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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

or

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

For the transition period from to
Commission File Number: 001-13251

SLM Corporation
(Exact name of registrant as specified in its charter)

Delaware	**52-2013874**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
300 Continental Drive, Newark, Delaware	**19713**
(Address of principal executive offices)	**(Zip Code)**

(302) 283-8000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

Class	**Outstanding at June 30, 2014**
Common Stock, $0.20 par value	422,936,478 shares

SLM CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

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SLM CORPORATION

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

	June 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$ 1,524,176	$ 2,182,865
Available-for-sale investments at fair value (cost of $150,117 and $106,977, respectively)	149,399	102,105
Loans held for investment (net of allowance for losses of $60,527 and $68,081, respectively)	8,793,971	7,931,377
Other interest-earning assets	45,417	4,355
Accrued interest receivable	453,461	356,283
Premises and equipment, net	77,833	74,188
Acquired intangible assets, net	4,241	6,515
Tax indemnification receivable	270,198	—
Other assets	60,643	48,976
Total assets	$ 11,379,339	$ 10,706,664
Liabilities		
Deposits	$ 8,890,209	$ 9,001,550
Income taxes payable, net	323,467	162,205
Upromise related liabilities	301,160	307,518
Other liabilities	126,239	69,248
Total liabilities	9,641,075	9,540,521
Commitments and contingencies		
Equity		
Preferred stock, par value $0.20 per share, 20 million shares authorized		
Series A: 3.3 million and 0 shares issued, respectively, at stated value of $50 per share	165,000	—
Series B: 4 million and 0 shares issued, respectively, at stated value of $100 per share	400,000	—
Common stock, par value $0.20 per share, 1.125 billion shares authorized: 423 million and 0 shares issued, respectively	84,659	—
Additional paid-in capital	1,071,916	—
Navient's subsidiary investment	—	1,164,495
Accumulated other comprehensive (loss) income (net of tax (benefit) expense of ($354) and ($1,849), respectively)	(365)	(3,024)
Retained earnings	20,167	—
Total SLM Corporation stockholders' equity before treasury stock	1,741,377	1,161,471
Less: Common stock held in treasury at cost: 359 million and 0 shares, respectively	(3,113)	—
Noncontrolling interest	—	4,672
Total equity	1,738,264	1,166,143
Total liabilities and equity	$ 11,379,339	$ 10,706,664

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	**2013**	**2014**	**2013**
Interest income:				
Loans	$ 162,238	$ 122,212	$ 322,273	$ 253,781
Investments	2,236	5,638	3,204	11,624
Cash and cash equivalents	1,099	1,038	1,965	1,770
Total interest income	165,573	128,888	327,442	267,175
Interest expense:				
Deposits	21,034	21,439	43,624	44,008
Other interest expense	—	32	41	49
Total interest expense	21,034	21,471	43,665	44,057
Net interest income	144,539	107,417	283,777	223,118
Less: provisions for loan losses	1,014	(1,015)	40,173	19,677
Net interest income after provisions for loan losses	143,525	108,432	243,604	203,441
Noninterest income:				
Gains on sales of loans to affiliates, net	1,928	73,441	35,816	148,663
(Losses) gains on derivatives and hedging activities, net	(9,458)	(52)	(10,222)	558
Other	15,229	8,665	23,365	16,465
Total noninterest income	7,699	82,054	48,959	165,686
Expenses:				
Compensation and benefits	31,667	26,821	61,334	56,585
Other operating expenses	28,812	39,772	62,744	70,602
Total operating expenses	60,479	66,593	124,078	127,187
Acquired intangible asset impairment and amortization expense	1,156	714	2,995	1,428
Restructuring and other reorganization expenses	13,520	84	13,749	107
Total expenses	75,155	67,391	140,822	128,722
Income before income tax expense	76,069	123,095	151,741	240,405
Income tax expense	31,941	46,973	60,599	91,738
Net income	44,128	76,122	91,142	148,667
Less: net loss attributable to noncontrolling interest	—	(347)	(434)	(686)
Net income attributable to SLM Corporation	44,128	76,469	91,576	149,353
Preferred stock dividends	3,228	—	3,228	—
Net income attributable to SLM Corporation common stock	$ 40,900	$ 76,469	$ 88,348	$ 149,353
Basic earnings per common share attributable to SLM Corporation	$ 0.10	$ 0.17	$ 0.21	$ 0.34
Average common shares outstanding	422,805	439,972	424,751	445,309
Diluted earnings per common share attributable to SLM Corporation	$ 0.09	$ 0.17	$ 0.20	$ 0.33
Average common and common equivalent shares outstanding	430,750	448,064	432,689	453,231

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	$ 44,128	$ 76,122	$ 91,142	$ 148,667
Other comprehensive income (loss):				
Unrealized gain (loss) on investments	2,749	(15,625)	4,155	37,769
Total unrealized gains (losses) on investments	2,749	(15,625)	4,155	37,769
Income tax (expense) benefit	(962)	5,955	(1,496)	(14,327)
Other comprehensive income (loss), net of tax benefit (expense)	1,787	(9,670)	2,659	23,442
Comprehensive income	45,915	66,452	93,801	172,109
Less: comprehensive loss attributable to noncontrolling interest	—	(347)	(434)	(686)
Total comprehensive income attributable to SLM Corporation	$ 45,915	$ 66,799	$ 94,235	$ 172,795

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Navient's Subsidiary Investment	Accumulated Other Comprehensive Income (Loss)	Total SLM Corporation Equity	Non-controlling interest	Total Equity
Balance at March 31, 2013	$ 1,056,783	$ 47,460	$ 1,104,243	$ 5,685	$ 1,109,928
Net income (loss)	76,469	—	76,469	(347)	76,122
Other comprehensive loss, net of tax	—	(9,670)	(9,670)	—	(9,670)
Total comprehensive income (loss)	—	—	66,799	(347)	66,452
Net transfers from affiliate	29,570	—	29,570	—	29,570
Balance at June 30, 2013	$ 1,162,822	$ 37,790	$ 1,200,612	$ 5,338	$ 1,205,950

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

		Common Stock Shares												
	Preferred Stock Shares	Issued	Treasury	Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Navient's Subsidiary Investment	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total SLM Corporation Equity	Non-controlling interest	Total Equity
Balance at March 31, 2014	—	—	—	—	$ —	$ —	$ —	$ 1,229,187	$ (2,152)	$ —	$ —	$ 1,227,035	$ 4,238	$ 1,231,273
Net income	—	—	—	—	—	—	—	20,725	—	23,403	—	44,128	—	44,128
Other comprehen-sive income, net of tax	—	—	—	—	—	—	—	—	1,787	—	—	1,787	—	1,787
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	—	45,915	—	45,915
Net transfers from affiliate	—	—	—	—	—	—	—	462,165	—	—	—	462,165	—	462,165
Separation adjustments related to Spin-Off of Navient Corporation	7,300,000	422,790,320	—	422,790,320	565,000	84,558	1,062,519	(1,712,077)	—	—	—	—	—	—
Sale of non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	(4,238)	(4,238)
Cash dividends:														
Preferred Stock, series A ($.87 per share)	—	—	—	—	—	—	—	—	—	(1,917)	—	(1,917)	—	(1,917)
Preferred Stock, series B ($.49 per share)	—	—	—	—	—	—	—	—	—	(1,311)	—	(1,311)	—	(1,311)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	8	—	—	(8)	—	—	—	—
Issuance of common shares	—	504,929	—	504,929	—	101	2,344	—	—	—	—	2,445	—	2,445
Stock-based compensation expense	—	—	—	—	—	—	7,045	—	—	—	—	7,045	—	7,045
Shares repurchased related to employee stock-based compensation plans	—	—	(358,771)	(358,771)	—	—	—	—	—	—	(3,113)	(3,113)	—	(3,113)
Balance at June 30, 2014	7,300,000	423,295,249	(358,771)	422,936,478	$ 565,000	$ 84,659	$ 1,071,916	$ —	$ (365)	$ 20,167	$ (3,113)	$ 1,738,264	$ —	$ 1,738,264

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Navient's Subsidiary Investment	Accumulated Other Comprehensive Income (Loss)	Total SLM Corporation Equity	Non-controlling interest	Total Equity
Balance at December 31, 2012	$ 1,068,928	$ 14,348	$ 1,083,276	$ 6,024	$ 1,089,300
Net income (loss)	149,353		149,353	(686)	148,667
Other comprehensive income, net of tax	—	23,442	23,442	—	23,442
Total comprehensive (loss)	—	—	172,795	(686)	172,109
Net transfers to affiliate	(55,459)	—	(55,459)	—	(55,459)
Balance at June 30, 2013	$ 1,162,822	$ 37,790	$ 1,200,612	$ 5,338	$ 1,205,950

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

		Common Stock Shares												
	Preferred Stock Shares	Issued	Treasury	Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Navient's Subsidiary Investment	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total SLM Corporation Equity	Non-controlling interest	Total Equity
Balance at December 31, 2013	—	—	—	—	$ —	$ —	$ —	$ 1,164,495	$ (3,024)	$ —	$ —	$ 1,161,471	$ 4,672	$ 1,166,143
Net income (loss)	—	—	—	—	—	—	—	68,173	—	23,403	—	91,576	(434)	91,142
Other comprehensive income, net of tax	—	—	—	—	—	—	—	—	2,659	—	—	2,659	—	2,659
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	—	94,235	(434)	93,801
Net transfers from affiliate	—	—	—	—	—	—	—	479,409	—	—	—	479,409	—	479,409
Separation adjustments related to Spin-Off of Navient Corporation	7,300,000	422,790,320	—	422,790,320	565,000	84,558	1,062,519	(1,712,077)	—	—	—	—	—	—
Sale of non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	(4,238)	(4,238)
Cash dividends:														
Preferred Stock, series A ($.87 per share)	—	—	—	—	—	—	—	—	—	(1,917)	—	(1,917)	—	(1,917)
Preferred Stock, series B ($.49 per share)	—	—	—	—	—	—	—	—	—	(1,311)	—	(1,311)	—	(1,311)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	8	—	—	(8)		—	—	—
Issuance of common shares	—	504,929	—	504,929	—	101	2,344	—	—	—	—	2,445	—	2,445
Stock-based compensation expense	—	—	—	—	—	—	7,045	—	—	—	—	7,045	—	7,045
Shares repurchased related to employee stock-based compensation plans	—	—	(358,771)	(358,771)	—	—	—	—	—	—	(3,113)	(3,113)	—	(3,113)
Balance at June 30, 2014	7,300,000	423,295,249	(358,771)	422,936,478	$ 565,000	$ 84,659	$ 1,071,916	$ —	$ (365)	$ 20,167	$ (3,113)	$ 1,738,264	$ —	$ 1,738,264

