFAS 133 on the Company's reported results of operations and financial position. The Company has not determined when it will implement the new standard.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

3. ALLOWANCE FOR LOSSES

The following table summarizes changes in the allowance for losses for the three and nine months ended September 30, 1999 and 1998, respectively. Certain reclassifications have been made to the balances as of September 30, 1998 to be consistent with classifications adopted for September 30, 1999.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
Balance at beginning of period	$298,704	$268,734	$293,185	$273,412
Additions				
Provisions for losses	6,545	6,685	27,210	18,362
Recoveries	17,641	13,634	20,672	14,940
Deductions				
Reductions for student loan securitizations	(1,668)	--	(2,735)	(7,474)
Write-offs	(13,582)	(12,221)	(30,692)	(22,408)
BALANCE AT END OF PERIOD	$307,640	$276,832	$307,640	$276,832

4. STUDENT LOAN SECURITIZATION

For the three months ended September 30, 1999, the Company securitized $1.0 billion of student loans and recorded pre-tax gains of $4 million. For the nine months ended September 30, 1999 and 1998, the Company securitized $2.0 billion (in two transactions) and $6.0 billion (in two transactions), respectively, of student loans and recorded pre-tax gains of $12 million and $117 million, respectively. At both September 30, 1999 and December 31, 1998, securitized student loans outstanding totaled $17.9 billion.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

5. COMMON STOCK

Basic earnings per share are calculated using the weighted average number of shares of common stock outstanding during each period. Diluted earnings per share reflect the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options and warrants, determined by the treasury stock method, and equity forwards, determined by the reverse treasury stock method, as follows:

	NET INCOME (THOUSANDS)	AVERAGE SHARES (THOUSANDS)	EARNINGS PER SHARE
THREE MONTHS ENDED SEPTEMBER 30, 1999			
Basic earnings per share	$121,405	159,661	$.76
Dilutive effect of stock options, warrants and equity forwards	--	2,642	(.01)
Diluted earnings per share	$121,405	162,303	$.75
THREE MONTHS ENDED SEPTEMBER 30, 1998			
Basic earnings per share	$107,812	166,298	$.65
Dilutive effect of stock options, warrants and equity forwards	--	2,332	(.01)
Diluted earnings per share	$107,812	168,630	$.64

	NET INCOME (THOUSANDS)	AVERAGE SHARES (THOUSANDS)	EARNINGS PER SHARE
NINE MONTHS ENDED SEPTEMBER 30, 1999			
Basic earnings per share	$358,877	161,377	$2.22
Dilutive effect of stock options, warrants and equity forwards	--	2,539	(.03)
Diluted earnings per share	$358,877	163,916	$2.19
NINE MONTHS ENDED SEPTEMBER 30, 1998			
Basic earnings per share	$391,051	168,751	$2.32
Dilutive effect of stock options, warrants and equity forwards	--	2,382	(.03)
Diluted earnings per share	$391,051	171,133	$2.29

6. ACQUISITION

In July 1999, the Company completed the purchase of Nellie Mae Corporation for $320 million in cash in an acquisition accounted for as a purchase. Based on a preliminary allocation of the purchase price, the Company recognized $78 million in goodwill. At the time of the acquisition, Nellie Mae had an outstanding student loan portfolio of $2.6 billion and in 1998, Nellie Mae originated more than $375 million in student loans. Nellie Mae's pro-forma results of operations for the year ended 1998 and for the nine months ended September 30, 1999 were immaterial to the Company's financial position and its results of operations. The fair value of Nellie Mae's asset and liabilities at the date of acquisition are presented below (dollars in millions):

Student loans	$ 2,585
Cash and investments	15
Goodwill	78
Other assets	97
Short-term borrowings	(1,373)
Long-term notes	(1,029)
Other liabilities	(53)
Net assets acquired	$ 320

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

SLM HOLDING CORPORATION ("SLM HOLDING") WAS FORMED ON FEBRUARY 3, 1997 AS A WHOLLY OWNED SUBSIDIARY OF THE STUDENT LOAN MARKETING ASSOCIATION (THE "GSE"). ON AUGUST 7, 1997, PURSUANT TO THE STUDENT LOAN MARKETING ASSOCIATION REORGANIZATION ACT OF 1996 (THE "PRIVATIZATION ACT") AND APPROVAL BY SHAREHOLDERS OF AN AGREEMENT AND PLAN OF REORGANIZATION, THE GSE WAS REORGANIZED INTO A SUBSIDIARY OF SLM HOLDING (THE "REORGANIZATION"). SLM HOLDING IS A HOLDING COMPANY THAT OPERATES THROUGH A NUMBER OF SUBSIDIARIES INCLUDING THE GSE. REFERENCES HEREIN TO THE "COMPANY" REFER TO THE GSE AND ITS SUBSIDIARIES FOR PERIODS PRIOR TO THE REORGANIZATION AND TO SLM HOLDING AND ITS SUBSIDIARIES FOR PERIODS AFTER THE REORGANIZATION.

The following Management's Discussion and Analysis contains forward-looking statements and information that are based on management's current expectations as of the date of this document. Discussions that utilize the words "anticipate," "believe," "estimate," "intend" and "expect" and similar expressions are intended to identify forward-looking statements. Such forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause the actual results of the Company to be materially different from those reflected in such forward-looking statements. Such factors include, among others, changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in such laws and regulations, which may reduce the volume, average term and costs of yields on student loans under the Federal Family Education Loan Program ("FFELP"), or 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 also be affected by changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; and changes in the general interest rate environment and in the securitization markets for student loans, which may increase the costs or limit the availability of financings necessary to initiate, purchase or carry student loans; and interruptions in the Company's or others' operations resulting from the inability of computer or other systems to process Year 2000-related information, which may impact the Company's liquidity and its ability to obtain, generate or process documents or payments received from or due to others.

Set forth below is Management's Discussion and Analysis of Financial Condition and Results of Operations of SLM Holding for the three and nine months ended September 30, 1999 and 1998. This section should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations for the years ended December 31, 1996-98 presented in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission. All dollar amounts are in millions, except per share amounts or as otherwise noted.

SELECTED FINANCIAL DATA

CONDENSED STATEMENTS OF INCOME

	THREE MONTHS ENDED SEPTEMBER 30,		INCREASE (DECREASE)		NINE MONTHS ENDED SEPTEMBER 30,		INCREASE (DECREASE)	
	1999	1998	$	%	1999	1998	$	%
Net interest income....................	$184	$150	$ 34	23%	$ 515	$ 490	$ 25	5%
Less: provision for losses.............	6	7	(1)	(2)	27	18	9	48
Net interest income after provision for losses...............................	178	143	35	24	488	472	16	3
Gains on student loan securitizations......................	4	--	4	100	12	117	(105)	(90)
Servicing and securitization revenue...	62	75	(13)	(17)	229	190	39	20
Other income...........................	30	30	--	--	73	78	(5)	(5)
Operating expenses.....................	92	87	5	6	264	271	(7)	(3)
Income taxes...........................	58	50	8	14	170	187	(17)	(9)
Minority interest in net earnings of subsidiary...........................	3	3	--	--	9	8	1	--
Net income.............................	$121	$108	$ 13	13%	$ 359	$ 391	$ (32)	(8)%
Basic earnings per share...............	$.76	$.65	$.11	17%	$2.22	$2.32	$(.10)	(4)%
Diluted earnings per share.............	$.75	$.64	$.11	17%	$2.19	$2.29	$(.10)	(4)%
Dividends per share....................	$.15	$.14	$.01	7%	$ .45	$ .42	$ .03	7%

CONDENSED BALANCE SHEETS

	SEPTEMBER 30, 1999	DECEMBER 31, 1998	INCREASE (DECREASE) $	%
ASSETS				
Student loans..	$35,782	$28,283	$ 7,499	27%
Warehousing advances...................................	950	1,543	(593)	(38)
Academic facilities financings.........................	1,079	1,180	(101)	(9)
Cash and investments...................................	3,644	4,106	(462)	(11)
Other assets...	2,352	2,098	254	12
Total assets...	$43,807	$37,210	$ 6,597	18%
LIABILITIES AND STOCKHOLDERS' EQUITY				
Short-term borrowings..................................	$36,246	$26,589	$ 9,657	36%
Long-term notes..	5,675	8,810	(3,135)	(36)
Other liabilities......................................	1,038	943	95	10
Total liabilities......................................	42,959	36,342	6,617	18
Minority interest in subsidiary........................	214	214	--	--
Stockholders' equity before treasury stock............	1,726	1,496	230	15
Common stock held in treasury at cost.................	1,092	842	250	30
Total stockholders' equity.............................	634	654	(20)	3
Total liabilities and stockholders' equity............	$43,807	$37,210	$ 6,597	18%

RESULTS OF OPERATIONS

EARNINGS SUMMARY

The Company's "cash basis" net income was $125 million in the third quarter of 1999 ($.77 diluted earnings per share) versus $115 million ($.68 diluted earnings per share) in the third quarter of 1998. The Company's "cash basis" net income was $367 million in the first nine months of 1999 ($2.24 diluted earnings per share) versus $332 million in the first nine months of 1998 ($1.94 diluted earnings per share). When calculating "cash basis" net income, the Company treats securitization transactions as financings rather than sales, thereby eliminating gains on such sales. Management believes that the "cash basis" results assist in better understanding the Company's results of operations. See "Pro-forma Statements of Income."

The increase in "cash basis" net income in the third quarter of 1999 is mainly due to the $7.6 billion increase in the average balance of the Company's managed portfolio of student loans partially offset by higher funding costs. For the nine months ended September 30, 1999, the increase in "cash basis" net income is mainly due to the $5.1 billion increase in the average balance of the Company's managed student loan portfolio plus the effect of lower average Treasury bill rates which benefited the student loan spread as a significant portion of the Company's portfolio of student loans were earning at the minimum borrower rate through June 30, 1999. (See "Student Loans--Student loan spread analysis"). These increases were partially offset by higher funding costs.

For the three months ended September 30, 1999, the Company's net income calculated in accordance with generally accepted accounting principals ("GAAP") was $121 million ($.75 diluted earnings per share), versus net income of $108 million ($.64 diluted earnings per share) in the third quarter of 1998. For the nine months ended September 30, 1999, GAAP net income was $359 million ($2.19 diluted earnings per share) versus $391 million ($2.29 diluted earnings per share) for the nine months ended September 30, 1998.

The increase in GAAP net income in the third quarter of 1999 versus 1998 is due to an $8.7 billion increase in the average balance of the Company's on-balance sheet portfolio of student loans partially offset by higher funding costs. Also, during the third quarter of 1999, the Company securitized $1.0 billion of student loans and recorded an after-tax securitization gain of $2 million, whereas in the third quarter of 1998, the Company did not securitize any loans and as a result no securitization gains were recorded. The decrease in 1999 year-to-date GAAP net income versus 1998 is mainly due to $76 million of after-tax securitization gains recognized on the $6.0 billion of student loans securitized in 1998 versus securitization gains of $8 million recognized on $2.0 billion of student loans securitized in the first nine months of 1999.

RESULTS OF OPERATIONS

NET INTEREST INCOME

Net interest income is derived largely from the Company's on-balance sheet portfolio of student loans. The "Taxable Equivalent Net Interest Income" analysis set forth below is designed to facilitate a comparison of non-taxable asset yields to taxable yields on a similar basis. Additional information regarding the return on the Company's student loan portfolio is set forth below under "Student Loans-Student Loan Spread Analysis."