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Six Months Ended June 30,	
	2014	**2013**
Operating activities		
Net income	$ 91,142	$ 148,667
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for loan losses	40,173	19,677
Tax provision	60,599	91,738
Amortization of FDIC fees	—	1,046
Amortization of brokered deposit placement fee	5,222	4,879
Amortization of deferred loan origination costs and fees, net	847	616
Net amortization (accretion) of discount on investments	236	(4,342)
Depreciation of premises and equipment	1,642	1,694
Amortization and impairment of acquired intangibles	2,995	1,428
Stock-based compensation expense	8,468	9,229
Interest rate swap	8,025	(452)
Gains on sale of loans to affiliates, net	(35,816)	(148,663)
Changes in operating assets and liabilities:		
Net decrease in loans held for sale	6,183	2,521
Origination of loans held for sale	(6,183)	(2,521)
Increase in accrued interest receivable	(175,919)	(119,723)
Increase in other interest-earning assets	(41,062)	(1,107)
(Increase) decrease in other assets	(18,946)	(17,888)
Increase (decrease) in income tax payable	(199,782)	(10,315)
Decrease in accrued interest payable	(2,931)	(1,498)
Increase in payable due to Navient	11,109	5,892
Increase (decrease) in other liabilities	12,140	(41,204)
Total adjustments	(323,000)	(208,993)
Total net cash provided by (used in) operating activities	(231,858)	(60,326)
Investing activities		
Loans acquired and originated	(32,796)	(185,190)
Net proceeds from sales of loans held for investment	755,746	1,825,406
Net increase in loans held for investment	(1,512,009)	(1,465,830)
Purchases of available-for-sale securities	(47,087)	(15,966)
Proceeds from sales and maturities of available-for-sale securities	3,712	10,996
Total net cash (used in) provided by investing activities	(832,434)	169,416
Financing activities		
Net (decrease) in brokered certificates of deposit	(841,965)	(521,740)
Net (decrease) increase in NOW account deposits	(18,214)	2,179
Net increase in High Yield Savings Deposits	647,864	414
Net increase in Retail Certificates of Deposit	5,143	13,335
Net increase in MMDA deposits	133,510	484,357
Net decrease in deposits with entity that is a subsidiary of Navient	(5,633)	(110,486)
Special cash contribution from Navient	472,718	—
Net capital contributions (to) from entity that is a subsidiary of Navient	15,408	76,262
Preferred stock dividends paid	(3,228)	—
Dividend paid to entity that is a subsidiary of Navient	—	(120,000)
Net cash provided by (used in) financing activities	405,603	(175,679)
Net decrease in cash and cash equivalents	(658,689)	(66,589)
Cash and cash equivalents at beginning of period	2,182,865	1,599,082

Cash and cash equivalents at end of period	$1,524,176	$1,532,493
Cash disbursements made for:		
Interest	$ 42,819	$ 39,866
Income taxes paid	$ 199,782	$ 10,315

See accompanying notes to consolidated financial statements.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, unless otherwise noted)

1. Significant Accounting Policies

Basis of Presentation

The financial reporting and accounting policies of SLM Corporation ("Sallie Mae," "SLM," the "Company," "we" or "us") conform to generally accepted accounting principles in the United States of America ("GAAP"). In conjunction with the Spin-Off (as herein after defined), our consolidated financial statements are comprised of financial information relating to Sallie Mae Bank (the "Bank"), Upromise, Inc. ("Upromise") and the Private Education Loan origination functions. We use "Private Education Loans" to mean education loans to students or their families that are non-federal loans and loans not insured or guaranteed under the previously existing Federal Family Education Loan Program ("FFELP"). Also included in our financial statements are certain general corporate overhead expenses allocated to the Company.

On April 30, 2014, we completed our plan to legally separate into two distinct publicly traded entities - an education loan management, servicing and asset recovery business, Navient Corporation ("Navient"), and a consumer banking business, SLM Corporation. The separation of Navient from SLM Corporation (the "Spin-Off") was preceded by an internal corporate reorganization, which was the first step to separate the education loan management, servicing and asset recovery business from the consumer banking business. As a result of a holding company merger under Section 251(g) of the Delaware General Corporation Law ("DGCL"), which is referred to herein as the "SLM Merger," all of the shares of then existing SLM Corporation's common stock were converted, on a 1-to-1 basis, into shares of common stock of New BLC Corporation, a newly formed company that was a subsidiary of pre-Spin-Off SLM Corporation ("pre-Spin-Off SLM"), and, pursuant to the SLM Merger, New BLC Corporation replaced then existing SLM Corporation as the publicly-traded registrant and changed its name to SLM Corporation. As part of the internal corporate reorganization, the assets and liabilities associated with the education loan management, servicing and asset recovery business were transferred to Navient, and those assets and liabilities associated with the consumer banking business remained with or were transferred to the newly constituted SLM Corporation. The separation and distribution were accounted for on a substantially tax-free basis.

The timing and steps necessary to complete the Spin-Off and comply with the Securities and Exchange Commission ("SEC") reporting requirements, including the replacement of pre-Spin-Off SLM Corporation with our current publicly-traded registrant, have resulted in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on February 19, 2014, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed with the SEC on May 12, 2014, providing business results and financial information for the periods reported therein on the basis of the consolidated businesses of pre-Spin-Off SLM. While information contained in those prior reports may provide meaningful historical context for the Company's business, this Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 is our first periodic report made on the basis of the post-Spin-Off business of the Company.

At the time of the Spin-Off transaction, we had a targeted starting equity balance of $1,710 million. To achieve the targeted equity balance we retained $565 million of preferred stock and approximately $473 million of cash to offset the obligation attributable to the principal of the Series A Preferred Stock and the Series B Preferred Stock.

These carve-out financial statements are presented on a basis of accounting that reflects a change in reporting entity and have been adjusted for the effects of the Spin-Off. These carve-out financial statements and selected financial information represent only those operations, assets, liabilities and equity that form Sallie Mae on a stand-alone basis. Because the Spin-Off occurred on April 30, 2014, these financial statements represent the carved out financial results for the first four months of 2014 and actual results for the two months ended June 30, 2014. All prior period amounts represent carved-out amounts.

Consolidation

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

Allowance for Private Education Loan Losses

We maintain an allowance for loan losses at an amount sufficient to absorb probable losses incurred in our portfolios at the reporting date based on a projection of estimated probable credit losses incurred in the portfolio.

We analyze our portfolio to determine the effects that the various stages of delinquency and forbearance have on borrower default behavior and ultimate charge-off activity. We estimate the allowance for loan losses for our loan portfolio using a migration analysis of delinquent and current accounts. A migration analysis is a technique used to estimate the likelihood that a

1. Significant Accounting Policies (Continued)

loan receivable may progress through the various delinquency stages and ultimately charge off. We may also take into account the current and future economic environment and other qualitative factors when calculating the allowance for loan losses.

The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. Our default estimates are based on a loss confirmation period (loss confirmation period represents the expected period between a loss event and when management considers the debt to be uncollectible), taking into consideration account management practices that affect the timing of a loss, such as the usage of forbearance.

Prior to the Spin-Off, the Bank exercised its right and sold substantially all of the Private Education Loans it originated that became delinquent or were granted forbearance to one or more of its then affiliates. Because of this arrangement, the Bank did not hold many loans in forbearance. As a result, the Bank had very little historical forbearance activity and very few delinquencies.

In connection with the Spin-Off, the agreement under which the Bank previously made these sales was amended so that the Bank now only has the right to require Navient to purchase loans only where (a) the borrower has a lending relationship with both the Bank and Navient (“Split Loans”) and (b) the Split Loans either (1) are more than 90 days past due; (2) have been restructured; (3) have been granted a hardship forbearance or more than six months of administrative forbearance; or (4) have a borrower or cosigner who has filed for bankruptcy. At June 30, 2014, we held approximately $1.3 billion of Split Loans.

Pre-Spin-Off SLM’s default aversion strategies were focused on the final stages of delinquency, from 150 days to 212 days. As a result of changing our corporate charge-off policy and greatly reducing the number of potentially delinquent loans we sell to Navient, our default aversion strategies must now focus exclusively on loans 60 to 120 days delinquent. This change has the effect of accelerating the recognition of losses due to the shorter charge-off period (120 days). In addition, we changed our loss confirmation period from two years to one year to reflect the shorter charge-off policy and our revised servicing practices. These two changes resulted in a $14 million net reduction in our allowance for loan losses because we are now only reserving for one year of losses as compared with two years under the prior policy, which more than offset the impact of the shorter charge-off period.

The one-year estimate underlying the allowance for loan losses is subject to a number of assumptions. If actual future performance in delinquency, charge-offs and recoveries are significantly different than estimated, or account management assumptions or practices were to change, this could materially affect the estimate of the allowance for loan losses, the timing of when losses are recognized, and the related provision for loan losses on our consolidated statements of income.

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

Income Taxes

In connection with the Spin-Off, the Company will be the taxpayer legally responsible for $283 million of deferred taxes payable (installment payments due quarterly through 2018) in connection with gains recognized by pre-Spin-Off SLM on debt repurchases in prior years. As part of the tax sharing agreement between the Company and Navient, Navient has agreed to fully pay us for these deferred taxes due. An indemnification receivable of $264 million was recorded, which represents the fair value of the future payments under the agreement based a discounted cash flow model. We will accrue interest income on the indemnification receivable using the interest method.

The Company also recorded a liability related to uncertain tax positions of $27 million for which we are indemnified by Navient. If there is an adjustment to the indemnified uncertain tax liability, an offsetting adjustment to the indemnification receivable will be recorded as pre-tax adjustment to the income statement.

As of the date of the Spin-Off on April 30, 2014, we recorded a liability of $310 million ($283 million related to deferred taxes and $27 million related to uncertain tax positions) and an indemnification receivable of $291 million ($310 million less the $19 million discount). As of June 30, 2014, the liability balance is $303 million ($283 million related to deferred taxes and $20 million related to uncertain tax positions) and the indemnification receivable balance is $270 million ($250 million related to deferred taxes and $20 million related to uncertain tax positions).

1. Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

On May 28, 2014, the Financial Accounting Standards Board issued ASU No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance when it becomes effective. The new standard is effective on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

2. Investments

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

	As of June 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Mortgage-backed securities	$ 150,117	$ 1,736	$ (2,454)	$ 149,399
Available for sale securities	$ 150,117	$ 1,736	$ (2,454)	$ 149,399

	As of December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Mortgage-backed securities	$ 106,977	$ 706	$ (5,578)	$ 102,105
Available for sale securities	$ 106,977	$ 706	$ (5,578)	$ 102,105

Our investment portfolio is comprised of mortgage-backed securities issued by Ginnie Mae and Fannie Mae, with amortized cost of $74,563, $68,435 and $7,119, respectively, at June 30, 2014. We own these securities to meet our requirements under the Community Reinvestment Act. As of June 30, 2014, there were 13 of 47 separate mortgage-backed securities with unrealized losses in our investment portfolio. As of December 31, 2013, there were 20 of 33 separate mortgage-backed securities with unrealized losses in our investment portfolio. As of June 30, 2014, 7 of the 13 securities in a net loss position were issued under Ginnie Mae programs that carry a full faith and credit guarantee from the U.S. Government. The remaining securities in a net loss position carry a principal and interest guarantee by Fannie Mae. We have the ability and the intent to hold these securities for a period of time sufficient for the market price to recover to at least the adjusted amortized cost of the security.

The expected payments on mortgage-backed securities may not coincide with their contractual maturities because borrowers have the right to prepay certain obligations. Accordingly, these securities are not included in a maturities distribution.

The mortgage-backed securities have been pledged to the Federal Reserve Bank ("FRB") as collateral against any advances and accrued interest under the Primary Credit program or any other program sponsored by the FRB. We had $138,458 and $103,049 par value of mortgage-backed securities pledged to this borrowing facility at June 30, 2014 and December 31, 2013, respectively, as discussed further in Note 6, "Borrowed Funds."

As of June 30, 2014, the amortized cost and fair value of securities, by contractual maturities, were as follows:

2. Investments (Continued)

Year of Maturity	Amortized Cost	Estimated Fair Value
2038	$ 767	$ 837
2039	13,186	14,111
2042	29,173	27,515
2043	76,126	75,974
2044	30,865	30,962
Total	$ 150,117	$ 149,399

3. Loans Held for Investment

Loans Held for Investment consist of Private Education Loans and FFELP Loans.

Our Private Education Loans are made largely to bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans or customers' resources. Private Education Loans bear the full credit risk of the customer. We manage this additional risk through historical risk-performance underwriting strategies and the addition of qualified cosigners. Private Education Loans generally carry a variable rate indexed to LIBOR. We provide incentives for customers to include a cosigner on the loan, and the vast majority of loans in our portfolio are cosigned. We also encourage customers to make payments while in school.

FFELP Loans are insured as to their principal and accrued interest in the event of default subject to a Risk Sharing level based on the date of loan disbursement. When a FFELP Loan first disbursed on and after July 1, 2006 defaults, the federal government guarantees 97 percent of the principal balance plus accrued interest (98 percent on loans disbursed before July 1, 2006) and the holder of the loan is at risk for the remaining amount not guaranteed as a Risk Sharing loss on the loan. FFELP Loans originated after October 1, 1993 are subject to Risk Sharing on loan default claim payments unless the default results from the borrower's death, disability or bankruptcy.

Loans held for investment are summarized as follows:

	June 30, 2014	December 31, 2013
Private Education Loans	$ 7,482,794	$ 6,563,342
Unearned discounts	7,746	5,063
Allowance for loan losses	(54,315)	(61,763)
Total Private Education Loans, net	7,436,225	6,506,642
FFELP Loans	1,360,107	1,426,972
Unamortized acquisition costs, net	3,851	4,081
Allowance for loan losses	(6,212)	(6,318)
Total FFELP Loans, net	1,357,746	1,424,735
Loans held for investment, net	$ 8,793,971	$ 7,931,377

The estimated weighted average life of Private Education Loans in our portfolio was approximately 6.6 years and 7.0 years at June 30, 2014 and December 31, 2013, respectively.

3. Loans Held for Investment (Continued)

The average balance and the respective weighted average interest rates are summarized as follows:

	Three Months Ended June 30, 2014		Three Months Ended June 30, 2013	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	$ 7,350,825	8.23%	$ 5,533,745	8.2%
FFELP Loans	1,374,291	3.33	1,087,954	3.32
Total portfolio	$ 8,725,116		$ 6,621,699	

	Six Months Ended June 30, 2014		Six Months Ended June 30, 2013	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	$ 7,382,565	8.19%	$ 5,863,633	8.13%
FFELP Loans	1,387,358	3.27	1,064,303	3.3
Total portfolio	$ 8,769,923		$ 6,927,936	

4. Allowance for Loan Losses

Our provisions for Private Education Loan losses represent the periodic expense of maintaining an allowance sufficient to absorb incurred probable losses, in the held-for-investment loan portfolios. The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. We believe that the allowance for loan losses is appropriate to cover probable losses incurred in the loan portfolios. See Note 1, "Significant Accounting Policies - Allowance for Private Education Loan Losses" for a more detailed discussion.

Allowance for Loan Losses Metrics

	Allowance for Loan Losses		
	Three Months Ended June 30, 2014		
	FFELP Loans	Private Education Loans	Total
Allowance for Loan Losses			
Beginning balance	$ 6,181	$ 71,453	$ 77,634
Total provision	685	329	1,014
Charge-offs[1]	(654)	—	(654)
Student loan sales[2]	—	(17,467)	(17,467)
Ending Balance	$ 6,212	$ 54,315	$ 60,527
Allowance:			
Ending balance: individually evaluated for impairment	$ —	$ 1,037	$ 1,037
Ending balance: collectively evaluated for impairment	$ 6,212	$ 53,278	$ 59,490
Loans:			
Ending balance: individually evaluated for impairment	$ —	$ 4,508	$ 4,508
Ending balance: collectively evaluated for impairment	$ 1,360,107	$ 7,478,286	$ 8,838,393
Charge-offs as a percentage of average loans in repayment (annualized)	0.07%	—%	
Allowance as a percentage of the ending total loan balance	0.46%	0.73%	
Allowance as a percentage of the ending loans in repayment	0.66%	1.23%	
Allowance coverage of charge-offs (annualized)	2.40	—	
Ending total loans, gross	$ 1,360,107	$ 7,482,794	
Average loans in repayment	$ 973,894	$ 4,322,356	
Ending loans in repayment	$ 947,972	$ 4,425,573	

[1] Prior to the Spin-Off, Private Education Loans were sold to an entity that is now a subsidiary of Navient prior to being charged-off.

[2] Represents fair value write-downs on delinquent loans sold prior to the Spin-Off to an entity that is now a subsidiary of Navient, recorded at the time of sale.

4. Allowance for Loan Losses (Continued)

	Allowance for Loan Losses		
	Three Months Ended June 30, 2013		
	FFELP Loans	Private Education Loans	Total
Allowance for Loan Losses			
Beginning balance	$ 4,199	$ 65,381	$ 69,580
Total provision	951	(1,966)	(1,015)
Charge-offs[1]	(534)	—	(534)
Student loan sales[2]	—	(12,546)	(12,546)
Ending Balance	$ 4,616	$ 50,869	$ 55,485
Allowance:			
Ending balance: individually evaluated for impairment	$ —	$ —	$ —
Ending balance: collectively evaluated for impairment	$ 4,616	$ 50,869	$ 55,485
Loans:			
Ending balance: individually evaluated for impairment	$ —	$ —	$ —
Ending balance: collectively evaluated for impairment	$ 1,162,476	$ 5,383,128	$ 6,545,604
Charge-offs as a percentage of average loans in repayment (annualized)	0.06%	—%	
Allowance as a percentage of the ending total loan balance	0.40%	0.94%	
Allowance as a percentage of the ending loans in repayment	0.56%	1.65%	
Allowance coverage of charge-offs (annualized)	2.16	—	
Ending total loans, gross	$ 1,162,476	$ 5,383,128	
Average loans in repayment	$ 825,038	$ 3,243,513	
Ending loans in repayment	$ 824,523	$ 3,081,929	

[1] Prior to the Spin-Off, Private Education Loans were sold to an entity that is now a subsidiary of Navient prior to being charged-off.

[2] Represents fair value write-downs on delinquent loans sold prior to the Spin-Off to an entity that is now a subsidiary of Navient, recorded at the time of sale.

4. Allowance for Loan Losses (Continued)

	Allowance for Loan Losses		
	Six Months Ended June 30, 2014		
	FFELP Loans	Private Education Loans	Total
Allowance for Loan Losses			
Beginning balance	$ 6,318	$ 61,763	$ 68,081
Total provision	1,191	38,982	40,173
Charge-offs[1]	(1,297)	—	(1,297)
Student loan sales[2]	—	(46,430)	(46,430)
Ending Balance	$ 6,212	$ 54,315	$ 60,527
Allowance:			
Ending balance: individually evaluated for impairment	$ —	$ 1,037	$ 1,037
Ending balance: collectively evaluated for impairment	$ 6,212	$ 53,278	$ 59,490
Loans:			
Ending balance: individually evaluated for impairment	$ —	$ 4,508	$ 4,508
Ending balance: collectively evaluated for impairment	$ 1,360,107	$ 7,478,286	$ 8,838,393
Charge-offs as a percentage of average loans in repayment (annualized)	0.13%	—%	
Allowance as a percentage of the ending total loan balance	0.46%	0.73%	
Allowance as a percentage of the ending loans in repayment	0.66%	1.23%	
Allowance coverage of charge-offs (annualized)	2.40	—	
Ending total loans, gross	$ 1,360,107	$ 7,482,794	
Average loans in repayment	$ 994,290	$ 4,354,878	
Ending loans in repayment	$ 947,972	$ 4,425,573	

[1] Prior to the Spin-Off, Private Education Loans were sold to an entity that is now a subsidiary of Navient prior to being charged-off.

[2] Represents fair value write-downs on delinquent loans sold prior to the Spin-Off to an entity that is now a subsidiary of Navient, recorded at the time of sale.

4. Allowance for Loan Losses (Continued)

	Allowance for Loan Losses		
	Six Months Ended June 30, 2013		
	FFELP Loans	Private Education Loans	Total
Allowance for Loan Losses			
Beginning balance	$ 3,971	$ 65,218	$ 69,189
Total provision	1,399	18,278	19,677
Charge-offs[1]	(754)	—	(754)
Student loan sales[2]	—	(32,627)	(32,627)
Ending Balance	$ 4,616	$ 50,869	$ 55,485
Allowance:			
Ending balance: individually evaluated for impairment	$ —	$ —	$ —
Ending balance: collectively evaluated for impairment	$ 4,616	$ 50,869	$ 55,485
Loans:			
Ending balance: individually evaluated for impairment	$ —	$ —	$ —
Ending balance: collectively evaluated for impairment	$ 1,162,476	$ 5,383,128	$ 6,545,604
Charge-offs as a percentage of average loans in repayment (annualized)	0.09%	—%	
Allowance as a percentage of the ending total loan balance	0.40%	0.94%	
Allowance as a percentage of the ending loans in repayment	0.56%	1.65%	
Allowance coverage of charge-offs (annualized)	3.00	—	
Ending total loans, gross	$ 1,162,476	$ 5,383,128	
Average loans in repayment	$ 825,038	$ 3,670,291	
Ending loans in repayment	$ 824,523	$ 3,081,929	

[1] Prior to the Spin-Off, Private Education Loans were sold to an entity that is now a subsidiary of Navient prior to being charged-off.

[2] Represents fair value write-downs on delinquent loans sold prior to the Spin-Off to an entity that is now a subsidiary of Navient, recorded at the time of sale.

All of our loans are collectively assessed for impairment except for loans classified as TDR's. Prior to the Spin-Off transaction that occurred on April 30, 2014, we did not have TDR loans because the loans were generally sold in the same month that the terms were restructured. Subsequent to May 1, 2014, we have individually assessed $4.5 million of Private Education Loans as TDRs. When these loans are determined to be impaired, we provide for an allowance for losses sufficient to cover life-of-loan expected losses through an impairment calculation based on the difference between the loan's basis and the present value of expected future cash flows discounted at the loan's original effective interest rate.

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

4. Allowance for Loan Losses (Continued)

Key Credit Quality Indicators

FFELP Loans are at least 97 percent insured and guaranteed as to their principal and accrued interest in the event of default; therefore, there is no key credit quality indicator that will have a material impact to our financial results. Included within our FFELP portfolio June 30, 2014 are $853 million of FFELP rehabilitation loans. These loans have previously defaulted but have subsequently been brought current according to a loan rehabilitation agreement. The credit performance on rehabilitation loans is worse than the remainder of our FFELP portfolio. At June 30, 2014 and December 31, 2013, 62.7 percent and 62.9 percent of our FFELP portfolio consisted of rehabilitation loans.

For Private Education Loans, the key credit quality indicators are school type, FICO scores, the existence of a cosigner, the loan status and loan seasoning. The school type/FICO score are assessed at origination and maintained through the loan designation. The following table highlights the gross principal balance of our Private Education Loan portfolio stratified by key credit quality indicators.

	Private Education Loans Credit Quality Indicators			
	June 30, 2014		December 31, 2013	
Credit Quality Indicators:	Balance[1]	% of Balance	Balance[1]	% of Balance
Cosigners:				
With cosigner	$ 6,715,407	90%	$ 5,898,751	90%
Without cosigner	767,387	10	664,591	10
Total	$ 7,482,794	100%	$ 6,563,342	100%
FICO at Origination:				
Less than 670	$ 510,193	7%	$ 461,412	7%
670-699	1,108,321	15	1,364,286	21
700-749	2,357,153	31	1,649,192	25
Greater than or equal to 750	3,507,127	47	3,088,452	47
Total	$ 7,482,794	100%	$ 6,563,342	100%
Seasoning[2]:				
1-12 payments	$ 2,465,454	33%	$ 1,840,538	28%
13-24 payments	1,063,082	14	1,085,393	17
25-36 payments	512,958	7	669,685	10
37-48 payments	384,450	5	362,124	6
More than 48 payments	39,593	1	30,891	—
Not yet in repayment	3,017,257	40	2,574,711	39
Total	$ 7,482,794	100%	$ 6,563,342	100%

(1) Balance represents gross Private Education Loans.