Taxable equivalent net interest income and the net interest margin for the three months ended September 30, 1999 increased by $34 million and .02 percent, respectively, versus the three months ended September 30, 1998. The $34 million increase in taxable equivalent net interest income was principally due to the $8.7 billion increase in the average balance of student loans in the third quarter of 1999 versus 1998. The third quarter taxable equivalent net interest income and net interest margin were both enhanced by the increased percentage of higher yielding student loans remaining on-balance sheet relative to other earning assets (87 percent in the third quarter of 1999 versus 78 percent in the third quarter of 1998) resulting in a net increase in the net interest margin, partially offset by the decrease in the student loan spread (discussed in more detail below).

Taxable equivalent net interest income for the nine months ended September 30, 1999 versus the nine months ended September 30, 1998 increased by $21 million while the net interest margin decreased by .02 percent. The increase in taxable equivalent net interest income for the nine months ended September 30, 1999 was principally due to the $4.3 billion increase in the average balance of student loans over the nine months ended September 30, 1998. The taxable equivalent net interest income and net interest margin for the nine months ended September 30, 1999 were both reduced by the decrease in the student loan spread (discussed in more detail below), partially offset by the increased percentage of higher yielding student loans remaining on-balance sheet relative to other earning assets (84 percent in the first nine months of 1999 versus 77 percent in the first nine months of 1998).

TAXABLE EQUIVALENT NET INTEREST INCOME

The amounts in the following table are adjusted for the impact of certain tax-exempt and tax-advantaged investments based on the marginal corporate tax rate of 35 percent.

	THREE MONTHS ENDED SEPTEMBER 30,		INCREASE (DECREASE)		NINE MONTHS ENDED SEPTEMBER 30,		INCREASE (DECREASE)	
	1999	1998	$	%	1999	1998	$	%
Interest income								
Student loans	$640	$495	$145	29%	$1,732	$1,599	$133	8%
Warehousing advances	14	23	(9)	(41)	54	81	(27)	(34)
Academic facilities financings	18	21	(3)	(13)	56	65	(9)	(13)
Investments	53	68	(15)	(22)	156	236	(80)	(34)
Taxable equivalent adjustment	8	8	--	--	24	27	(3)	(10)
Total taxable equivalent interest income	733	615	118	19	2,022	2,008	14	1
Interest expense	541	457	84	18	1,484	1,491	(7)	--
Taxable equivalent net interest income	$192	$158	$ 34	22%	$ 538	$ 517	$ 21	4%

AVERAGE BALANCE SHEETS

The following table reflects the rates earned on earning assets and paid on liabilities for the three and nine months ended September 30, 1999 and 1998.

	THREE MONTHS ENDED SEPTEMBER 30,				NINE MONTHS ENDED SEPTEMBER 30,			
	1999		1998		1999		1998	
	BALANCE	RATE	BALANCE	RATE	BALANCE	RATE	BALANCE	RATE
AVERAGE ASSETS								
Student loans	$34,595	7.34%	$25,921	7.57%	$31,988	7.24%	$27,673	7.73%
Warehousing advances	913	5.90	1,523	5.99	1,267	5.68	1,793	6.05
Academic facilities financings	1,122	8.12	1,292	8.15	1,164	8.15	1,341	8.20
Investments	3,280	6.85	4,411	6.37	3,455	6.40	5,135	6.39
Total interest earning assets	39,910	7.29%	33,147	7.36%	37,874	7.14%	35,942	7.47%
Non-interest earning assets	2,229		2,138		2,079		1,991	
Total assets	$42,139		$35,285		$39,953		$37,933	
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY								
Six month floating rate notes	$ 4,625	5.29%	$ 2,715	5.44%	$ 4,520	5.23%	$ 2,887	5.53%
Other short-term borrowings	29,087	5.27	20,467	5.37	26,807	5.13	21,020	5.48
Long-term notes	6,514	5.64	10,105	5.60	6,748	5.51	11,986	5.69
Total interest bearing liabilities	40,226	5.34%	33,287	5.45%	38,075	5.21%	35,893	5.55%
Non-interest bearing liabilities	1,272		1,374		1,238		1,428	
Stockholders' equity	641		624		640		612	
Total liabilities and stockholders' equity	$42,139		$35,285		$39,953		$37,933	
Net interest margin		1.91%		1.89%		1.90%		1.92%

RATE/VOLUME ANALYSIS

The Rate/Volume Analysis below shows the relative contribution of changes in interest rates and asset volumes.

	TAXABLE EQUIVALENT INCREASE	INCREASE (DECREASE) ATTRIBUTABLE TO CHANGE IN	
		RATE	VOLUME
THREE MONTHS ENDED SEPTEMBER 30, 1999 VS. THREE MONTHS ENDED SEPTEMBER 30, 1998			
Taxable equivalent interest income	$118	$(10)	$128
Interest expense	84	(5)	89
Taxable equivalent net interest income	$ 34	$ (5)	$ 39

	TAXABLE EQUIVALENT INCREASE (DECREASE)	INCREASE (DECREASE) ATTRIBUTABLE TO CHANGE IN	
		RATE	VOLUME
NINE MONTHS ENDED SEPTEMBER 30, 1999 VS. NINE MONTHS ENDED SEPTEMBER 30, 1998			
Taxable equivalent interest income	$14	$(106)	$120
Interest expense	(7)	(77)	70
Taxable equivalent net interest income	$21	$ (29)	$ 50

STUDENT LOANS

STUDENT LOAN SPREAD ANALYSIS

The following table analyzes the reported earnings from student loans both on-balance sheet and those off-balance sheet in securitization trusts. The line captioned "Adjusted student loan yields" reflects contractual student-loan yields adjusted for the amortization of premiums paid to purchase loan portfolios and the estimated costs of borrower benefits. For student loans off-balance sheet, the Company will continue to earn servicing fee revenues over the life of the securitized student loan portfolios. The off-balance sheet information presented in "Securitization program servicing and securitization revenue" below analyzes the on-going servicing revenue and residual interest earned on the securitized portfolios of student loans. For an analysis of the Company's student loan spread for the entire portfolio of managed student loans on a similar basis to the on-balance sheet analysis see "Cash Basis' Student Loan Spread and Net Interest Income."

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
ON-BALANCE SHEET				
Adjusted student loan yields	7.71%	7.91%	7.60%	8.08%
Consolidated loan rebate fees	(.22)	(.24)	(.22)	(.24)
Offset fees	(.15)	(.10)	(.14)	(.11)
Student loan income	7.34	7.57	7.24	7.73
Cost of funds	(5.29)	(5.36)	(5.18)	(5.48)
Student loan spread	2.05%	2.21%	2.06%	2.25%
OFF-BALANCE SHEET				
Servicing and securitization revenue	1.39%	1.58%	1.76%	1.53%
AVERAGE BALANCES				
On-balance sheet student loans	$34,595	$25,921	$31,988	$27,673
Securitized loans	17,698	18,750	17,404	16,607
Managed student loans	$52,293	$44,671	$49,392	$44,280

The Company earns interest at the greater of the borrower's rate or a floating rate determined by reference to the average of the weekly auctions of the 91-day Treasury bills by the government, plus a fixed spread, which is dependent upon when the loan was originated. In all cases, the rate the borrower pays sets a minimum rate for determining the yield the Company earns on the loan. The Company generally finances its student loan portfolio with floating rate debt tied to the average of the 91-day Treasury bill auctions, either directly or through the use of derivative financial instruments, to mimic the interest rate characteristics of the student loans. Such borrowings, however, generally do not have minimum rates. As a result, in periods of declining interest rates, the portfolio of managed student loans may be earning at the minimum borrower rate while the Company's funding costs (exclusive of funding spreads) will generally decline along with Treasury bill rates. For loans where the borrower's interest rate is fixed to term, declining interest rates may benefit the spread earned on student loans for extended periods of time. For loans where the borrower's interest rate is reset annually, any benefit of a low interest rate environment will only enhance student loan spreads through the next annual reset of the borrowers' interest rates, which occurs on July 1 of each year. Assuming the decline in interest rates on the Company's floating rate debt exactly matched the decline in Treasury bill rates, then the effect of lower Treasury bill rates on the Company's on-balance sheet student loan spread, net of payments under Floor Interest Contracts (discussed below), was $13 million and $58 million for the three and nine months ended September 30, 1999, respectively, of which $13 million and $40 million, respectively, is attributable to student loans with minimum borrower rates fixed to term and $.4 million and $18 million, respectively, is attributable to student loans whose minimum borrower rates adjust annually on July 1. For the three and nine months ended September 30, 1998, the Company earned $11 million and $40 million, respectively, from loans earning at the minimum borrower rate, of which $9 million and $24 million, respectively, was attributable to student loans whose minimum borrower rates were fixed to term and $2 million and $16 million, respectively, was attributable to those whose minimum borrower rates adjust annually on July 1.

The decrease in the on-balance sheet student loan spread for the three months ended September 30, 1999 versus the corresponding period in the prior year is mainly due to higher effective financing spreads, including the impact of offset fees, which reduced the student loan spread by 23 basis points. The decrease in the 1999 third quarter student loan spread versus 1998 was partially offset by a 9 basis point increase from the combined effect of lower student loan premium amortization due to the longer average life of consolidation loans and the restructuring of the Joint Venture with Chase Manhattan Bank ("the Joint Venture"). The decrease in the student loan spread for the nine months ended September 30, 1999 versus the corresponding year-ago period is mainly due to higher financing effective spreads, including the impact of offset fees, which reduced the student loan spread by 19 basis points, partially offset by lower average Treasury bill rates over the first nine months in 1999 that resulted in an increase of 5 basis points earned on loans earning at the minimum borrower rate. Lower on-balance sheet consolidation lender fees as a result of sales of consolidation loans to securitized trusts and the restructuring of the Company's Joint Venture with Chase Manhattan Bank in December of 1998 also benefited the student loan spread when compared to the 1999 spread.

The following table analyzes the ability of the FFELP student loans in the Company's managed student loan portfolio to earn at the minimum borrower interest rate at September 30, 1999 and 1998, based on the last Treasury bill auctions of 4.86 percent and 4.54 percent, respectively, which were applicable to those periods (dollars in billions).

	SEPTEMBER 30, 1999			SEPTEMBER 30, 1998		
	FIXED	VARIABLE	TOTAL	FIXED	VARIABLE	TOTAL
Student loans eligible to earn at the minimum borrower rate	$13.0	$28.8	$41.8	$13.0	$23.3	$36.3
Less notional amount of floor interest contracts	(3.5)	(3.1)	(6.6)	(5.3)	(14.7)	(20.0)
Net student loans eligible to earn at the minimum borrower rate	$ 9.5	$25.7	$35.2	$ 7.7	$ 8.6	$16.3
Net student loans earning at the minimum borrower rate	$ 7.7	$ --	$ 7.7	$ 6.9	$ 8.6	$15.5

STUDENT LOAN FLOOR INTEREST CONTRACTS

Periodically the Company and third parties have entered into contracts to monetize the value of the minimum borrower interest rate feature of its portfolio of FFELP student loans. These contracts are referred to as "Floor Interest Contracts" under which the Company receives an upfront payment and agrees to pay the difference between: (i) the minimum borrower interest rate less the applicable Special Allowance Payment ("SAP") rate (the "Strike Rate") and (ii) the average of the 91-day Treasury bill rates over the period of the contract. If the Strike Rate is less than the average of the Treasury bill rates, then no payment is required. These upfront payments are being amortized over the average life of the contracts. Floor Interest Contracts sold on loans where the borrower rate is reset annually have historically been sold through the next reset date, a period of one year or less, while Floor Interest Contracts sold on loans where the borrower rate is fixed to term have been sold for multi-year periods. The $3.5 billion of outstanding fixed borrower rate Floor Interest Contracts at September 30, 1999 have expiration dates through the year 2003, while the $3.1 billion of annually reset borrower rate contracts outstanding at September 30, 1999 expire on July 1, 2000.