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

4. Allowance for Loan Losses (Continued)

The following tables provide information regarding the loan status and aging of past due loans.

	Private Education Loan Delinquencies			
	June 30, 2014		December 31, 2013	
	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 3,017,257		$ 2,574,711	
Loans in forbearance[2]	39,964		16,314	
Loans in repayment and percentage of each status:				
Loans current	4,396,772	99.3%	3,933,143	99.0%
Loans delinquent 31-60 days[3]	21,381	0.5	28,854	0.7
Loans delinquent 61-90 days[3]	5,987	0.1	10,280	0.3
Loans delinquent greater than 90 days[3]	1,433	0.1	40	—
Total private education loans in repayment	4,425,573	100.0%	3,972,317	100.0%
Total private education loans, gross	7,482,794		6,563,342	
Private education loans unamortized discount	7,746		5,063	
Total private education loans	7,490,540		6,568,405	
Private education loans allowance for losses	(54,315)		(61,763)	
Private education loans, net	$ 7,436,225		$ 6,506,642	
Percentage of private education loans in repayment		59.1%		60.5%
Delinquencies as a percentage of private education loans in repayment		0.7%		1.0%
Loans in forbearance as a percentage of loans in repayment and forbearance		0.9%		0.4%

(1) Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on the loans (e.g., residency periods for medical students or a grace period for bar exam preparation).

(2) Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

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

4. Allowance for Loan Losses (Continued)

Accrued Interest Receivable

The following table provides information regarding accrued interest receivable on our Private Education Loans. The table also discloses the amount of accrued interest on loans greater than 90 days past due as compared to our allowance for uncollectible interest. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due portfolio for all periods presented.

	Private Education Loan Accrued Interest Receivable		
	Total Interest Receivable	**Greater than 90 days Past Due**	**Allowance for Uncollectible Interest**
June 30, 2014	$ 434,847	$ 69	$ 3,633
December 31, 2013	$ 333,857	$ 1	$ 4,076

5. Deposits

The following table summarizes total deposits at June 30, 2014 and December 31, 2013.

	June 30, 2014	December 31, 2013
Deposits - interest bearing	$ 9,503,559	$ 9,239,554
Deposits - non-interest bearing	42,455	55,036
Total Sallie Mae Bank deposits	9,546,014	9,294,590
Less: money market deposits with subsidiaries	(655,805)	(293,040)
Total deposits	$ 8,890,209	$ 9,001,550

Interest Bearing

Interest bearing deposits as of June 30, 2014 and December 31, 2013 consisted of non-maturity savings deposits, brokered and retail certificates of deposit and affiliated money market deposits, as discussed further below, and brokered money market deposits. These deposit products are serviced by third party providers. Placement fees associated with the brokered certificates of deposit are amortized into interest expense using the effective interest rate method. We recognized placement fee expense of $2,472 and $2,379 for the three months ended June 30, 2014 and 2013, respectively, and $5,222 and $4,879 for the six months ended June 30, 2014 and 2013, respectively. No fees were paid to third party brokers related to these certificates of deposit during the three and six months ended June 30, 2014 and 2013.

Historically, we have also offered consumer deposit products in the form of debit cards associated with interest bearing consumer (“NOW”) accounts to facilitate the distribution of financial aid refunds and other payables to students. These deposit products were serviced by third party providers. As of April 30, 2014, we no longer offer these products.

Interest bearing deposits at June 30, 2014 and December 31, 2013 are summarized as follows:

	June 30, 2014		December 31, 2013	
	Amount	Qtr.-End Weighted Average Stated Rate	Amount	Year-End Weighted Average Stated Rate
Money market	$ 4,643,164	0.60%	$ 3,505,929	0.60%
Savings	727,350	0.81	743,742	0.81
NOW	—	—	18,214	0.12
Certificates of deposit	4,133,045	1.09	4,971,669	1.39
Deposits - interest bearing	$ 9,503,559		$ 9,239,554	

As of June 30, 2014 and December 31, 2013, there were $258,463 and $159,637 of deposits exceeding Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Accrued interest on deposits was $10,167 and $13,097 at June 30, 2014 and December 31, 2013, respectively.

Money market deposits with affiliates

Our Upromise subsidiary maintains a money market deposit at the Bank which totaled $287,780 and $293,040 at June 30, 2014 and December 31, 2013, respectively, which was interest bearing. Interest expense incurred on these deposits during the three months ended June 30, 2014 and 2013 totaled $66 and $85, respectively and for the six months ended June 30, 2014 and 2013 totaled $117 and $192, respectively. The Company also maintains a money market deposit at the Bank which totaled $368,025 at June 30, 2014 and $0 at December 31, 2013.

5. Deposits (Continued)

NonInterest Bearing

Noninterest bearing deposits as of June 30, 2014 and December 31, 2013 consisted of money market deposit accounts and are summarized as follows:

	June 30, 2014	December 31, 2013
Money market	$ 42,455	$ 55,036
Deposits - noninterest bearing	$ 42,455	$ 55,036

6. Borrowed Funds

The Bank maintains discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled $100,000 at June 30, 2014. The interest rate charged to the Bank on these lines of credit is priced at Fed Funds plus a spread at the time of borrowing, and is payable daily. The Bank did not utilize these lines of credit in the six months ended June 30, 2014 and 2013.

The Bank established an account at the FRB to meet eligibility requirements for access to the Primary Credit borrowing facility at the FRB's Discount Window ("Window"). All borrowings at the Window must be fully collateralized. We pledged asset-backed and mortgage-backed securities, as well as FFELP consolidation and Private Education Loans to the FRB as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At June 30, 2014 and December 31, 2013, the lendable value of our collateral at the FRB totaled $1,397,526 and $900,217, respectively. The interest rate charged to us is the discount rate set by the FRB. We did not utilize this facility in the six months ended June 30, 2014 and 2013.

7. Derivative Financial Instruments

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments at June 30, 2014 and December 31, 2013, and their impact on other comprehensive income and earnings for the three and six months ended June 30, 2014 and 2013.

	Location	June 30, 2014	December 31, 2013
Fair Values:			
Interest rate swaps (receive - fixed/pay - variable)[1]	Other liabilities	$ (1,036)	$ —
Interest rate swaps (receive - fixed/pay - variable)	Other assets	—	612
Interest rate swaps (receive - variable/pay - fixed)	Other liabilities	(8,423)	—
Total fair value		$ (9,459)	$ 612
Notional Amounts:			
Interest rate swaps (receive - fixed/pay - variable)[1]		$ 2,811,060	$ 2,664,755
Interest rate swaps (receive - variable/pay - fixed)		1,076,779	—
Total notional		$ 3,887,839	$ 2,664,755

	Location	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Earnings impact:					
Interest reclassification	Other noninterest income	$ (2,427)	333	(1,967)	627
Hedge ineffectiveness	Other noninterest income	(7,031)	(385)	(8,255)	(69)
Realized gains	Interest expense	4,573	7,504	10,246	15,508
Total earnings impact		$ (4,885)	$ 7,452	$ 24	$ 16,066

(1) Interest rate swaps are hedged against certificates of deposit.

(2) "Other" includes embedded derivatives bifurcated from investment securities.

7. Derivative Financial Instruments (Continued)

Cash Collateral

Cash collateral held related to derivative exposure between the Company and its derivatives counterparties was $2,500 and $5,190 at June 30, 2014 and December 31, 2013, respectively. Collateral held is recorded in "Other Liabilities." Cash collateral pledged related to derivative exposure between the Company and its derivatives counterparties was $39,569 and $40 at June 30, 2014 and December 31, 2013, respectively.

8. Stockholders' Equity

Preferred Stock

In connection with the Spin-Off, the Company, by reason of a statutory merger, succeeded pre-Spin-Off SLM as the issuer of the Series A Preferred Stock and the Series B Preferred Stock. At June 30, 2014, we had outstanding 3.3 million shares of 6.97 percent Cumulative Redeemable Preferred Stock, Series A (the "Series A Preferred Stock") and 4.0 million shares of Floating-Rate Non-Cumulative Preferred Stock, Series B (the "Series B Preferred Stock"). Neither series has a maturity date but can be redeemed at our option. Redemption would include any accrued and unpaid dividends up to the redemption date. The shares have no preemptive or conversion rights and are not convertible into or exchangeable for any of our other securities or property. Dividends on both series are not mandatory and are paid quarterly, when, as, and if declared by the Board of Directors. Holders of Series A Preferred Stock are entitled to receive cumulative, quarterly cash dividends at the annual rate of $3.485 per share. Holders of Series B Preferred Stock are entitled to receive quarterly dividends based on 3-month LIBOR plus 170 basis points per annum in arrears. Upon liquidation or dissolution of the Company, holders of the Series A and Series B Preferred Stock are entitled to receive $50 and $100 per share, respectively, plus an amount equal to accrued and unpaid dividends for the then current quarterly dividend period, if any, pro rata, and before any distribution of assets are made to holders of our common stock.

Common Stock

Our shareholders have authorized the issuance of 1.125 billion shares of common stock (par value of $.20). At June 30, 2014, 423 million shares were issued and outstanding and 34 million shares were unissued but encumbered for outstanding stock options, restricted stock units and dividend equivalent units for employee compensation and remaining authority for stock-based compensation plans.

Post Spin-Off, we do not intend to initiate a publicly announced share repurchase program as a means to return capital to shareholders. We only expect to repurchase common stock acquired in connection with taxes withheld in connection with award exercises and vesting under our employee stock based compensation plans. The following table summarizes our common share repurchases and issuances associated with these programs.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Shares and per share amounts in actuals)	2014	2013	2014	2013
Shares repurchased related to employee stock-based compensation plans[1]	358,771	3,040,788	358,771	5,365,363
Average purchase price per share	$ 8.62	$ 22.35	$ 8.62	$ 20.51
Common shares issued[2]	504,929	4,115,424	504,929	8,273,219

(1) Comprises shares withheld from stock option exercises and vesting of restricted stock for employees' tax withholding obligations and shares tendered by employees to satisfy option exercise costs.

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

The closing price of our common stock on June 30, 2014 was $8.31.

8. Stockholders' Equity (Continued)

Investment with entities that are now subsidiaries of Navient

Prior to the Spin-Off transaction, there were transactions between us and affiliates of pre-Spin-Off SLM that are now subsidiaries of Navient. As part of the carve-out, these expenses were included in our results even though the actual payments for the expenses were paid by the aforementioned affiliates. As such, amounts equal to these payments have been treated as equity contributions in the table below. Certain payments made by us to these affiliates prior to the Spin-Off transaction were treated as dividends.

Net transfers (to)/from the entity that is now a subsidiary of Navient are included within Navient's subsidiary investment on the consolidated statements of changes in equity. The components of the net transfers (to)/from the entity that is now a subsidiary of Navient are summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Capital contributions:				
Loan origination activities	$ 7,184	$ 33,367	$ 32,452	$ 58,629
Loan sales	—	—	45	25
Corporate overhead activities	3,461	15,731	21,216	33,115
Other	491,936	617	492,368	734
Total capital contributions	502,581	49,715	546,081	92,503
Dividend	—	—	—	(120,000)
Corporate push-down	(761)	(1,641)	4,977	5,627
Net change in income tax accounts	—	—	15,659	—
Net change in receivable/payable	(39,655)	(18,615)	(87,277)	(34,154)
Other	—	111	(31)	565
Total net transfers from/(to) the entity that is now a subsidiary of Navient	$ 462,165	$ 29,570	$ 479,409	$ (55,459)

Capital Contributions

During the three and six months ended June 30, 2014 and 2013, pre-Spin-Off SLM contributed capital to the Company by funding loan origination activities, providing corporate overhead functions and other activities.

Capital contributed for loan origination activities reflects the fact that loan origination functions were conducted by a subsidiary of pre-Spin-Off SLM (now a subsidiary of Navient). The Company did not pay for the costs incurred by pre-Spin-Off SLM in connection with these functions. The costs eligible to be capitalized are recorded on the respective balance sheets and the costs not eligible for capitalization have been recognized as expenses in the respective statements of income.

Certain general corporate overhead expenses of the Company were incurred and paid for by pre-Spin-Off SLM.

Corporate Push-Down

The consolidated balance sheets include certain assets and liabilities that have historically been held at pre-Spin-Off SLM but which are specifically identifiable or otherwise allocable to the Company. The cash and cash equivalents held by pre-Spin-Off SLM at the corporate level were not allocated to the Company for any of the periods presented.

Receivable/Payable with Affiliate

8. Stockholders' Equity (Continued)

Pre-Spin-Off, all significant intercompany payable/receivable balances between the Company and pre-Spin-Off SLM are considered to be effectively settled for cash in the combined financial statements at the time the transaction is recorded.

9. Earnings per Common Share

Basic earnings per common share ("EPS") are calculated using the weighted average number of shares of common stock outstanding during each period. The determination of the weighted-average shares and diluted potential common shares for pre-Spin-Off periods are based on the activity at pre-Spin-Off SLM. A reconciliation of the numerators and denominators of the basic and diluted EPS calculations follows.

	Three Months ended June 30,		Six months ended June 30,	
(In thousands, except per share data)	2014	2013	2014	2013
Numerator:				
Net income attributable to SLM Corporation	$ 44,128	$ 76,469	$ 91,576	$ 149,353
Preferred stock dividends	3,228	—	3,228	—
Net income attributable to SLM Corporation common stock	$ 40,900	$ 76,469	$ 88,348	$ 149,353
Denominator:				
Weighted average shares used to compute basic EPS	422,805	439,972	424,751	445,309
Effect of dilutive securities:				
Dilutive effect of stock options, restricted stock and restricted stock units (1)	7,945	8,092	7,938	7,922
Dilutive potential common shares(2)	7,945	8,092	7,938	7,922
Weighted average shares used to compute diluted EPS	430,750	448,064	432,689	453,231
Basic earnings per common share attributable to SLM Corporation:	$ 0.10	$ 0.17	$ 0.21	$ 0.34
Diluted earnings per common share attributable to SLM Corporation:	$ 0.09	$ 0.17	$ 0.20	$ 0.33

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

(2) For the three months ended June 30, 2014 and 2013, securities covering approximately 4 million and 4 million shares, respectively were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive. For the six months ended June 30, 2014 and 2013, securities covering approximately 3 million and 5 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

10. Fair Value Measurements

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

We categorize our fair value estimates based on a hierarchal framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. For additional information regarding our policies for determining fair value and the hierarchical framework, see Note 1, “Significant Accounting Policies - Fair Value Measurement” in our historical carved out audited financial statements filed with the SEC on Form 8-K on May 6, 2014, for a full discussion.

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

	Fair Value Measurements on a Recurring Basis							
	June 30, 2014				December 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Mortgage-backed securities	$ —	$ 149,399	$ —	$ 149,399	$ —	$ 102,105	$ —	$ 102,105
Derivative instruments	—	—	—	—	—	612	—	612
Total	$ —	$ 149,399	$ —	$ 149,399	$ —	$ 102,717	$ —	$ 102,717

	Fair Value Measurements on a Recurring Basis							
	June 30, 2014				December 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities								
Derivative instruments	$ —	$ (9,459)	$ —	$ (9,459)	$ —	$ —	$ —	$ —
Total	$ —	$ (9,459)	$ —	$ (9,459)	$ —	$ —	$ —	$ —

The following table summarizes the change in balance sheet carrying value associated with level 3 financial instruments carried at fair value on a recurring basis for the three and six months ended June 30, 2013. There were no financial instruments categorized as level 3 at June 30, 2014.

	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Balance, beginning of period	$ 589,103	$ 532,155
Total gains/(losses) (realized and unrealized):		
Included in earnings	(12,461)	42,026
Included in other comprehensive income	—	—
Included in earnings - accretion of discount	2,141	4,602
Proceeds from sale	—	—
Transfers in and/or out of level 3	—	—
Balance, end of period	$ 578,783	$ 578,783
Change in unrealized gains/(losses) relating to instruments still held at the reporting date	$ (12,461)	$ 42,026

10. Fair Value Measurements (Continued)

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

	June 30, 2014			December 31, 2013		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets						
Loans held for investment, net	$ 9,394,480	$ 8,793,971	$ 600,509	$ 8,439,068	$ 7,931,377	$ 507,691
Cash and cash equivalents	1,524,176	1,524,176	—	2,182,865	2,182,865	—
Available-for-sale investments	149,399	149,399	—	102,105	102,105	—
Accrued interest receivable	453,461	453,461	—	356,283	356,283	—
Derivative instruments	—	—	—	612	612	—
Total earning assets	11,521,516	10,921,007	600,509	$ 11,080,933	$ 10,573,242	$ 507,691
Interest-bearing liabilities						
Money-market, savings and NOW accounts	4,757,164	4,757,164	—	$ 4,029,881	$ 4,029,881	$ —
Certificates of deposit	4,148,223	4,133,045	(15,178)	4,984,114	4,971,669	(12,445)
Accrued interest payable	10,167	10,167	—	13,097	13,097	—
Derivative instruments	9,459	9,459	—	—	—	—
Total interest-bearing liabilities	$ 8,925,013	$ 8,909,835	(15,178)	$ 9,027,092	$ 9,014,647	(12,445)
Excess of net asset fair value over carrying value			$ 585,331			$ 495,246

The methods and assumptions used to estimate the fair value of each class of financial instruments are as follows:

Cash and cash equivalents

Cash and cash equivalents are carried at cost. Carrying value approximated fair value for disclosure purposes. These are level 1 valuations.

Investments

Investments are classified as available-for-sale and are carried at fair value in the financial statements. Investments in mortgage-backed securities are valued using observable market prices of similar assets. As such, these are level 2 valuations.

Loans held for investment

Our FFELP Loans, Private Education Loans, and other loans are accounted for at net realizable value, or at the lower of cost or market if the loan is held-for-sale. For both FFELP and Private Education Loans, fair value was determined by modeling expected loan level cash flows using stated terms of the assets and internally-developed assumptions to determine aggregate portfolio yield, net present value and average life. The significant assumptions used to determine fair value are prepayment speeds, default rates, cost of funds, required return on equity, and expected Repayment Borrower Benefits to be earned. Repayment Borrower Benefits are financial incentives offered to borrowers based on pre-determined qualifying factors, which are generally tied directly to making on-time monthly payments. We regularly calibrate these models to take into account relevant transactions in the marketplace. Significant inputs into the model are not observable. As such, these are level 3 valuations.

10. Fair Value Measurements (Continued)

Money market, savings accounts and NOW accounts

The fair value of money market, savings, and NOW accounts equal the amounts payable on demand at the balance sheet date and are reported at their carrying value. These are level 1 valuations.

Certificates of deposit

The fair value of certificates of deposit are estimated using discounted cash flows based on rates currently offered for deposits of similar remaining maturities. These are level 2 valuations.

Derivatives

All derivatives are accounted for at fair value in the financial statements. The fair value of derivative financial instruments was determined by a standard derivative pricing and option model using the stated terms of the contracts and observable market inputs. It is our policy to compare the derivative fair values to those received from our counterparties in order to validate the model's outputs. Any significant differences are identified and resolved appropriately.

When determining the fair value of derivatives, we take into account counterparty credit risk for positions where we are exposed to the counterparty on a net basis by assessing exposure net of collateral held. When the counterparty has exposure to us under derivative contracts with the Company, we fully collateralize the exposure (subject to certain thresholds).

Interest rate swaps are valued using a standard derivative cash flow model with a LIBOR swap yield curve which is an observable input from an active market. These derivatives are level 2 fair value estimates in the hierarchy.

The carrying value of borrowings designated as the hedged item in a fair value hedge is adjusted for changes in fair value due to changes in the benchmark interest rate (one-month LIBOR). These valuations are determined through standard pricing models using the stated terms of the borrowings and observable yield curves.

11. Stock Based Compensation Plans and Arrangements

In connection with the Spin-Off of Navient, we made certain adjustments to the exercise price and number of our stock-based compensation awards with the intention of preserving the intrinsic value of the outstanding awards held by Sallie Mae officers and employees prior to the Spin-Off. In general, holders of awards granted prior to 2014 received both Sallie Mae and Navient equity awards, and holders of awards granted in 2014 received solely equity awards of their post-Spin-Off employer. Stock options, restricted stock, restricted stock units, performance stock units and dividend equivalent units were adjusted into equity in the new companies by a specific conversion ratio per company, which was based upon the volume weighted average prices for each company at the time of the Spin-Off, in an effort to keep the value of the equity awards constant. These adjustments were accounted for as modifications to the original awards. In general, the Sallie Mae and Navient awards will be subject to substantially the same terms and conditions as the original pre-Spin-Off SLM awards. A comparison of the fair value of the modified awards with the fair value of the original awards immediately before the modification resulted in approximately $64 of incremental expense related to fully-vested stock option awards and was expensed immediately and $630 of incremental compensation expense related to unvested restricted stock and restricted stock units which will be recorded over the remaining vesting period of the equity awards.

12. Arrangements with Navient Corporation

In connection with the Spin-Off, the Company entered into a separation and distribution agreement with Navient (the "Separation and Distribution Agreement"). In connection therewith, the Company also entered into various other ancillary agreements with Navient to effect the Spin-Off and provide a framework for its relationship with Navient thereafter, such as a transition services agreement, a tax sharing agreement, an employee matters agreement, a loan servicing and administration agreement, a joint marketing agreement, a key services agreement, a data sharing agreement and a master sublease agreement. The majority of these agreements are transitional in nature with most having terms of two years or less from the date of the Spin-Off.

We continue to have significant exposures to risks related to Navient's loan servicing operations and its creditworthiness. If we are unable to obtain services, complete the transition of our origination and loan servicing operations as planned, or obtain indemnification payments from Navient, we could experience higher than expected costs and operating expenses and our results of operations and financial condition could be materially and adversely affected.

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

Separation and Distribution Agreement

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

- the obligation of each party to indemnify the other against liabilities retained or assumed by that party pursuant to the Separation and the Distribution Agreement and in connection with claims of third parties;
- the allocation among the parties of rights and obligations under insurance policies;
- the agreement of the Company and Navient (i) not to engage in certain competitive business activities for a period of five years, (ii) as to the effect of the non-competition provisions on post-spin merger and acquisition activities of the parties and (iii) regarding "first look" opportunities; and
- the creation of a governance structure, including a separation oversight committee, by which matters related to the separation and other transactions contemplated by the Separation and Distribution Agreement will be monitored and managed.

Transition Services

During a transition period, Navient and its affiliates will provide the Bank with significant servicing capabilities with respect to Private Education Loans held by the Company and its subsidiaries. Beyond this transition period, it is currently anticipated that Navient will continue to service Private Education Loans owned by the Company or its subsidiaries with respect to individual borrowers who also have Private Education Loans which are owned by Navient, in order to optimize the customer's experience. In addition, Navient will continue to service and collect the Bank's portfolio of FFELP Loans indefinitely.