For the three months ended September 30, 1999 and 1998, the amortization of the upfront payments received from the sale of Floor Interest Contracts with annually reset borrower rates was $.4 million and $4 million, respectively. For the nine months ended September 30, 1999 and 1998, the amortization of the upfront payments received from the sale of Floor Interest Contracts with annually reset borrower rates was $20 million and $18 million, respectively. The reduction in amortization of the upfront payments on Floor Interest Contracts with annually reset borrower rates is due to the reduction in sales of Floor Interest Contracts in the third quarter of 1999, which is directly related to the increase in Treasury bill rates since the loans reset on July 1. At September 30, 1999, the unamortized payments received from the sale of Floor Interest Contracts totaled $27 million, of which $25 million related to contracts on fixed rate loans and $2 million related to contracts on annual reset loans.

PROVISION FOR LOSSES

The provision for losses for the three months ended September 30, 1999 included $1 million for potential losses on the non-federally insured portfolio versus $5 million in the year-ago quarter, and $5 million and $2 million, respectively, for potential losses due to risk-sharing and other claims on FFELP loans. The provision for losses for the nine months ended September 30, 1999 and 1998 included $12 million and $12 million, respectively, for potential losses on the non-federally insured portfolio and $15 million and $6 million, respectively, for potential losses due to risk-sharing and other claims on FFELP loans. Management believes that the provision for losses is adequate to cover anticipated losses. However, this evaluation is inherently subjective as it requires material estimates that may be susceptible to significant changes.

ON-BALANCE SHEET FUNDING COSTS

The Company's borrowings are generally variable rate indexed principally to the 91-day Treasury bill rate. The following table summarizes the average balance of on-balance sheet debt (by index, after giving effect to the impact of interest rate swaps) for the three and nine months ended September 30, 1999 and 1998.

	THREE MONTHS ENDED SEPTEMBER 30,				NINE MONTHS ENDED SEPTEMBER 30,			
	1999		1998		1999		1998	
	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE
Treasury bill, principally 91-day.....	$30,388	5.32%	$26,479	5.34%	$29,134	5.20%	$27,837	5.46%
LIBOR....................	2,597	5.12	3,546	5.52	2,551	4.99	4,480	5.55
Discount notes...........	4,286	5.04	1,554	5.46	4,137	4.87	1,857	5.49
Fixed....................	1,449	5.86	591	7.00	1,066	5.97	627	7.10
Zero coupon..............	155	11.14	140	11.14	151	11.14	139	11.13
Commercial paper.........	463	5.39	--	--	156	5.39	--	--
Other....................	888	5.20	977	5.56	880	4.90	953	5.53
Total....................	$40,226	5.34%	$33,287	5.45%	$38,075	5.21%	$35,893	5.55%

The following table details the spreads for the Company's Treasury bill indexed borrowings and London Interbank Offered Rate ("LIBOR") indexed borrowings:

INDEXED BORROWINGS	THREE MONTHS ENDED SEPTEMBER 30, 1999	THREE MONTHS ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 1998
TREASURY BILL				
Weighted average Treasury bill...............	4.83%	5.08%	4.74%	5.20%
Borrowing spread.............................	.49	.26	.46	.26
Weighted average borrowing rate..............	5.32%	5.34%	5.20%	5.46%
LIBOR				
Weighted average LIBOR.......................	5.29%	5.75%	5.20%	5.79%
Borrowing spread.............................	(.17)	(.23)	(.21)	(.24)
Weighted average borrowing rate..............	5.12%	5.52%	4.99%	5.55%

SECURITIZATION PROGRAM

During the third quarter of 1999, the Company securitized $1.0 billion of student loans and recorded a pre-tax securitization gain of $4 million, which was .36 percent of the portfolio securitized. The adverse market conditions in the third quarter of 1998 following the Russian bond default precluded the Company from completing a securitization transaction in that quarter and, as a result, no securitization gains were recognized. In the first nine months of 1999, the Company securitized $2.0 billion of student loans in two transactions and recorded pre-tax securitization gains of $12 million or .58 percent of the portfolios securitized. In the first nine months of 1998, the Company securitized $6.0 billion of student loans in two transactions and recorded pre-tax securitization gains of $117 million or 1.95 percent of the portfolios securitized. The decrease in the securitization gain as a percentage of the portfolio securitized for the first nine months of 1999 versus 1998 is due to portfolio characteristics and higher financing spreads.

SERVICING AND SECURITIZATION REVENUE

The following table summarizes the components of servicing and securitization revenue:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
Servicing revenue less amortization of servicing asset......	$40	$43	$118	$115
Securitization revenue................	22	32	111	75
Total servicing and securitization revenue..............................	$62	$75	$229	$190

In the three and nine months ended September 30, 1999, servicing and securitization revenue was 1.39 percent and 1.76 percent, respectively, of average securitized loans versus 1.58 percent and 1.53 percent, respectively, in the corresponding year-ago periods. The Company's securitized loan portfolios benefit from declining Treasury bill rates in a manner similar to the on-balance sheet portfolio of student loans. The decrease in securitization revenue in the three months ended September 30, 1999 versus 1998 is due to the additional $10 million in revenue earned in the third quarter of 1998 from the effect of decreasing Treasury bill rates on student loans whose borrower rates reset on July 1, 1998. No such revenue was earned during the third quarter of 1999 as Treasury bill rates have risen since the July 1 rate reset. For the nine months ended September 30, 1999 the decline in average Treasury bill rates over the period increased securitization revenue by $32 million over the nine months ended September 30, 1998. Year-to-date securitization revenue also benefited from the increase in the average balance of the interest residual to $707 million from $585 million in the nine months ended September 30, 1998.

OTHER INCOME

Exclusive of gains on student loan securitizations and servicing and securitization revenue, other income totaled $30 million for both of the three month periods ended September 30, 1999 and 1998, and $73 million and $78 million for the nine months ended September 30, 1999 and 1998, respectively. The Company restructured its Joint Venture with Chase and, as a result, student loans in the Joint Venture are no longer co-owned in the Joint Venture by the Company and Chase and serviced by the Company for a fee. Instead, the Company now purchases all loans originated by Chase including the $5.0 billion of loans that were co-owned in the Joint Venture at the time of the restructuring. Since the Company now owns the loans, servicing fees from the Joint Venture, which were previously recorded in other income, are no longer received. For the three and nine months ended September 30, 1998, the Company recorded $7 million and $19 million, respectively, in servicing fee income from the Joint Venture. The decrease in other income from reduced servicing fees was partially offset by $11 million and $27 million, respectively, in late fee revenues earned in the three and nine months ended September 30, 1999 versus $1 million in both of the corresponding year-ago periods as the Company began assessing late fees in the second half of 1998.

OPERATING EXPENSES

The following table summarizes the components of operating expenses:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
Servicing and acquisition expenses....	$ 59	$ 67	$ 181	$ 208
General and administrative expenses...	33	20	83	63
Total operating expenses.............	$ 92	$ 87	$ 264	$ 271

In the three months ended September 30, 1999 and 1998, total operating expenses as a percentage of managed student loans were .69 percent and .77 percent, respectively, and for the nine months ended September 30, 1999 and 1998, total operating expenses as a percentage of managed student loans were .72 percent and .82 percent, respectively. The decrease in operating expenses, both in absolute terms and as a percentage of managed student loans was due principally to lower servicing costs as a result of the closing of two satellite servicing centers in the second quarter of 1998 and to cost savings attained through the ongoing servicing center reconfiguration, for which the Company took $12 million of charges in the first nine months of 1998. These decreases were partially offset in 1999 by the additional general and administrative expenses of Nellie Mae and the increase in general and administrative expenses of the SLM Financial subsidiary.

STUDENT LOAN PURCHASES

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
Controlled channels	$1,588	$1,322	$ 6,364	$3,844
Other commitment clients	855	426	1,420	1,040
Spot purchases	58	36	131	248
Consolidations	207	23	749	88
Other	268	221	763	660
Subtotal	2,976	2,028	9,427	5,880
Nellie Mae acquisition	2,585	--	2,585	--
Total	$5,561	$2,028	$12,012	$5,880

Included in the student loan purchases of $5.6 billion in the third quarter of 1999 are $2.6 billion of student loans acquired in the Nellie Mae acquisition (see Footnote 6). As mentioned in the "Other Income" section, in the fourth quarter of 1998, the Company restructured the Joint Venture and now purchases all loans originated by Chase. Controlled channel purchases in the first half of 1999 include $1.6 billion of loans in the Joint Venture that were previously funded by Chase's half of the participations.

In the three and nine months ended September 30, 1999, Sallie Mae's controlled channel of loan originations totaled $1.6 billion and $3.9 billion, respectively, versus $1.5 billion and $3.7 billion, respectively, in the corresponding year-ago periods. The pipeline of loans currently serviced and committed for purchase by Sallie Mae was $3.2 billion at September 30, 1999 versus $3.5 billion at September 30, 1998.

The Department of Education offers existing FFELP borrowers the opportunity to refinance FFELP loans into Federal Direct Student Loan Program ("FDSLP") loans. During the three months ended September 30, 1999 and 1998, approximately $92 million and $152 million, respectively, of the Company's managed student loans were accepted for refinancing into the FDSLP. During the nine months ended September 30, 1999 and 1998, approximately $690 million and $429 million, respectively, of the Company's managed student loans were accepted for refinancing into the FDSLP. The increase in the number of loans accepted for refinancing into the FDSLP is due to legislation that allowed borrowers to consolidate student loans into the FDSLP at advantageous rates through January 31, 1999. Applications to these borrowers were processed through the third quarter of 1999.

The following table summarizes the activity in the Company's managed portfolio of student loans for the three and nine months ended September 30, 1999 and 1998.

	THREE MONTHS ENDED SEPTEMBER 30, 1999	THREE MONTHS ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 1998
Beginning balance	$49,387	$44,490	$46,192	$43,547
Purchases	5,561	2,028	12,012	5,880
Capitalized interest on securitized loans	129	125	329	295
Repayments, claims, other	(1,222)	(1,319)	(3,850)	(4,131)
Loans consolidated from SLM Holding	(185)	(215)	(1,013)	(482)
Ending balance	$53,670	$45,109	$53,670	$45,109

PRO-FORMA STATEMENTS OF INCOME

Under GAAP, the Company's securitization transactions have been treated as sales. At the time of sale, in accordance with Statement of Financial Accounting Standards No. 125 ("SFAS 125"), the Company records a gain equal to the present value of the estimated future net cash flows from the portfolio of loans sold. Interest earned on the interest residual and fees earned for servicing the loan portfolios are recognized over the life of the securitization transaction as servicing and securitization revenue. Under SFAS 125, income recognition is effectively accelerated through the recognition of a gain at the time of sale while the ultimate realization of such income remains dependent on the actual performance, over time, of the loans that were securitized.

Management believes that, in addition to results of operations as reported in accordance with GAAP, another important performance measure is pro-forma results of operations under the assumptions that the securitization transactions are financings and that the securitized student loans were not sold. The following pro-forma statements of income present the Company's results of operations under those assumptions. As such, no gain on sale or subsequent servicing and securitization revenue is recognized. Instead, the earnings of the student loans in the trusts and related financing costs are reflected over the life of the underlying pool of loans. Management refers to these pro-forma results as "cash basis" statements of income. Management monitors the periodic "cash basis" earnings of the Company's managed student loan portfolio and believes that they assist in a better understanding of the Company's student loan business.

The following table presents the "cash basis" statements of income and reconciliations to GAAP net income as reflected in the Company's consolidated statements of income.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
"CASH BASIS" STATEMENTS OF INCOME:				
Insured student loans	$ 968	$ 861	$ 2,711	$ 2,566
Advances/facilities/investments	86	113	269	386
Total interest income	1,054	974	2,980	2,952
Interest expense	(795)	(734)	(2,200)	(2,232)
Net interest income	259	240	780	720
Less: provision for losses	11	11	40	31
Net interest income after provision for losses	248	229	740	689
OTHER INCOME:				
Gains on student loan securitizations	--	--	--	--
Servicing and securitization revenue	--	--	--	--
Gains on sales of securities	9	7	10	13
Other	21	23	63	64
Total other income	30	30	73	77
Total operating expenses	91	87	264	272
Income before taxes and minority interest in earnings of subsidiary	187	172	549	494
Income taxes(A)	59	54	173	154
Minority interest in earnings of subsidiary	3	3	9	8
"Cash basis" net income	$ 125	$ 115	$ 367	$ 332
"Cash basis" diluted earnings per share	$ .77	$ .68	$ 2.24	$ 1.94

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
RECONCILIATION OF GAAP NET INCOME TO "CASH BASIS" NET INCOME:				
GAAP net income	$ 121	$ 108	$ 359	$ 391
"Cash basis" adjustments:				
Gains on student loan securitizations	(4)	-	(12)	(117)
Servicing and securitization revenue	(62)	(75)	(229)	(190)
Net interest income	75	90	265	229
Provision for losses	(4)	(4)	(13)	(13)
Total "cash basis" adjustments	5	11	11	(91)
Net tax effect(A)	(1)	(4)	(3)	32
"Cash basis" net income	$ 125	$ 115	$ 367	$ 332

- -----------------------

(A) Such tax effect is based upon the Company's marginal tax rate for the respective period.

"CASH BASIS" STUDENT LOAN SPREAD AND NET INTEREST INCOME

The following table analyzes the reported earnings from the Company's portfolio of managed student loans, which includes those on-balance sheet and those off-balance sheet in securitization trusts. The line captioned "Adjusted student loan yields" reflects contractual student loan yields adjusted for the amortization of premiums paid to purchase loan portfolios and the estimated costs of borrower benefits.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
Adjusted student loan yields	$ 7.58%	$ 7.82%	$ 7.55%	$ 7.94%
Consolidated loan rebate fees	(.16)	(.16)	(.15)	(.16)
Offset fees	(.10)	(.06)	(.09)	(.07)
Student loan income	7.32	7.60	7.31	7.71
Cost of funds	(5.39)	(5.51)	(5.26)	(5.60)
Student loan spread	1.93%	2.09%	2.05%	2.11%
AVERAGE BALANCES				
Managed student loans	$52,293	$44,671	$49,392	$44,280

The Company earns interest at the greater of the borrower's rate or a floating rate determined by reference to the average of the weekly auctions of the 91-day Treasury bills by the government, plus a fixed spread, which is dependent upon when the loan was originated. In all cases, the rate the borrower pays sets a minimum rate for determining the yield the Company earns on the loan. The Company generally finances its student loan portfolio with floating rate debt tied to the average of the 91-day Treasury bill auctions, either directly or through the use of derivative financial instruments, to mimic the interest rate characteristics of the student loans. Such borrowings, however, do not have minimum rates. As a result, in periods of declining interest rates, the portfolio of managed student loans may be earning at the minimum borrower rate while the Company's funding costs (exclusive of funding spreads) will generally decline along with Treasury bill rates. For loans where the borrower's interest rate is fixed to term, declining interest rates may benefit the spread earned on student loans for extended periods of time. For loans where the borrower's interest rate is reset annually, any benefit of a low interest rate environment will only enhance student loan spreads through the next annual reset of the borrowers interest rates, which occurs on July 1 of each year. Assuming the decline in interest rates on the Company's floating rate debt exactly matched the decline in Treasury bill rates, then the effect of lower Treasury bill rates on the Company's "cash basis" student loan spread, net of payments under Floor Interest Contracts (discussed below), was $15 million and $99 million for the three and nine months ended September 30, 1999, respectively, of which, $14 million and $49 million, respectively, is attributable to student loans with minimum borrower rates fixed to term and $.4 million and $50 million, respectively, is attributable to student loans whose minimum borrower rate adjusts annually on July 1.

The decrease in the third quarter of 1999 "cash basis" student loan spread versus the year-ago quarter was mainly due to higher financing spreads relative to the Treasury bill, including the impact of higher offset fees, which decreased the student loan spread by 15 basis points. For student loans whose borrower rate reset on July 1, declining Treasury bill rates in the third quarter of 1998 benefited the student loan spread in that quarter by 7 basis points. No such benefit was earned in the third quarter of 1999 as Treasury bill rates rose since the July 1 rate reset. The restructuring of the Joint Venture with Chase Manhattan Bank ("the Joint Venture") and lower student loan premium amortization increased the 1999 third quarter student loan spread by 7 basis points over the year-ago quarter, partially offsetting the student loan spread decreases discussed above. The decrease in the nine months ended September 30, 1999 "cash basis" student loan spread versus the year ago period is mainly due to higher financing effective spreads, including the impact of offset fees, which reduced the student loan spread by 12 basis points. The year-to-date student loan spread also benefited from the restructuring of the Joint Venture.

For the three and nine months ended September 30, 1999, the amortization of the upfront payments received from the sale of Floor Interest Contracts with annually reset borrower rates was $.4 million and $24 million, respectively, versus $4 million and $18 million, respectively, for the three and nine months ended September 30, 1998. The reduced activity in Floor Interest Contracts with annually reset borrower rates is directly related to the rise in Treasury bill rates since the borrower rate reset on July 1. The $3.5 billion of outstanding fixed borrower rate Floor Interest Contracts at September 30, 1999 have expiration dates through the year 2003, while the $3.1 billion of annually reset borrower rate contracts outstanding at September 30, 1999 expire on July 1, 2000.

In the three months ended September 30, 1999, "cash basis" net interest income was $259 million compared with $240 million in the year-ago period. In the nine months ended September 30, 1999, "cash basis" net interest income was $780 million compared with $720 million in the year-ago period. The increase in taxable equivalent net interest income and net interest margin in the three and nine months ended September 30, 1999 versus the year-ago periods was due to the increase in the average balance of student loans of $7.6 billion and $5.1 billion, respectively, and to the increased percentage of higher yielding student loans to other earning assets (91 percent and 89 percent in the third quarter and year-to-date of 1999 versus 86 percent and 84 percent in the third quarter and year-to-date of 1998). The reduction in the student loan spread for both the three and nine months ended September 30, 1999 partially offset these increases in net interest income.

"CASH BASIS" FUNDING COSTS

The following table details the spreads for the Company's Treasury bill indexed borrowings and London Interbank Offered Rate ("LIBOR") indexed borrowings on a "cash basis":

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
INDEXED BORROWINGS	1999	1998	1999	1998
TREASURY BILL				
Weighted average Treasury bill	4.83%	5.05%	4.71%	5.17%
Borrowing spread	.58	.46	.56	.43
Weighted average borrowing rate	5.41%	5.51%	5.27%	5.60%
LIBOR				
Weighted average LIBOR	5.34%	5.75%	5.24%	5.79%
Borrowing spread	(.03)	(.23)	(.14)	(.24)
Weighted average borrowing rate	5.31%	5.52%	5.10%	5.55%

FEDERAL AND STATE TAXES

The Company maintains a portfolio of tax-advantaged assets principally to support education-related financing activities. That portfolio was primarily responsible for the decrease in the effective federal income tax rate from the statutory rate of 35 percent to 32 percent for both the three and nine months ended September 30, 1999 and 1998, respectively. The GSE is exempt from all state, local and District of Columbia income, franchise, sales and use, personal property and other taxes, except for real property taxes. However, this tax exemption applies only to the GSE and does not apply to SLM Holding or its other operating subsidiaries that are subject to taxation at the state and local level. State taxes were immaterial in the three and nine months ended September 30, 1999 and 1998 as the majority of the Company's business activities were conducted in the GSE.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary requirements for capital are to fund the Company's operations, its purchases of student loans and the repayment of its debt obligations while continuing to meet the GSE's statutory capital adequacy ratio test. The Company's primary sources of liquidity are through the debt issuances by the GSE, off-balance sheet financings through securitizations, cash generated by its subsidiaries operations and distributed through dividends to the Company and bank borrowings.

The Company's unsecured financing requirements are driven by three principal factors: refinancing of existing liabilities as they mature; financing of student loan portfolio growth and the Company's level of securitization activity. Uncertainty in the global financial markets related to the Year 2000 issue have kept financing spreads in the asset-backed market at wide levels. Management believes that these conditions will persist into the first quarter of 2000. In the meantime, management intends to continue to finance the majority of its student loan portfolio through short-term unsecured GSE debt issuances. Financing spreads in GSE debt markets have also been adversely affected by the market conditions, but not to the extent of the asset-backed securities market. Should these market conditions persist over an extended period of time, the increased cost of the Company's funding could have a material adverse effect on the Company's earnings.

During the nine months ended September 30, 1999, the Company used repayments and claim payments on student loans and securitization proceeds of $4.5 billion, net proceeds from the issuance of debt of $4.5 billion, and net proceeds from sale or maturity of investments of $393 million to purchase student loans of $9.4 billion, to purchase Nellie Mae Corporation for $320 million and to repurchase $250 million of the Company's common stock.

Operating activities provided $337 million of cash in the nine months ended September 30, 1999, a decrease in cash flow of $17 million from the net cash outflows of $354 million in the corresponding period in the prior year.

During the nine months ended September 30, 1999, the GSE issued $10.3 billion of long-term notes to refund maturing obligations. At September 30, 1999, the GSE had $5.7 billion of outstanding long-term debt issues, of which $1.7 billion had stated maturities that could be accelerated through call provisions. The GSE uses interest rate and foreign currency swaps (collateralized where appropriate), purchases of U.S. Treasury securities and other hedging techniques to reduce the exposure to interest rate and currency fluctuations that arise from its financing activities and to match the characteristics of its variable interest rate earning assets. See "Interest Rate Risk Management."

At September 30, 1999, the GSE's statutory capital adequacy ratio, after the effect of the dividends to be paid in the fourth quarter of 1999, was 2.00 percent. The Privatization Act prohibits the GSE from issuing new debt obligations that mature beyond September 30, 2008 and requires the GSE to transfer any remaining GSE obligations into a defeasance trust for the benefit of the holders of such obligations, along with cash or full-faith and credit obligations of the United States, or an agency thereof, in amounts sufficient, as determined by the Secretary of the Treasury, to pay the principal and interest of the deposited obligations on or before that date.

INTEREST RATE RISK MANAGEMENT

INTEREST RATE GAP ANALYSIS

The Company's principal objective in financing its operations is to minimize its sensitivity to changing interest rates by matching the interest rate characteristics of its borrowings to specific assets in order to lock in spreads. The Company's asset-backed securities generally match the interest rate characteristics of the majority of the student loans in the trusts by being indexed to the 91-day Treasury bill. However, at September 30, 1999, there were approximately $2 billion of PLUS student loans outstanding in the trusts which have interest rates that reset annually based on the final auction of 52-week Treasury bill before each July 1. The Company manages this basis risk within the trusts through its on-balance sheet financing activities. The effect of this basis risk management is included in the following table as the impact of securitized student loans.