12. Arrangements with Navient Corporation (Continued)

Indemnification Obligations

Navient has also agreed to be responsible, and indemnify us, for all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM occurring prior to the Spin-Off other than those specifically excluded in the Separation and Distribution Agreement. Some significant examples of the types of indemnification obligations Navient has under the Separation and Distribution Agreement and related ancillary agreements include:

- Pursuant to a tax sharing agreement, Navient has agreed to indemnify us for $283 million in deferred taxes that the Company will be legally responsible for but that relate to gains recognized by the Company's predecessor on debt repurchases made prior to the Spin-Off. In addition, Navient has agreed to indemnify us for tax assessments incurred related to identified uncertain tax positions taken prior to the date of the Spin-off transaction.

- Navient has responsibility to assume new or ongoing litigation matters relating to the conduct of most pre-Spin-Off SLM businesses operated or conducted prior to the Spin-Off.

- At the time of this filing, the Bank remains subject to a Consent Order, Order to Pay Restitution and Order to Pay Civil Money Penalty dated May 13, 2014 issued by the FDIC (the "2014 FDIC Order"). The 2014 FDIC Order replaces a prior cease and desist order jointly issued in August 2008 by the FDIC and the Utah Department of Financial Institutions ("UDFI") which was terminated on July 15, 2014. Specifically, on May 13, 2014, the Bank reached settlements with the FDIC and the Department of Justice regarding disclosures and assessments of certain late fees, as well as compliance with the Servicemembers Civil Relief Act ("SCRA"). Under the FDIC's 2014 Order, the Bank agreed to pay $3.3 million in fines and oversee the refund of up to $30 million in late fees assessed on loans owned or originated by the Bank since its inception in November 2005. Navient is responsible for funding all liabilities, restitution and compensation under orders such as these, other than fines directly levied against the Bank.

Long-Term Arrangements

The Loan Servicing and Administration Agreement governs the terms by which Navient provides servicing, administration and collection services for the Bank's portfolio of FFELP Loans and Private Education Loans, as well as servicing history information with respect to private education loans previously serviced by Navient and access to certain promissory notes in Navient's possession. The loan servicing and administration agreement has a fixed term with a renewal option in favor of the Bank.

The Data Sharing Agreement states the Bank will continue to have the right to obtain from Navient certain post-Spin-Off performance data relating to Private Education Loans owned or serviced by Navient to support and facilitate ongoing underwriting, originations, forecasting, performance and reserve analyses.

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

12. Arrangements with Navient Corporation (Continued)

Amended Loan participation and purchase agreement

Prior to the Spin-Off, the Bank sold substantially all of its Private Education Loans to several former affiliates, now subsidiaries of Navient (collectively, the "Purchasers"), pursuant to this agreement. This agreement predates the Spin-Off but has been significantly amended and reduced in scope in connection with the Spin-Off. Post-Spin-Off, the Bank retains only the right to require the Purchasers to purchase loans for which the borrower also has a separate lending relationship with Navient ("Split Loans") when the Split Loans either (1) are more than 90 days past due; (2) have been restructured; (3) have been granted a hardship forbearance or more than 6 months of administrative forbearance; or (4) have a borrower or cosigner who has filed for bankruptcy. At June 30, 2014, we held approximately $1.3 billion of Split Loans.

During the three and six months ended June 30, 2014, the Bank separately sold loans to the Purchasers in the amount of $94,179 and $765,998, respectively, in principal and $1,770 and $25,797, respectively, in accrued interest income. During the three and six months ended June 30, 2013, the Bank sold loans to the Purchasers in the amount of $822,906 and $1,709,457, respectively, in principal and $19,386 and $39,196, respectively, in accrued interest income.

Subsequent to March 31, 2012, all loans were sold to the Purchasers at fair value. The gain resulting from loans sold was $1,928 and $73,441 in the three months ended June 30, 2014 and 2013, respectively, and $35,816 and $148,664 in the six months ended June 30, 2014 and 2013, respectively. Total write-downs to fair value for loans sold with a fair value lower than par totaled $17,467 and $12,546 in the three months ended June 30, 2014 and 2013, respectively, and $46,430 and $32,628 in the six months ended June 30, 2014 and 2013, respectively.

13. Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by federal banking authorities. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on our financial condition. Under the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

"Well capitalized" regulatory requirements are the quantitative measures established by regulation to ensure capital adequacy. The Bank is required to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier I Capital to risk-weighted assets and of Tier I Capital to average assets, as defined by the regulation. The following amounts and ratios are based upon the Bank's assets.

	Actual		Well Capitalized Regulatory Requirements	
	Amount	**Ratio**	**Amount**	**Ratio**
As of June 30, 2014:				
Tier I Capital (to Average Assets)	$ 1,291,390	11.6%	$ 554,956 ≥	5.0%
Tier I Capital (to Risk Weighted Assets)	$ 1,291,390	15.2%	$ 509,071 ≥	6.0%
Total Capital (to Risk Weighted Assets)	$ 1,351,917	15.9%	$ 848,451 ≥	10.0%
As of December 31, 2013:				
Tier I Capital (to Average Assets)	$ 1,221,416	11.7%	$ 521,973 ≥	5.0%
Tier I Capital (to Risk Weighted Assets)	$ 1,221,416	16.4%	$ 446,860 ≥	6.0%
Total Capital (to Risk Weighted Assets)	$ 1,289,497	17.3%	$ 745,374 ≥	10.0%

13. Regulatory Capital (Continued)

Dividends

The Bank is chartered under the laws of the State of Utah and its deposits are insured by the FDIC. The Bank's ability to pay dividends is subject to the laws of Utah and the regulations of the FDIC. Generally, under Utah's industrial bank laws and regulations as well as FDIC regulations, the Bank may pay dividends from its net profits without regulatory approval if, following the payment of the dividend, the Bank's capital and surplus would not be impaired. The Bank paid no dividends for the three months ended June 30, 2014 and 2013 or for the six months ended June 30, 2014. For the six months ended June 30, 2013, the Bank paid dividends of $120 million.

14. Commitments, Contingencies and Guarantees

Regulatory Matters

At the time of this filing, the Bank remains subject to the 2014 FDIC Order. The 2014 FDIC Order replaces a prior cease and desist order jointly issued in August 2008 by the FDIC and the UDFI which was terminated on July 15, 2014. Specifically, on May 13, 2014, the Bank reached settlements with the FDIC and the Department of Justice regarding disclosures and assessments of certain late fees, as well as compliance with the SCRA. Under the FDIC's 2014 Order, the Bank agreed to pay $3.3 million in fines and oversee the refund of up to $30 million in late fees assessed on loans owned or originated by the Bank since its inception in November 2005.

Under the terms of the Separation and Distribution Agreement between the Company and Navient, Navient is responsible for funding all liabilities under the regulatory orders, other than fines directly levied against the Bank in connection with these matters. Under the Department of Justice order, Navient is solely responsible for reimbursing SCRA benefits and related compensation on behalf of both its subsidiary, Navient Solutions, Inc., and the Bank.

Contingencies

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

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

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

We are required to establish reserves for litigation and regulatory matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves.

Based on current knowledge, management does not believe there are loss contingencies, if any, arising from pending investigations, litigation or regulatory matters that could have a material adverse effect on our consolidated financial position, liquidity, results of operations or cash flows.

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

The following information is current as of July 23, 2014 (unless otherwise noted) and should be read in connection with SLM Corporation's Annual Report on Form 10-K for the year ended December 31, 2013 (the "2013 Form 10-K"), and the audited carve out financial statements filed on Form 8-K on May 6, 2014, and subsequent reports filed with the Securities and Exchange Commission (the "SEC"). Definitions for capitalized terms in this presentation not defined herein can be found in the 2013 Form 10-K (filed with the SEC on February 19, 2014).

This report contains forward-looking statements and information based on management's current expectations as of the date of this presentation. Statements that are not historical facts, including statements about the Company's beliefs or expectations and statements that assume or are dependent upon future events, are forward-looking statements. Forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause actual results to be materially different from those reflected in such forward-looking statements. These factors include, among others, the risks and uncertainties set forth in Item 1A "Risk Factors" and elsewhere in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014; increases in financing costs; limits on liquidity; increases in costs associated with compliance with laws and regulations; changes in accounting standards and the impact of related changes in significant accounting estimates; any adverse outcomes in any significant litigation to which the Company is a party; credit risk associated with the Company's exposure to third parties, including counterparties to the Company's derivative transactions; and changes in the terms of student loans and the educational credit marketplace (including changes resulting from new laws and the implementation of existing laws). The Company could also be affected by, among other things: changes in its funding costs and availability; failures of its operating systems or infrastructure, including those of third-party vendors; failure to implement the recently executed separation of the Company into two separate publicly traded companies, including failure to transition its origination and servicing operations as planned, increased costs in connection with being a stand-alone company, and failure to achieve the expected benefits of the separation; damage to its reputation; changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; changes in law and regulations with respect to the student lending business and financial institutions generally; changes in banking rules and regulations, including increased capital requirements; increased competition from banks and other consumer lenders; the creditworthiness of its customers; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments and those of its earning assets vs. its funding arrangements; and changes in general economic conditions. The preparation of the Company's consolidated financial statements also requires management to make certain estimates and assumptions including estimates and assumptions about future events. These estimates or assumptions may prove to be incorrect. All forward-looking statements contained in this report are qualified by these cautionary statements and are made only as of the date of this report. The Company does not undertake any obligation to update or revise these forward-looking statements to conform the statement to actual results or changes in its expectations.

The Company reports financial results on a GAAP basis and also provides certain core earnings performance measures. The difference between the Company's "Core Earnings" and GAAP results for the periods presented were the unrealized, mark-to-market gains/losses on derivative contracts (excluding current period accruals on the derivative instruments), net of tax. These are recognized in GAAP but not in "Core Earnings" results. The Company provides "Core Earnings" measures because this is what management uses when making management decisions regarding the Company's performance and the allocation of corporate resources. The Company's "Core Earnings" are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. For additional information, see "Key Financial Measures - 'Core Earnings' " in this Form 10-Q for the quarter ended June 30, 2014 for a further discussion and a complete reconciliation between GAAP net income and "Core Earnings."

Certain reclassifications have been made to the balances as of and for the three and six months ended June 30, 2013 to be consistent with classifications adopted for 2014, and had no effect on net income, total assets, or total liabilities.

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

Selected Financial Information and Ratios

(In millions, except per share data)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Net income attributable to SLM Corporation	$ 44	$ 76	$ 91	$ 149
Diluted earnings per common share attributable to SLM Corporation	$ 0.09	$ 0.17	$ 0.20	$ 0.33
Weighted average shares used to compute diluted earnings per share	431	448	433	453
Return on assets	1.55%	3.31%	1.69%	3.23%
Operating efficiency ratio(1)	35%	32%	33%	29%
Other Operating Statistics				
Ending Private Education Loans, net	$ 7,436	$ 5,335	$ 7,436	$ 5,335
Ending FFELP Loans, net	1,358	1,160	1,358	1,160
Ending total education loans, net	$ 8,794	$ 6,495	$ 8,794	$ 6,495
Average education loans	$ 8,725	$ 6,622	$ 8,770	$ 6,928

(1) Our efficiency ratio is calculated as operating expense, excluding restructuring costs, divided by total interest income and other income. See also "Key Financial Measures - Operating Expenses."