In the following table, the Company's variable rate assets and liabilities are categorized by reset date of the underlying index. Fixed rate assets and liabilities are categorized based on their maturity dates. An interest rate gap is the difference between volumes of assets and volumes of liabilities maturing or repricing during specific future time intervals. The following gap analysis reflects rate-sensitive positions at September 30, 1999 and is not necessarily reflective of positions that existed throughout the period.

	INTEREST RATE SENSITIVITY PERIOD					
	3 MONTHS OR LESS	3 MONTHS TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 2 YEARS	2 TO 5 YEARS	OVER 5 YEAR
ASSETS						
Student loans	$33,203	$ --	$ 2,579	$ --	$ --	$ --
Warehousing advances	918	16	--	--	1	15
Academic facilities financings	25	7	30	108	358	551
Cash and investments	1,714	30	28	45	47	1,780
Other assets	29	34	68	120	253	1,848
Total assets	35,889	87	2,705	273	659	4,194
LIABILITIES AND STOCKHOLDERS' EQUITY						
Short-term borrowings	30,056	3,184	3,006	--	--	--
Long-term notes	2,403	12	--	2,139	555	566
Other liabilities	--	--	--	--	--	1,038
Minority interest in subsidiary	--	--	--	--	--	214
Stockholders' equity	--	--	--	--	--	634
Total liabilities and stockholders' equity	32,459	3,196	3,006	2,139	555	2,452
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS						
Interest rate swaps	(2,142)	3,183	(1,724)	1,750	50	(1,117)
Impact of securitized student loans	(2,134)	--	2,134	--	--	--
Total off-balance sheet financial instruments	(4,276)	3,183	410	1,750	50	(1,117)
Period gap	$ (846)	$ 74	$ 109	$ (116)	$ 154	$ 625
Cumulative gap	$ (846)	$ (772)	$ (663)	$ (779)	$(625)	$ --
Ratio of interest-sensitive assets to interest-sensitive liabilities	110.5%	1.7%	87.7%	7.2%	73.2%	414.5%
Ratio of cumulative gap to total assets	1.9%	1.8%	1.5%	1.8%	1.4%	--%

INTEREST RATE SENSITIVITY ANALYSIS

The effect of short-term movements in interest rates on the Company's results of operations and financial position has been limited through the Company's risk management activities. The Company performed a sensitivity analysis to determine the effect of a hypothetical increase in market interest rates of 10 percent on the Company's variable rate assets and liabilities and a hypothetical 10 percent increase in spreads to their underlying index. Based on this analysis there has not been a material change in market risk from December 31, 1998 as reported in Company's Form 10-K.

AVERAGE TERMS TO MATURITY

The following table reflects the average terms to maturity for the Company's earning assets and liabilities at September 30, 1999 (in years):

	ON-BALANCE SHEET	OFF-BALANCE SHEET	MANAGED
EARNING ASSETS			
Student loans	6.5	4.0	6.0
Warehousing advances	7.0	--	7.0
Academic facilities financings	7.0	--	7.0
Cash and investments	6.5	--	6.5
Total earning assets	6.5	4.0	6.0
BORROWINGS			
Short-term borrowings	.5	--	.5
Long-term borrowings	3.0	4.0	4.0
Total borrowings	1.0	4.0	2.0

In the above table, Treasury receipts and variable rate asset-backed securities, although generally liquid in nature, extend the weighted average remaining term to maturity of cash and investments to 6.5 years. The mismatch in the average terms to maturity between the Company's on-balance sheet assets and liabilities is due to the Company's use of short term financing to meet its funding needs in response to the adverse spread environment in the world of financial markets. As student loans are securitized, the need for long-term on-balance sheet financing will decrease.

COMMON STOCK

The Company continued to reduce its investment portfolio and to reduce the portfolio of other non-student loan earning assets using the released capital to repurchase the Company's common stock. The Company repurchased 6.1 million shares of common stock during the nine months ended September 30, 1999, lowering outstanding shares to 159 million at September 30, 1999. In addition, the Company supplemented its open market common stock purchases during the year by entering into equity forward contracts to purchase 4.5 million shares of common stock. At September 30, 1999, the total common shares that could potentially be acquired over the next four years under outstanding equity forward contracts was 20.7 million, and the Company has remaining authority to enter into additional share repurchases and equity forward contracts for 6.4 million shares.

The following table summarizes the Company's common share repurchase and equity-forward activity for the three and nine months ended September 30, 1999 and 1998. (All amounts in the tables are common shares in millions.)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
Common shares repurchased:				
Open market	.9	--	1.8	5.1
Equity forwards	1.4	1.8	4.3	3.1
Total shares repurchased	2.3	1.8	6.1	8.2
Average purchase price per share	$42.25	$40.36	$40.97	$41.58
Equity forward contracts:				
Outstanding at beginning of period	20.6	18.2	20.5	7.0
New contracts	1.5	4.0	4.5	16.5
Exercises	(1.4)	(1.8)	(4.3)	(3.1)
Outstanding at end of period	20.7	20.4	20.7	20.4
Board of director authority remaining at end of period	6.4	4.7	6.4	4.7

As of September 30, 1999, the expiration dates and range of purchase prices for outstanding equity forward contracts are as follows:

	SEPTEMBER 30, 1999	
YEAR OF MATURITY	OUTSTANDING CONTRACTS	RANGE OF MARKET PRICES
1999	1.0	$39.03-$42.20
2000	4.0	41.01- 46.13
2001	8.7	32.11- 46.68
2002	3.0	42.94- 46.23
2003	4.0	41.20- 47.50
Total	20.7	

OTHER RELATED EVENTS AND INFORMATION

LEGISLATIVE AND OTHER DEVELOPMENTS

On October 19, 1999, by a vote of 412 to 9, the House of Representatives passed H.R. 1180, Ticket to Work and Work Incentives Improvement Act. This bill includes a provision that would change the index on which lender returns are set in the Federal Family Education Loan Program from the current 91-day Treasury bill rate to three-month commercial paper plus 2.34 percent for loans in repayment and 1.74 percent for in-school loans. The new index would apply to all loans originated after January 1, 2000. The Senate has passed a similar bill without a provision changing the lender return index. The bill is now in conference where the differences between the House and Senate versions may be resolved. There can be no assurance that the bill containing a provision changing the lender return index ultimately will become law.

SUBSEQUENT EVENT

On November 10, 1999, the Company sold 3,000,000 shares of 6.97% Cumulative Redeemable Preferred Stock, Series A in a registered public offering. The Company expects the sale of the shares of the Series A Preferred Stock to settle on November 16, 1999. The proceeds from the sale to the Company, before expenses, is expected to be $147,000,000 and will be used for general corporate purposes. The underwriters have an option to purchase an additional 450,000 shares of the Series A Preferred Stock from the Company to the extent that the underwriters sell more than 3,000,000 shares. The shares do not have any maturity date but are subject to the Company's option, beginning November 10, 2009, to redeem the shares at any time, in whole or in part, at the redemption price of $50 plus accrued and unpaid dividends to the redemption date. The shares have no preemptive or conversion rights.

YEAR 2000 ISSUE

The "Year 2000 issue" refers to a wide variety of potential computer program processing and functionality issues that may arise from the inability of computer programs to properly process date-sensitive information relating to the Year 2000, years thereafter and to a lesser degree the Year 1999.

THE COMPANY'S STATE OF READINESS

During 1996, the Company commenced a Year 2000 readiness project to assess and remediate its internal software and hardware systems to avoid or mitigate Year 2000 problems and to evaluate Year 2000 problems that may arise from entities with which the Company interacts. In 1997, a comprehensive project structure was implemented and a Year 2000 project team was formed. The Year 2000 project team briefs senior executives of the Company and the Company's board of directors on the progress of the Year 2000 effort. The Company's Year 2000 readiness project encompasses the Company's information technology (IT) systems, as well as its non-IT systems, such as systems embedded in its office equipment and facilities. The Company has completed the assessment of its internal software and hardware. On December 31, 1998, the Company achieved Year 2000 readiness for all Sallie Mae internal applications that were scheduled to be completed by 1998. With the completion of this critical milestone, the corporation has directed its attention to 1999 project objectives. These objectives include the completion of 1999 inventory. The 1999 inventory includes those vendor supplied applications whose readiness date did not align with the Company's December 31, 1998 readiness date, new software/hardware purchased in 1999 and new internally developed products, such as Laureate. These vendor products will be upgraded upon the vendor distribution of any Year 2000 ready release in 1999, or, if no such release is issued, replaced with a Year 2000 ready alternative, a Year 2000 ready work-around, or eliminated from use. Completion of the 1999 inventory remains a work in process and is expected to be completed by year end. Additional objectives include Year 2000 readiness testing with our external business partners and the development of Year 2000 contingency and business continuity plans.

The Company's Year 2000 readiness project is divided into five phases: Awareness, Assessment, Remediation, Testing and Implementation. The Awareness phase, which is 100 percent complete, involved the dissemination of Year 2000 information throughout the Company and the education of all levels of management about Year 2000 issues and their potential impact on the Company's operation. The Assessment phase, which is also 100 percent complete, involved a comprehensive inventory of and the determination of the requirements for fixes, upgrades and replacements for all hardware, application software, embedded systems (e.g., the microcontrollers in the Company's elevators) and desktop applications. The Remediation phase, the Year 2000 project phase where hardware, systems and applications are fixed, upgraded or replaced to be Year 2000 ready, is 100 percent complete for applications scheduled to complete in 1998. Testing, the phase in which Year 2000 remediation is validated, is also 100 percent complete for all applications scheduled to complete in 1998. As part of this testing effort, the Company staged a Year 2000 disaster recovery exercise in August 1998. Finally, production installations have been completed for all of the Company's core applications.

While the phases described above have been completed, during 1999 the Company intends to continue to disseminate information throughout the corporation regarding Year 2000 issues; to monitor its inventory and update as required; and to remediate and test all applications in the 1999 inventory.

The following describes the Company's state of readiness with respect to the IT systems that support the Company's core business-loan delivery and acquisition and loan servicing:

- CLASS(SM), the Company's Consolidated Loan Administration and Servicing System, is the system that services the Company's managed student loans and the student loan portfolios of our ExportSS-REGISTERED TRADEMARK- and TransportSS(SM) clients. In July 1998, remediation of CLASS was completed and it was installed into production. A second, full round of comprehensive functional testing and integration testing of all internal application interfaces with CLASS was completed in December 1998. Testing of external interfaces is currently in process and scheduled to be completed in 1999.

  There was a major enhancement to CLASS during the summer of 1999, which implemented industry standard CommonLine Release 4 formats using fully qualified dates. As our business partners continue to migrate toward CommonLine Release 4 formats, Sallie Mae is ready to accept those formats.

  Sallie Mae continues to monitor the readiness of CLASS during 1999. We are periodically conducting automated scans of the entire CLASS system. This identifies code that does not follow our Year 2000 readiness requirements. Identified programs are then analyzed to determine whether additional corrections are needed. If programs need changes, these changes will be implemented prior to the end of November 1999.

- SALLIENET, the Company's translation and communication system used to electronically exchange data with our customers, completed remediation in September 1998 and was installed into production in October 1998. SallieNet successfully completed integration testing with CLASS in December 1998.

- PORTSS-REGISTERED TRADEMARK- III, the Company's PC-based system used by lenders to originate loans, was developed in 1997 to be Year 2000 ready. Minor remediation was completed on PortSS III in mid-October 1998. Integration testing is complete and a Year 2000 ready version of the software has been distributed to our customers.

  During 1999, PortSS was upgraded to industry standard CommonLine Release 4 formats. This release was shipped to our customers in June 1999.

- LINESS(SM), the Company's PC-based product used by colleges and universities to process financial aid loan application information, was developed in 1993 to be Year 2000 ready. The LineSS disbursement component used to transmit disbursement roster information from Sallie Mae's CLASS system to the college or university, was developed in 1995 to be Year 2000 ready. LineSS utilizes the industry approved CommonLine(SM) formats for all communications. Minor remediation on LineSS was completed in mid-October 1998. Integration testing is complete and a Year 2000 ready version of the software has been distributed to our customers.

  During 1999, LineSS was upgraded to industry standard CommonLine Release 4 formats. This release was shipped to our customers in June 1999.

- IMDOC-REGISTERED TRADEMARK-, the Company's document imaging system, has completed remediation and functional testing and successfully completed integration testing with CLASS in December 1998.

- LAUREATE(SM), the Company's new Internet-based loan delivery system allowing online loan application, guarantee, approval and disbursement services to students and financial aid administrators, was implemented into production on July 1, 1999. Laureate was developed with Year 2000 readiness in mind, using fully qualified dates with four digit years. Year 2000 data was successfully tested during functional testing of Laureate. In addition to this successful functional testing, Laureate and its interfaces are currently being tested in our Year 2000 test environment. This is scheduled to be completed during the fall of 1999.

In addition, certain significant financial and administrative systems, including the Company's payroll and human resources, debt accounting, investment management and financial accounting and control systems have all completed remediation and have successfully completed integration testing with other internal systems.

The Company's non-IT systems principally support the Company's facilities and telecommunications. As of October 1998, all of the Company's headquarters core facilities systems, including elevators, internal security and fire alarms, were determined to be Year 2000 ready in accordance with the procedures established by the Company to make such a determination. The Company completed Year 2000 readiness testing of its Lucent telecommunications components in December 1998. In addition, the Company is working closely with all of its utility providers to make a reasonable assessment of the Company's potential exposure to any failure on their part to resolve their Year 2000 issues. Although the Company's Reston, Virginia headquarters building is equipped with five emergency powered generators designed to back up building power without refueling for a period of two weeks, there can be no assurance that such back-up systems will adequately insulate the Company from any business interruptions caused by any widespread power outages or power outages in any service area where its loan servicing centers are located.

The Company has surveyed its third party service providers and business partners and has completed the review of these surveys. In addition to requesting readiness information, the Company has tested all third-party developed software that the vendor claimed was Year 2000 ready, to confirm compliance or determine the potential impact of noncompliance. In addition, the Company is working with select third party service providers and business partners to ascertain their current Year 2000 compliance status and to coordinate testing efforts throughout 1999. The Company's testing strategy is to ensure that the existing system interfaces between Sallie Mae and its clients continue to function smoothly in the Year 2000 and beyond. It is impracticable to test with all business partners. Sallie Mae is concentrating efforts on a select number of external parties that represent a cross-section of our business relationships and results in testing the majority of critical business processes. Testing with key business partners began, on schedule, in May 1999. The majority of this testing will be completed by the end of October 1999, however, some completion activities will continue through mid November 1999. There can be no assurance that the computer systems of other companies or counterparties on which the Company relies will be Year 2000 ready on a timely basis, or that a failure to resolve Year 2000 issues by another party, or remediation or conversion that is incompatible with the Company's computer systems, will not have a material adverse effect on the Company.

THE RISKS OF THE COMPANY'S YEAR 2000 ISSUES

Generally, the failure by the Company or any of its significant third-party service providers or business partners to resolve a material Year 2000 issue could result in the interruption in, or a failure of, certain normal business activities or operations such as servicing loans or processing payments. Such failures could materially and adversely affect the Company's liquidity and/or results of operations. For example, the Company submits claims for payment, including special allowance payments and interest subsidy payments, directly to the U.S. Department of Education (the "DOE"). To the extent that the DOE is unable to timely process the payments because of its failure to remediate its Year 2000 problem, the Company's liquidity could be adversely affected, possibly to a material extent. In addition, the Company submits claims to various state or private nonprofit guarantee agencies for payment of all or a portion of the unpaid principal balance on loans plus accrued interest if a borrower defaults on a student loan and in certain other circumstances such as the death, permanent or total disability of or the filing for bankruptcy by the borrower. The Company has surveyed each of the guarantee agencies and continues to make follow-up telephone inquiries to determine the level of their Year 2000 compliance and the potential impact of noncompliance. To the extent that any of the larger guarantee agencies are unable to timely process the payments because of its failure to remediate its Year 2000 problem, the Company's liquidity could be adversely affected, possibly to a material extent.

THE COSTS TO ADDRESS THE COMPANY'S YEAR 2000 ISSUES

Costs to modify computer systems have been, and will continue to be, expensed as incurred and are not expected to have a material impact on the Company's future financial results or condition. The Company spent approximately $2 million in 1997, $8 million in 1998 and expects to spend approximately $2 million in 1999 on this project. In addition, Year 2000 readiness has been addressed and accounted for as part of the costs of routine systems development and modification. Moreover, there can be no guarantee that these estimates will be achieved, and actual results could differ materially from these estimates. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes and similar uncertainties.

THE COMPANY'S CONTINGENCY PLANS

The Company has developed high level contingency plans for its core applications. In addition, the Company has committed resources in 1999 to evaluate and prepare contingency plans for systems and operations that could be adversely affected by Year 2000-related interruptions. The business process and system inventories have been identified. Contingency plans are required for all mission critical processes and systems. As of October 21, 1999, 99 percent of these contingency plans have been completed. The remaining one percent, is related to new systems, and is scheduled for completion prior to October 31, 1999. In addition, Sallie Mae has elected to develop contingency plans for a second tier of business processes which, although not critical, are important to operations. As of October 21, 1999, 100 percent of the contingency plans for these processes have been developed. There can be no assurance that the Company's remediation efforts and contingency plans will be sufficient to avoid unforeseen business disruptions or other problems resulting from the Year 2000 issue.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Nothing to report.

ITEM 2. CHANGES IN SECURITIES.

Nothing to report.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Nothing to report.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Nothing to report.

ITEM 5. OTHER INFORMATION.

Effective October 5, 1999, Teresa S. Shaw was appointed Senior Vice President and Chief Information Officer of the Company. Ms. Shaw, who has nearly 20 years of experience in the student loan industry, most recently was Vice President of Information Technology for the Company, and was responsible for application development, including the successful delivery of Laureate.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

10.1 Employment Agreement

(b) Reports on Form 8-K

No reports on form 8-K were filed with the Securities and Exchange Commission during the quarter ended September 30, 1999.

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 HOLDING CORPORATION
(Registrant)

/s/ MARK G. OVEREND

Mark G. Overend
SENIOR VICE PRESIDENT &
CHIEF FINANCIAL OFFICER
(Principal Financial and Accounting
Officer and Duly Authorized Officer)

Date: November 15, 1999

EXHIBIT 10.1

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made as of the 12th day of July, 1999, by and between Lawrence O'Toole, residing at 424 Main Street, Norwell, Massachusetts, 02061, ("Executive"), and SLM Holding Corporation, a corporation organized and existing under the laws of the State of Delaware ("SLM").

WHEREAS, as of the date hereof, the Student Loan Marketing Association, a federally chartered corporation ("SLMA") and a wholly owned subsidiary of SLM Holding Corporation, a Delaware corporation ("SLM") has entered into a Stock Purchase Agreement with Nellie Mae Corporation, a Delaware corporation ("NMC") whereby SLMA will purchase all of the issued and outstanding stock of NMC.

WHEREAS, in connection with the Stock Purchase Agreement, SLM desires to have Executive employed by one of its principal subsidiaries, Sallie Mae, Inc. (the "Company"), and Executive desires to be employed by the Company for a period of time in the future upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, and intending to be legally bound, the parties, subject to the terms and conditions set forth herein, agree as follows:

1. EMPLOYMENT AND TERM. The Company hereby agrees to employ Executive and Executive hereby agrees to accept employment with the Company as Executive Vice President for a period commencing on the date of the closing of the purchase and sale of the NMC shares provided for in the Stock Purchase Agreement and continuing through June 30, 2002 unless sooner terminated pursuant to Section 11 hereof (the "Term"). This Agreement is contingent on the closing of the Stock Purchase Agreement between SLMA and NMC. In the event the closing does not occur, this Agreement shall be deemed null and void. During the Term, Executive will have the titles of Executive Vice President of SLM and President and Chief Executive Officer of Nellie Mae Corporation. If Executive continues to be employed after the Term, Executive's status shall be that of an at will employee, except that Sections 5, 6, 9, 10, 11.3, 23 and 24 of this Agreement shall remain in effect for so long as Executive is employed by the Company or thereafter in accordance with the provisions of said Sections.

2. DUTIES. During the Term, Executive shall serve the Company faithfully and to the best of his ability and shall devote his full time, attention, skill and efforts to the performance of the duties required by or appropriate for his position as Executive Vice President. Executive agrees to assume such duties and responsibilities as may be reasonably assigned to Executive from time to time by the Board of Directors and the Chief Executive Officer of SLM.

3. OTHER BUSINESS ACTIVITIES. Executive shall devote substantially all of his full business time and energies to the business and affairs of the Company provided, however, that nothing contained in this Paragraph 3 shall be deemed to prevent or limit his right to: (i) own not more than one percent (1%) of the securities of a company that is publicly traded on a securities exchange or over-the-counter market, provided that Executive does not otherwise have any relationship with such company; (ii) make passive investments in the securities of any entity not engaged in a competing business with SLM or any of its affiliates and with respect to which he is not obligated or required to, and which he does not in fact, devote any substantial efforts which interfere with his fulfillment of his duties hereunder; (iii) subject to the prior approval of the Board of Directors of SLM, to serve as a member on the Board of Directors, Board of Trustees or other similar body of other corporations, trade associations, professional associations or entities; and (iv) subject to the prior approval of the President of

the Company, to serve as a member on the Board of Directors, Board of Trustees or other similar body of charitable and community organizations or entities provided that, in any event, Executive may continue to serve as a member on boards of which he is currently a member, as identified on SCHEDULE 1 hereto.

4. COMPENSATION. The Company shall pay Executive, and Executive hereby agrees to accept as compensation for all services rendered hereunder, a salary at the annual rate of $400,000 (the "Base Salary"). The Base Salary shall be inclusive of all applicable income, Social Security and other taxes and charges which are required by law to be withheld by the Company or which are requested to be withheld by the Company or which are requested to be withheld by Executive, and which shall be withheld and paid in accordance with the Company's normal payroll practice for its similarly-situated executives from time to time in effect. The Base Salary will be increased at the discretion of the Compensation Committee of SLM's Board of Directors effective as of each January 1, during the Term of the Agreement. In addition to the Base Salary, Executive shall participate in the Company's Management Incentive Plan ("MIP") subject in all respects to the terms and conditions of the MIP which currently provides for a bonus to Executive Vice Presidents of up to 300% of Base Salary if specified individual and corporate performance goals are achieved. For purposes of Fiscal Year 1999, the individual performance goals and corporate performance goals are weighted equally in determining the bonus for Executive Vice Presidents. Further, on the closing date of the Stock Purchase Agreement, the Company shall pay Executive a signing bonus of Six Hundred Fifteen Thousand Seven Hundred Dollars ($615,700) less applicable withholding taxes.