Overview

References in this Quarterly Report on Form 10-Q to "we," "us," "our," "Sallie Mae" and the "Company," refer to SLM Corporation and its subsidiaries, immediately after the Spin-Off (as hereinafter defined) except as otherwise indicated or unless the context otherwise requires. We use "Private Education Loans" to mean education loans to students or their families that are non-federal loans not insured or guaranteed under the previously existing Federal Family Education Loan Program ("FFELP").

Initiation of Post-Spin-Off Periodic Reporting by SLM Corporation

On April 30, 2014, we completed our plan to legally separate into two distinct publicly-traded entities - an education loan management, servicing and asset recovery business, Navient Corporation ("Navient"), and a consumer banking business, SLM Corporation. The separation of Navient from SLM Corporation (the "Spin-Off") was preceded by an internal corporate reorganization, which was the first step to separate the education loan management, servicing and asset recovery business from the consumer banking business. As a result of a holding company merger under Section 251(g) of the Delaware General Corporation Law ("DGCL"), which is referred to herein as the "SLM Merger," all of the shares of then existing SLM Corporation's common stock were converted, on a 1-to-1 basis, into shares of common stock of New BLC Corporation, a newly formed company that was a subsidiary of pre-Spin-Off SLM Corporation ("pre-Spin-Off SLM"), and, pursuant to the SLM Merger, New BLC Corporation replaced then existing SLM Corporation as the publicly-traded registrant and changed its name to SLM Corporation. As part of the internal corporate reorganization, the assets and liabilities associated with the education loan management, servicing and asset recovery business were transferred to Navient, and those assets and liabilities associated with the consumer banking business remained with or were transferred to the newly constituted SLM Corporation.

The timing and steps necessary to complete the Spin-Off and comply with SEC reporting requirements, including the replacement of pre-Spin-Off SLM Corporation with our current publicly-traded registrant, have resulted in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on February 19, 2014, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 filed with the SEC on May 12, 2014, providing business results and financial information for the periods reported therein on the basis of the consolidated businesses of pre-Spin-Off SLM. While information contained in those prior reports may provide meaningful historical context for the Company's business, this Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 is our first periodic report made on the basis of the post-Spin-Off business of the Company.

Restated Historical Carved Out Financial Information

Shortly after the Spin-Off, on May 6, 2014 we filed a Current Report on Form 8-K containing carved out audited consolidated financial statements on a stand-alone basis of the Company and its subsidiaries for each of the three years ended December 31, 2013, 2012 and 2011 (the “Carved Out Financial Information (Audited).” This information was prepared in accordance with GAAP and related carve-out conventions. Comparisons of year-over-year results prior to the Spin-Off date for quarterly and year-to-date in this Quarterly Report on Form 10-Q are made with reference to information derived in a manner consistent with the financial information contained in the Carved Out Financial Information (Audited).

The Carved Out Financial Information (Audited) (i) is comprised of historical financial information relating to the Bank, Upromise and the Private Education Loan origination functions, (ii) includes certain general corporate overhead expenses allocated to the Company, and (iii) has been adjusted as if the education loan management, servicing and asset recovery business (i.e. Navient) had never been part of the Company (to reflect the change in reporting entity that results from the Spin-Off). For a more detailed description of the assumptions applied and limitations of the Carved Out Financial Information (Audited), see “the Company's Current Report on Form 8-K filed with the SEC on May 6, 2014.”

Likewise, historical, unaudited financial information included in this Quarterly Report on Form 10-Q for the months of January through April of 2014 has been prepared in accordance with GAAP and these related carve-out conventions.

Post-Spin-Off Changes in Private Education Loan Policies and Practices

Prior to the Spin-Off, the Bank sold loans that were delinquent more than 90 days to an entity that is now a subsidiary of Navient. This practice was followed because the Bank’s charge off policy required charging off loans at 120 days delinquent while pre-Spin-Off SLM’s policy was to charge off loans at 212 days delinquent. Post-Spin-Off, we (a) have changed SLM’s policy of charging off loans when they are delinquent for 212 days to conform to the Bank’s existing charge off policy and (b) will, nonetheless, continue to sell to Navient loans that (i) are delinquent more than 90 days and (ii) are contained in a portfolio of our Private Education Loans for which the borrowers on those loans also have Private Education Loans which are owned by Navient (“Split Loans”). Currently, our portfolio of Split Loans amounts to approximately $1.3 billion. Delinquent loans from this portfolio are sold at a discount to par which has historically been reflected in the Bank’s provision and reduced the allowance for loan losses in equal amounts.

Pre-Spin-Off SLM’s default aversion strategies were focused on the final stages of delinquency, from 150 days to 212 days. As a result of changing our corporate charge-off policy and greatly reducing the number of potentially delinquent loans we sell to Navient, our default aversion strategies must now focus more on loans 60 to 120 days delinquent. We have little experience in executing our default aversion strategies on such compressed collection timeframes. Through June 30, 2014, our delinquency cure rates have exceeded our expectations.

For the reasons described above, many of our historical credit indicators and period-over-period trends are not indicative of future performance and future performance may be somewhat affected by ongoing sales of Split Loans to Navient. Because we now retain more delinquent loans, we believe it could take up to two years before of our credit performance indicators provide meaningful period-over-period comparisons.

Post-Spin-Off Businesses

We continue to originate Private Education Loans through the Bank by offering products on campus through financial aid offices and through direct marketing to students and their families. We fund Private Education Loan originations through the retail and brokered deposits of the Bank, and may obtain additional funding through sales and securitizations of Private Education Loans.

The Bank is our Utah industrial bank subsidiary which is regulated by the Utah Department of Financial Institutions (“UDFI”) and the Federal Deposit Insurance Corporation (“FDIC”). At June 30, 2014, the Bank had total assets of $11.1 billion, including $7.4 billion in Private Education Loans and $1.4 billion of FFELP Loans. As of the same date, the Bank had total deposits of $9.5 billion representing 91 percent of interest earning assets, composed of $3.0 billion of retail deposits, $5.1 billion of brokered deposits and $1.5 billion of other deposits.

Once our post-Spin-Off transition activities are complete, we will also provide ongoing Private Education Loan servicing and collection on loans we originate and hold, as well as those we sell to third parties. We will also continue to offer various products to help families save for college - including our free Upromise service that provides financial rewards on everyday purchases - and to protect their college investment through tuition, rental and life insurance services.

Private Education Loans

The Private Education Loans we make are primarily to bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans or customers' resources. We continue to offer loan products to parents and graduate students where we believe our prices are competitive with similar federal education loan products. We earn net interest income on our Private Education Loan portfolio (after provision for loan losses). Operating expenses associated with interest income include costs incurred to acquire and to service our loans.

In 2009, we introduced the Smart Option private education loan product emphasizing in-school payment features to minimize total finance charges. The product features three primary repayment types. The first two, Interest Only and $25 Fixed Pay options, require monthly payments while the student is in school and they accounted for approximately 56 percent of the Private Education Loans originated during the first six months of 2014. The third repayment option is the more traditional deferred private education loan product where customers do not begin making payments until after graduation. Customers are provided an incentive to make payments while they are in school by a lower interest rate on the Interest Only and Fixed Pay options.

For borrowers in financial difficulty, we provide many repayment options - reduced monthly payments, interest-only payments, extended repayment schedules, temporary interest rate reductions and, if appropriate, forbearance - all scaled to a customer's individual circumstances to help them repay their loans. These programs must be used wisely given their potential to significantly increase the overall costs of education financing to customers.

Private Education Loans bear the full credit risk of the customer and cosigner. We manage this risk by underwriting and pricing based upon customized credit scoring criteria and the addition of qualified cosigners.

Private Education Loan Servicing

A subsidiary of the Bank (SMB Servicing Company, Inc.) will provide servicing and loan collection for Private Education Loans originated and held by the Bank, as well as those sold to third parties. This will occur once we complete the build-out of our own servicing platform which will have at its core the same servicing platform the Company has used for several years. The complete physical and logistical separation of our servicing and collection platforms from those of Navient is currently expected to be completed within twelve months of the Spin-Off, but could take significantly longer. During that period, servicing of our Private Education Loans will be conducted by Navient, the Bank and SMB Servicing Company, Inc. employees pursuant to various transition agreements. For further detail on these agreements, see the section titled "Post-Separation Relationships with Navient."

Over time, we expect to seek additional funding, liquidity and revenue from the sale or securitization of loan assets we originate as well as the servicing of the loan assets we sell to third parties.

Upromise

The Upromise save-for-college membership program stands alone as a consumer service committed exclusively to helping Americans save money for higher education. Membership is free and each year approximately 500,000 customers enroll as members to use the service. Members earn money for college by receiving cash back when shopping at on-line or brick-and-mortar retailers, booking travel, dining out or buying gas or groceries at participating merchants or by using their Upromise MasterCard. As of June 30, 2014, more than 1,000 merchants participated by providing discounts on purchases that are returned to the customer. Since inception, Upromise members have saved approximately $850 million for college, and more than 340,000 members actively use the Upromise credit card for everyday purchases.

Sallie Mae Insurance Services

On April 29, 2014, we divested all of our ownership interest in NGI Group Holdings LLC ("NGI"). However, we will continue to partner with Next Generation Insurance Group under an extended joint marketing agreement to offer America's college students and young adults insurance programs that protect their higher education investment and address their life-stage needs, including tuition insurance, renters insurance, life insurance, and auto insurance.

Loan Sales

We intend to sell Private Education Loans to third parties through an open auction process as well as through securitization transactions. We may retain servicing of these transferred Private Education Loans at prevailing market rates for such services. Loan sales and securitization volumes will be driven by growth in the Bank's loan originations, the Bank's asset values and capital and liquidity needs. Navient may participate in open auction processes on arm's length terms. While there may be near-term Private Education Loan sales to Navient to facilitate an orderly transition after the Spin-Off, neither the Company nor Navient will have any ongoing obligation to buy or sell Private Education Loans to or from the other. See notes to consolidated financial statements, Note 12, "Arrangements with Navient Corporation," for further discussion regarding loan purchase agreements.

Competitive Environment

We face competition for Private Education Loan origination and servicing from a group of the nation's larger banks and local credit unions. For a more detailed discussion of the Private Education Loan market in context and how we have adapted our loan products to meet the needs of our customers, see Item 1. "Business - Business Segments - Consumer Lending Segment" in our Annual Report on Form 10-K for the year ended December 31, 2013.

Post-Separation Relationships with Navient

In connection with the Spin-Off, the Company entered into a separation and distribution agreement with Navient (the "Separation and Distribution Agreement"). In connection therewith, the Company also entered into various other ancillary agreements with Navient to effect the Spin-Off and provide a framework for its relationship with Navient thereafter, such as a transition services agreement, a tax sharing agreement, an employee matters agreement, a loan servicing and administration agreement, a joint marketing agreement, a key services agreement, a data sharing agreement and a master sublease agreement. The majority of these agreements are transitional in nature with most having terms of two years or less from the date of the Spin-Off.

We continue to have significant exposures to risks related to Navient's loan servicing operations and its creditworthiness. If we are unable to obtain services, complete the transition of our origination and loan servicing operations as planned, or obtain indemnification payments from Navient, we could experience higher than expected costs and operating expenses and our results of operations and financial condition could be materially and adversely affected.

We briefly summarize below some of the most significant agreements and relationships we continue to have with Navient. For additional information regarding the Separation and Distribution Agreement and the other ancillary agreements, see our Current Report on Form 8-K filed on May 2, 2014 and Note 12, "Arrangements with Navient Corporation" to the consolidated financial statements.