5. STOCK OPTION GRANT. (a) On the closing date of the Stock Purchase Agreement, Executive will receive stock options for a total of 270,000 shares of common stock (the "Price 1 Stock Options") subject in all respects to the terms and provisions of the SLM Holding Corporation Management Incentive Plan and the Company's stock option agreement thereunder. The option price will be $43.3125 per share, the closing price of the stock on May 20, 1999 (the "Price 1 Grant Date"). Provided that at the time Executive remains employed by the Company, one-third of the Price 1 Stock Options, rounded to the nearest whole share (i.e., options exercisable for 90,000 shares), shall first become exercisable on the first anniversary of the Price 1 Grant Date; an additional one-third of the Stock Options, rounded to the nearest whole share (i.e., options exercisable for 90,000 shares) shall first become exercisable upon the later of the first anniversary of the Price 1 Grant Date and SLM's stock price reaching a closing price of at least $57.14 a share for five days; and the final one-third of the Stock Options (i.e., options exercisable for 90,000 shares) shall first become exercisable upon the later of the first anniversary of the Price 1 Grant Date and SLM's stock price reaching a closing price of at least $71.43 a share for five days. Notwithstanding the foregoing, all such Stock Options shall immediately become fully exercisable upon the eighth anniversary of the Price 1 Grant Date, provided that at the time Executive remains employed by the Company.

(b) On the closing date of the Stock Purchase Agreement, Executive will receive stock options for a total of 60,000 shares of common stock (the "Price 2 Stock Options") subject in all respects to the terms and provisions of the SLM Holding Corporation Management Incentive Plan and the Company's stock option agreement thereunder. The option price will be $41.1875 per share, the closing price of the stock on May 26, 1999 (the "Price 2 Grant Date"). Provided that at the time Executive remains employed by the Company, one-third of the Price 2 Stock Options, rounded to the nearest whole share (i.e., options exercisable for 20,000 shares), shall first become exercisable on the first anniversary of the Price 2 Grant Date; an additional one-third of the Stock Options, rounded to the nearest whole share (i.e., options exercisable for 20,000 shares) shall first become exercisable upon the later of the first anniversary of the Price 2 Grant Date and SLM's stock price reaching a closing price of at least $57.14 a share for five days; and the final one-third of the Stock Options (i.e., options exercisable for 20,000 shares) shall first become exercisable upon the later of the first anniversary of the Price 2 Grant Date and SLM's stock price reaching a closing price of at least $71.43 a share for five days. Notwithstanding the foregoing, all such Stock Options shall immediately become fully exercisable upon the eighth anniversary of the Price 2 Grant Date, provided that at the time Executive remains employed by the Company.

6. PERFORMANCE SHARES. On the closing date of the Stock Purchase Agreement, Executive will receive a grant of 50,000 shares of Performance Stock pursuant to the MIP (the "First Grant"), subject to all of the terms and conditions listed below. Further, Executive will receive grants of 50,000 shares of Performance Stock respectively on each of January 1, 2000 (the "Second Grant") and January 1, 2001 (the "Third Grant") pursuant to the MIP and subject to all of the terms and conditions below.

- All of the shares of Performance Stock shall be subject to forfeiture and shall not be transferable except as provided pursuant to these terms and conditions, which such terms and conditions are intended to meet the applicable requirements for "Qualifying Performance Criteria" listed in Section 10.2 of the MIP, including subsection (n).

- Provided that at the time Executive remains employed by the Company, one-third (16,667) of the shares of each grant of the Performance Stock shall become vested and transferable and cease to be subject to forfeiture on the date Nellie Mae Corporation has originated $250 million aggregate principal amount of FFELP loans (including PLUS) during the period beginning May 20, 1999 (the "Effective Date"); an additional one-third (16,667) of the shares of each grant of Performance Stock shall become vested and transferable and cease to be subject to forfeiture on the date Nellie Mae Corporation has originated $500 million aggregate principal amount of FFELP loans (including PLUS loans), on a cumulative basis, during the period beginning on the Effective Date; and an additional one-third (16,666) of the shares of each grant of Performance Stock shall become vested and transferable and cease to be subject to forfeiture on the date Nellie Mae Corporation originates on a cumulative basis $750 million aggregate principal amount of FFELP loans (including PLUS loans) during the period beginning on the Effective Date. If on the date of the Second Grant or Third Grant, any of the origination targets referred to above have already been achieved, the Performance Stock granted on such date shall become immediately vested and transferable and no longer subject to forfeiture as of such date to the same extent the Performance Stock issued in the First Grant has vested.

- Unless previously vested pursuant to the foregoing provisions, all of the Performance Stock then granted shall become vested and transferable and cease to be subject to forfeiture upon a "Change of Control" as that term is defined in Section 12.2 of the MIP. In addition to the foregoing acceleration of vesting, Executive shall receive a payment in an amount equal to the number of shares of the Second Grant and Third Grant not yet granted times the closing price of SLM common stock immediately preceding the Change of Control.

- Unless previously vested pursuant to the foregoing provisions, all of the Performance Stock then granted shall become vested and transferable and cease to be subject to forfeiture in the event of death, disability or involuntary termination other than for gross misconduct as defined in Section 11.3. In addition to the foregoing acceleration of vesting, Executive shall receive a payment in an amount equal to the number of shares of the Second Grant and Third Grant not yet granted times the closing price of SLM common stock immediately preceding the event of death, disability, or involuntary termination.

- Unless previously vested pursuant to the foregoing provisions, the Performance Stock shall be forfeited immediately upon Executive's voluntary termination of this Agreement or upon Executive's employment being terminated for gross misconduct as defined in Section 11.3.

7. PENSION BENEFITS. Executive will be entitled to participate in the SLM Employees' Pension Plan and Supplemental Pension Plan (collectively the "SLM Pension Plans") in accordance with the terms of such SLM Pension Plans as they may be amended from time to time. Executive shall be credited with service credit for purposes of vesting equal to his period of service with Nellie Mae Corporation and its predecessors.

Executive will also be credited with employer contributions based on years of service for the proposed cash balance pension plan; Executive will not receive credit for past service with Nellie Mae Corporation and its predecessors for the purpose of benefit accrual prior to the closing under the current Sallie Mae defined benefit pension plan.

8. BENEFITS.

(a) VACATION. Executive shall be entitled to vacation equal to six (6) weeks in each twelve month period commencing on the date of this Agreement and ending on the first anniversary thereof and each twelve (12) month period thereafter during the Employment Term.

(b) OTHER BENEFITS. Executive shall be entitled to receive or participate in benefit and welfare plans offered by the Company to its executive officers generally, in accordance with the plan terms, and subject to such modifications and amendments to such plans as may be deemed appropriate by the Company or as may be provided in this Agreement.

9. NONDISCLOSURE OF CONFIDENTIAL INFORMATION.

(a) Executive and SLM acknowledge that Executive will, in the course of his employment, come into possession of confidential, proprietary business and technical information, and trade secrets of the Company and its Affiliates (the "Proprietary Information"). Proprietary Information includes, but is not limited to, the following:

- BUSINESS PROCEDURES. All information concerning or relating to the way the Company and its Affiliates conduct their business, which is not generally known to the public or within the industry or trade in which the Company or its Affiliates compete (such as Company contracts, internal business procedures, controls, plans, licensing techniques and practices, supplier, subcontractor and prime contractor names and contacts and other vendor information, computer system passwords and other computer security controls, financial information, distributor information, and employee data) and the physical embodiments of such information (such as check lists, samples, service and operational manuals, contracts, proposals, printouts, correspondence, forms, listings, ledgers, financial statements, financial reports, financial and operational analyses, financial and operational studies, management reports of every kind, databases, employment or personnel records, and any other written or machine-readable expression of such information as are filed in any tangible media).

- MARKETING PLANS AND CUSTOMER LISTS. All information not generally known to the public or within the industry or trade in which the Company or its Affiliates compete pertaining to the Company's and its Affiliates' marketing plans and strategies; forecasts and projections; marketing practices, procedures and policies; goals and objectives; quoting practices, procedures and policies; and customer data including the customer list, contracts, representatives, requirements and needs, specifications, data provided by or about prospective customers, and the physical embodiments of such information.

- BUSINESS VENTURES: All information not generally known to the public or within the industry or trade in which the Company or its Affiliates operate concerning new product development, negotiations for new business ventures, future business plans, and similar information and the physical embodiments of such information.

- SOFTWARE. All information relating to the Company's and its Affiliates' software or hardware in operation or various stages of research and development, which are not generally known to the pubic or within the industry or trade in which the Company or its Affiliates compete and the physical embodiments of such information.

- LITIGATION. Information which is not a public record and is not generally known to the public or within the industry or trade in which the Company or its Affiliates compete regarding litigation and potential litigation matters and the physical embodiments of such information.

- INFORMATION NOT GENERALLY KNOWN. Any information which (a) is not generally known to the public or within the industry or trade in which the Company or its Affiliates compete, (b) gives the Company or its Affiliates a significant advantage over its or their competitors, or (c) has significant economic value or potentially significant economic value to the Company or its Affiliates, including the physical embodiments of such information.

(b) Proprietary Information does not include (i) information known to Executive prior to commencement of employment and (ii) information that is generally known in the industry or trade in which the Company and its Affiliates compete.

(c) Executive acknowledges that the Proprietary Information is a valuable and unique asset of the Company and its Affiliates. Executive agrees that he will not, at any time during his employment or after the termination of his employment with the Company, without the prior written consent of the Company or its Affiliates, as applicable, either directly or indirectly divulge any Proprietary Information for his own benefit or for any purpose other than the exclusive benefit of the Company and/or its Affiliates.

10. AGREEMENT NOT TO COMPETE.

(a) Executive agrees that he shall not compete with the Company or its Affiliates for a period of two (2) years after the termination of Executive's employment with the Company for any reason (the "Restricted Period"). For purposes of this Section 10, "compete" shall mean working or serving as a director, officer, employee, consultant, agent, representative, or in any other capacity, with or without compensation, in the student loan business or on behalf of one or more entities engaged in the student loan business. For purposes of this Agreement, "student loan business" shall mean the business of originating, funding, guaranteeing, buying, selling, servicing or securitizing student loans in the United States. Executive expressly agrees that (i) the markets served by the Company and its Affiliates are national and are not dependent on the geographic location of the executive personnel or the businesses by which they are employed and (ii) the restrictions set forth in this Section 10 have been designed to be reasonable and are no greater than are required for the protection of the Company and its Affiliates.

(b) For purposes of this Agreement, the term "Affiliate" shall be deemed to refer to SLM, and any entity (whether or not existing on the date hereof) controlling, controlled by or under common control with the Company.

11. TERMINATION. Executive's employment hereunder may be terminated during the Term upon the occurrence of any one of the events described in this Section 11. Upon termination, Executive shall be entitled only to such compensation and benefits as described in this Section 11.

11.1. TERMINATION FOR DISABILITY.

(a) To the extent Executive becomes physically or mentally disabled to such an extent that he is not able to perform the duties provided for pursuant to Section 2 of this Agreement, with or without a reasonable accommodation, for a period of more than 180 days, either consecutively or within any 365-day period ("Disability"), the Company may terminate Executive's employment hereunder.

(b) If the Company terminates Executive's employment during the Term due to a Disability, Executive will be entitled to receive whatever benefits are available to him under any disability benefit plan(s) applicable to him at the time of such termination, all accrued but unpaid (as of the effective date of such termination) Base Salary and benefits, and the payments set forth in Section 11.3. In addition, the Stock Option and Performance Stock shall immediately become fully exercisable and vested and Executive will have one year from the date of Termination under this Section 11.1 to exercise any vested stock options.

(c) The determination of whether a Disability has occurred will be made by a licensed physician selected by Executive and shall be based upon a full physical examination and good faith opinion by such physician. In the event that the SLM Board of Directors disagrees with such physician's conclusion, the SLM Board of Directors may require that Executive submit to a full physical examination by another licensed physician selected by the SLM Board of Directors and reasonably acceptable to Executive. If the two opinions shall be inconsistent, a third opinion shall be obtained after a full physical examination by a third licensed physician selected by the first two physicians. The third opinion shall be conclusive.

11.2. TERMINATION BY DEATH. If Executive dies during the Term, the Company shall pay to Executive's executors, legal representatives or administrators the payments set forth in Section 11.3 and all accrued but unpaid (as of the effective date of the termination) Base Salary and benefits. Further, if Executive dies during the Term, the Stock Options and Performance Stock shall immediately become fully exercisable and vested and, Executive's executors shall have one year from the date of Termination under this Section 11.2 to exercise any vested stock options.

Except as specifically set forth in this Section 11.2 or under applicable laws, the Company shall have no liability or obligation hereunder to Executive's executors, legal representatives, administrators, heirs or assigns or any other person claiming under or through him by reason of Executive's death, except that Executive's executors, legal representatives or administrators will be entitled to receive any death benefit that may be payable to them as beneficiaries under any insurance policy or other benefits plans in which Executive participates as an employee of the Company and to exercise any rights afforded them under any benefit plan then in effect.

11.3. INVOLUNTARY TERMINATION; TERMINATION PAYMENTS. The Company may terminate Executive's employment hereunder at any time upon written notice to Executive. In the event of an involuntary termination of employment, other than for gross misconduct, pursuant to the first sentence of this Section 11.3, or in the event Executive's employment is terminated on account of Disability under Section 11.1 or death under Section 11.2, Executive (or Executive's executors under Section 11.2) shall receive all accrued but unpaid Base Salary and benefits through the effective date of such termination and (i) $4.0 million, if the date of such termination of employment occurs prior to July 1, 2000; (ii) $3.0 million, if the date of such termination of employment occurs on or after July 1, 2000 and prior to July 1, 2001, and (iii) $2.0 million, if the date of such termination of employment occurs on or after July 1, 2001 and prior to June 30, 2002. Further, in the event of an involuntary termination of employment other than for gross misconduct, the Stock Options and Performance Stock shall be immediately vested and exercisable.

For purposes of this Agreement, "gross misconduct" is defined as (i) the willful engaging by Executive in misconduct which is materially injurious to the Company, monetarily or otherwise, (ii) the willful violation by Executive of any material provision of this Agreement, (iii) any material violation of Section 9 of this Agreement, or (iv) Executive's conviction of a felony.

11.4 CHANGE IN CONTROL.

(a) In the event that Executive's employment with the Company terminates for any reason within eighteen months after a Change in Control (as defined in Section 11.4(c) below), Executive shall be entitled to receive the payments set forth in Section 11.3.

(b) In the event of a Change in Control as defined in Section 11.4(c) below, all of the Stock Options and Performance Shares shall be immediately vested and exercisable.

(c) For purposes of this Agreement, "Change in Control" shall mean an occurrence of any of the following events after the closing date:

(i) an acquisition (other than directly from SLM) of any voting securities of SLM (the "Voting Securities") by any "person or group" (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934) other than an employee benefit plan of SLM, immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 under the Exchange Act) of more than fifty percent (50%) of the combined voting power of SLM's then outstanding Voting Securities or;

(ii) approval by the stockholders of (1) a merger, consolidation or reorganization involving SLM, unless the company resulting from such merger, consolidation or reorganization (the "Surviving Corporation") shall adopt or assume this Agreement and the Stock Options and either (A) the stockholders of SLM immediately before such merger, consolidation or reorganization own, directly or indirectly immediately following such merger, consolidation or reorganization, at least seventy-five percent (75%) of the combined voting power of the Surviving Corporation in substantially the same proportion as their ownership immediately before such merger, consolidation or reorganization, or (B) at least a majority of the members of the Board of Directors of the Surviving Corporation were directors of SLM immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization, or (2) a complete liquidation or dissolution of SLM.

(d) Notwithstanding any provision to the contrary in this Agreement, if any part of the payments provided for under or pursuant to this Agreement (the "Agreement Payments"), together with all payments in the nature of compensation to or for the benefit of Executive under any other arrangement, would if paid constitute a "parachute payment" under Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), then the amount payable to Executive under or pursuant to this Agreement in such circumstances shall be subject to the following sentence of this Section 11.4(d). If (i) the value of the Agreement Payments plus the value of all other payments to or for the benefit of Executive that constitute "parachute payments," minus the amount of any excise taxes payable under Code Section 4999 with respect to such payments and the amount of any similar or comparable taxes payable only in connection with a Change in Control, is greater than (ii) the greatest value of payments in the nature of compensation contingent upon a change in control that could be paid at such time to or for the benefit of Executive and not constitute a "parachute payment" (the "Alternative Payment"), then the Agreement Payments shall be payable to Executive; otherwise, only the Alternative Payment shall be payable to Executive.

11.5 OTHER TERMINATION OF EMPLOYMENT. In the event that Executive's employment with the Company terminates on account of a voluntary termination of employment or in the event Executive's employment is terminated by the Company for gross misconduct as defined in Section 11.3, Executive shall receive only all accrued but unpaid (as of the effective date of such termination) Base Salary, bonus and benefits.

12. OTHER AGREEMENTS. Executive represents and warrants to the Company that:

(a) There are no restrictions, agreements or understandings whatsoever to which Executive is a party or by which he is bound that would prevent or make unlawful Executive's execution of this Agreement or Executive's employment hereunder, or which is or would be inconsistent or in conflict with this Agreement or Executive's employment hereunder, or would prevent, limit or impair in any way the performance by Executive of his obligations hereunder.

(b) Executive shall disclose the existence and terms of the restrictive covenants set forth in this Agreement to any employer by whom Executive may be employed during the Term (which employment is not hereby authorized) or during the Restricted Period as defined in the Agreement Not to Compete by and between Executive and the Company set forth in Section 10 hereof.

13. SURVIVAL OF PROVISIONS. The provisions of this Agreement set forth in Sections 9, 10, 23 and 24 hereof shall survive the termination of Executive's employment hereunder and the payment of all amounts payable pursuant to this Agreement incident to any such termination of employment.

14. SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon SLM and the Company and its and their successors or permitted assigns and Executive and his executors, administrators or heirs. Executive may not assign any obligations or responsibilities under this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the Company. The SLM Board of Directors may assign any or all of its responsibilities hereunder to any committee of the SLM Board, in which case references to the SLM Board of Directors shall be deemed to refer to such committee.

15. EXECUTIVE BENEFITS. This Agreement shall not be construed to be in lieu of or to the exclusion of any other rights, benefits and privileges to which Executive may be entitled as an executive of the Company under any retirement, pension, profit-sharing, insurance, hospitalization or other plans or benefits which may now be in effect or which may hereafter be adopted.

16. NOTICES. All notices required to be given to any of the parties of this Agreement shall be in writing and shall be deemed to have been sufficiently given, subject to the further provisions of this Section 16, for all purposes when presented personally to such party, or sent by facsimile transmission, any national overnight delivery service, or certified or registered mail, to such party at its address set forth below:

(a) If to Executive:

Lawrence O'Toole
424 Main Street
Norwell, MA 02061

(b) If to SLM or the Company:

SLM Holding Corporation
Sallie Mae, Inc.
11600 Sallie Mae Drive
Reston, VA 20193
ATTENTION: General Counsel
Fax No. (703) 810-7695

Such notice shall be deemed to be received when delivered if delivered personally, upon electronic or other confirmation of receipt if delivered by facsimile transmission, the next business day after the date sent if sent by a national overnight delivery service, or three (3) business days after the date mailed if mailed by certified or registered mail. Any notice of any change in such address shall also be given in the manner set forth above. Whenever the giving of notice is required, the giving of such notice may only be waived in writing by the party entitled to receive such notice.

17. ENTIRE AGREEMENT; AMENDMENTS. This Agreement and any other documents, instruments or other writings delivered or to be delivered in connection with this Agreement as specified herein constitute the entire

agreement among the parties with respect to the subject matter of this Agreement and supersede all prior and contemporaneous agreements, understandings, and negotiations, whether written or oral, with respect to the terms of Executive's employment by the Company. This Agreement may be amended or modified only by a written instrument signed by all parties hereto.

18. WAIVER. The waiver of the breach of any term or provision of this Agreement shall not operate as or be construed to be a waiver of any other or subsequent breach of this Agreement.

19. GOVERNING LAW. This Agreement shall be governed and construed as to its validity, interpretation and effect by the laws of the Commonwealth of Virginia without reference to the provisions thereof regarding conflicts of laws.

20. SEVERABILITY. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or such provisions, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

21. SECTION HEADINGS. The section headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation.

22. COUNTERPARTS. This Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute one and the same instrument.

23. SPECIFIC ENFORCEMENT; EXTENSION OF PERIOD. Executive acknowledges that the restrictions contained in Sections 9 and 10 hereof are reasonable and necessary to protect the legitimate interests of the Company and its Affiliates and that SLM would not have entered into this Agreement in the absence of such restrictions. Executive also acknowledges that any breach by him of Sections 9 or 10 hereof will cause continuing and irreparable injury to the Company and SLM for which monetary damages would not be an adequate remedy. Executive shall not, in any action or proceeding by the Company or SLM to enforce Sections 9 or 10 of this Agreement, assert the claim or defense that an adequate remedy at law exists. In the event of such breach by Executive, the Company and SLM shall have the right to enforce the provisions of Sections 9 and 10 of this Agreement by seeking injunctive or other relief in any court, and this Agreement shall not in any way limit remedies at law or in equity otherwise available to the Company and SLM. In the event that the provisions of Sections 9 or 10 hereof should ever be adjudicated to exceed the time, geographic, or other limitations permitted by applicable law in any applicable jurisdiction, then such provisions shall be deemed reformed in such jurisdiction to the maximum time, geographic, or other limitations permitted by applicable law.

24. ARBITRATION. Any dispute or claim other than those referred to in Section 23, arising out of or relating to this Agreement or otherwise relating to the employment relationship between Executive and SLM or the Company, shall be submitted to Arbitration, in Fairfax County, Virginia, before the American Arbitration Association in accordance with the rules of the American Arbitration Association as the exclusive remedy for such claim or dispute. Executive and the Company agree that such arbitration will be confidential and no details, descriptions, settlements or other facts concerning such arbitration shall be disclosed or released to any third party without the specific written consent of the other party, unless required by law or court order or in connection with enforcement of any decision in such arbitration. Any damages awarded in such arbitration shall be limited to the contract measure of damages, and shall not include punitive damages. Judgment on the arbitration award can be entered in any court of competent jurisdiction.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed the day and year first written above.

SLM Holding Corporation

By: /s/ J. PAUL CAREY	/s/ LAWRENCE O'TOOLE
J. Paul Carey	Lawrence O'Toole

Title: EXECUTIVE VICE PRESIDENT

9
1,000

9-MOS
SEP-30-1999
JAN-01-1999
SEP-30-1999
118,219
0
0
0
3,494,374
697,218
697,290
37,144,998
307,640
43,806,989
0
36,246,460
1,251,988
5,674,801
0
0
37,099
596,641
43,806,989
1,813,447
185,502
0
1,998,949
0
1,484,233
514,716
27,210
9,779
264,198
536,888
358,877
0
0
358,877
2.22
2.19
1.90
0
800,000
0
0
293,185
(17,617)
4,862
307,640
307,640
0
0