Separation and Distribution Agreement

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

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

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

- the agreement of the Company and Navient (i) not to engage in certain competitive business activities for a period of five years, (ii) as to the effect of the non-competition provisions on post-spin merger and acquisition activities of the parties and (iii) regarding "first look" opportunities; and

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

Transition Services

During a transition period, Navient and its affiliates will provide the Bank with significant servicing capabilities with respect to Private Education Loans held by the Company and its subsidiaries. Beyond this transition period, it is currently anticipated that Navient will continue to service Private Education Loans owned by the Company or its subsidiaries with respect to individual borrowers who also have Private Education Loans which are owned by Navient, in order to optimize the customer's experience. In addition, Navient will continue to service and collect the Bank's portfolio of FFELP Loans indefinitely.

Indemnification Obligations

Navient has also agreed to be responsible, and indemnify us, for all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM occurring prior to the Spin-Off other than those specifically excluded in the Separation and Distribution Agreement. Some significant examples of the types of indemnification obligations Navient has under the Separation and Distribution Agreement and related ancillary agreements include:

- Pursuant to a tax sharing agreement, Navient has agreed to indemnify us for $283 million in deferred taxes that the Company will be legally responsible for but that relate to gains recognized by the Company's predecessor on debt repurchases made prior to the Spin-Off. In addition, Navient has agreed to indemnify us for tax assessments incurred related to identified uncertain tax positions taken prior to the date of the Spin-off transaction.

- Navient has responsibility to assume new or ongoing litigation matters relating to the conduct of most pre-Spin-Off SLM businesses operated or conducted prior to the Spin-Off.

- At the time of this filing, the Bank remains subject to a Consent Order, Order to Pay Restitution and Order to Pay Civil Money Penalty dated May 13, 2014 issued by the FDIC (the "2014 FDIC Order"). The 2014 FDIC Order replaces a prior cease and desist order jointly issued in August 2008 by the FDIC and the Utah Department of Financial Institutions ("UDFI") which was terminated on July 15, 2014. Specifically, on May 13, 2014, the Bank reached settlements with the FDIC and the Department of Justice regarding disclosures and assessments of certain late fees, as well as compliance with the Servicemembers Civil Relief Act ("SCRA"). Under the FDIC's 2014 Order, the Bank agreed to pay $3.3 million in fines and oversee the refund of up to $30 million in late fees assessed on loans owned or originated by the Bank since its inception in November 2005. Navient is responsible for funding all liabilities, restitution and compensation under orders such as these, other than fines directly levied against the Bank.

Long-Term Arrangements

The Loan Servicing and Administration Agreement governs the terms by which Navient provides servicing, administration and collection services for the Bank's portfolio of FFELP Loans and Private Education Loans, as well as servicing history information with respect to Private Education Loans previously serviced by Navient and access to certain promissory notes in Navient's possession. The loan servicing and administration agreement has a fixed term with a renewal option in favor of the Bank.

The Data Sharing Agreement states the Bank will continue to have the right to obtain from Navient certain post-Spin-Off performance data relating to Private Education Loans owned or serviced by Navient to support and facilitate ongoing underwriting, originations, forecasting, performance and reserve analyses.

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

Amended Loan participation and purchase agreement

Prior to the Spin-Off, the Bank sold substantially all of its Private Education Loans to several former affiliates, now subsidiaries of Navient (collectively, the "Purchasers"), pursuant to this agreement. This agreement predates the Spin-Off but has been significantly amended and reduced in scope in connection with the Spin-Off. Post-Spin-Off, the Bank retains only the right to require the Purchasers to purchase loans for which the borrower also has a separate lending relationship with Navient ("Split Loans") when the Split Loans either (1) are more than 90 days past due; (2) have been restructured; (3) have been granted a hardship forbearance or more than six months of administrative forbearance; or (4) have a borrower or cosigner who has filed for bankruptcy. At June 30, 2014, we held approximately $1.3 billion of Split Loans.

During the three and six months ended June 30, 2014, the Bank sold loans to the Purchasers in the amount of $94 million and $765 million respectively, in principal and $2 million and $26 million, respectively, in accrued interest income. During the

three and six months ended June 30, 2013, the Bank sold loans to the Purchasers in the amount of $823 million and $1.7 billion respectively, in principal and $19 million and $39 million, respectively, in accrued interest income.

Subsequent to March 31, 2012, all loans were sold to the Purchasers at fair value. The gain resulting from loans sold was $2 million and $73 million in the three months ended June 30, 2014 and 2013, respectively, and $36 million and $149 million in the six months ended June 30, 2014 and 2013, respectively. Total write-downs to fair value for loans sold with a fair value lower than par totaled $17 million and $12 million in the three months ended June 30, 2014 and 2013, respectively, and $46 million and $32,628 in the six months ended June 30, 2014 and 2013, respectively.

Key Financial Measures

Set forth below are brief summaries of our key financial measures. Our operating results are primarily driven by net interest income from our student loan portfolio (which include financing costs), provision for loan losses, gains and losses on loan sales and operating expenses. The growth of our business and the strength of our financial condition are primarily driven by our ability to achieve our annual Private Education Loan originations goals while sustaining credit quality and maintaining diversified, cost-efficient funding sources to support our originations.

Net Interest Income

The most significant portion of our earnings is generated by the spread earned between the interest income we receive on assets in our education loan portfolios and the interest expense we pay on funds we use to originate these loans. We report these earnings as net interest income.

Net interest income is predominantly determined by the balance of Private Education and FFELP Loans. As of June 30, 2014, we had $7.4 billion and $1.4 billion of Private Education and FFELP Loans, respectively. For Private Education Loans, net interest margin is determined by interest rates we establish based upon the credit of the customer and any cosigner less our cost of funds. The majority of our Private Education Loans earn variable rate interest and are funded primarily with deposits. Our cost of funds is primarily influenced by competition in the deposit market. For the six months ended June 30, 2014, we originated $1.9 billion of Private Education Loans, up 7 percent, from the prior year period. We earned net interest income of $284 million for the six months ended June 30, 2014.

FFELP Loans carry lower risk and have a much lower net interest margin as a result of the federal government guarantee. We do not expect to acquire any more FFELP Loans so the balance of our FFELP portfolio is expected to decline due to normal amortization.

Provision for Loan Losses

Management estimates and maintains an allowance for loan losses at a level sufficient to cover charge-offs expected over the next year, plus an additional allowance to cover life-of-loan expected losses for loans classified as a troubled debt restructuring ("TDR"). The allowance for loan losses increases when we record provision expense and for recoveries and is reduced by charge-offs. Generally, the provision for loan losses and the allowance for loan losses rise when charge-offs are expected to increase and fall when charge-offs are expected to decline. We bear the full credit exposure on our Private Education Loans. Losses on our Private Education Loans are determined by risk characteristics such as school type, loan status (in-school, grace, forbearance, repayment and delinquency), loan seasoning (number of months in active repayment), underwriting criteria (e.g., credit scores), a cosigner and the current economic environment. Our provision for loan losses on our Private Education Loans was $39 million for the first six months of 2014 compared with $18 million in the comparable 2013 period. In connection with the Spin-Off, we changed our policy of charging off Private Education Loans when they are delinquent for 212 days to charging off loans after 120 days delinquent. In addition, we changed our loss confirmation period for Private Education Loans from two years to one year to reflect the shorter charge-off period and recent changes in our servicing practices.

Our loss exposure and resulting provision for losses is small for FFELP Loans because we generally bear a maximum of three percent loss exposure on them. Our provision for losses in our FFELP Loans portfolio was $1.2 million for the first six months of 2014 compared with the $1.4 million in the comparable 2013 period.

Charge-Offs and Delinquencies

When a Private Education Loan reaches 120 days delinquent it is charged against the allowance for loan losses. Charge-off data provides relevant information with respect to the performance of our loan portfolios. Management focuses on delinquencies as well as the progression of loans from early to late stage delinquency. Prior to the Spin-off, the Bank would sell delinquent loans to an entity that is now a subsidiary of Navient prior to the loans becoming 120 days past due. As a result,

there were no historical charge-offs recorded in our historical financial statements. In addition, because loans were sold earlier in their delinquency status, the historical delinquency statistics are not necessarily indicative of expected future performance.

Delinquencies are a very important indicator of potential future credit performance. Private Education Loan delinquencies as a percentage of Private Education Loans in repayment decreased from 0.8 percent at June 30, 2013 to 0.7 percent at June 30, 2014.

Operating Expenses

The operating expenses reported are those that are directly attributable to the Company, the costs of Transition Services Agreements with Navient, and restructuring costs associated with the build-out of our servicing platform and the remaining costs of the Spin-Off. Our efficiency ratio is calculated as operating expense, excluding restructuring costs, divided by total interest income and other income. In the second quarter this ratio was 35 percent. We expect this ratio to decline steadily over the next several years as the balance sheet grows to a level commensurate with its loan origination platform and we control the growth of our expense base.

Core Earnings

We prepare financial statements in accordance with GAAP. However, we also produce and report our after-tax earnings on a separate basis which we refer to as “Core Earnings.” While pre-Spin-Off SLM also reported a metric by that name, what we now report and what we describe below is significantly different and should not be compared to any Core Earnings reported by pre-Spin-Off SLM.

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

The adjustments required to reconcile from our “Core Earnings” results to our GAAP results of operations, net of tax, relate to differing treatments for our use of derivative instruments to hedge our economic risks that do not qualify for hedge accounting treatment or do qualify for hedge accounting treatment but result in ineffectiveness, net of tax. These amounts are recorded on our income statement as “(Losses) gains on derivative and hedging activities, net.” The amount recorded in “(Losses) gains on derivative and hedging activities, net” includes the accrual of the current payment on the swaps as well as the change in fair values related to future expected cash flows. For purposes of “Core Earnings” we are including in GAAP earnings the current period accrual amounts (interest reclassification) on the swaps and excluding the remaining ineffectiveness. "Core Earnings" is meant to represent what earnings would have been had these derivatives qualified for hedge accounting and there was no ineffectiveness.

“Core Earnings” are not a substitute for reported results under GAAP. We provide “Core Earnings” basis of presentation because (i) earnings per share computed on a “Core Earnings” basis is one of several measures we utilize in establishing management incentive compensation and (ii) we believe it better reflects the financial results for derivatives that are economic hedges of interest rate risk but do not qualify for hedge accounting treatment..

GAAP provides a uniform, comprehensive basis of accounting. Our “Core Earnings” basis of presentation differs from GAAP in the way it treats ineffective hedges as described above.

The following table shows the amount in "(Losses) gains on derivative and hedging activities, net" that relates to the interest reclassification on the derivative contracts.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Hedge ineffectiveness (losses) gains	$ (7,031)	$ (385)	$ (8,255)	$ (69)
Interest reclassification	(2,427)	333	(1,967)	627
(Losses) gains on derivatives and hedging activities, net	$ (9,458)	$ (52)	$ (10,222)	$ 558

The following table reflects adjustments associated with our derivative activities.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands, except per share amounts)	2014	2013	2014	2013
"Core Earnings" adjustments to GAAP:				
GAAP net income	$ 44,128	$ 76,469	$ 91,576	$ 149,353
Adjustments:				
Net impact of derivative accounting[(1)]	7,031	385	8,255	69
Net tax effect[(2)]	(2,708)	(142)	(3,180)	(26)
Total "Core Earnings" adjustments to GAAP	4,323	243	5,075	43
"Core Earnings"	$ 48,451	$ 76,712	$ 96,651	$ 149,396
GAAP diluted earnings per common share	$ 0.09	$ 0.17	$ 0.20	$ 0.33
Derivative adjustments, net of tax	0.01	—	0.02	—
"Core Earnings" diluted earnings per common share	$ 0.10	$ 0.17	$ 0.22	$ 0.33

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(1) Derivative Accounting: "Core Earnings" exclude periodic unrealized gains and losses that are caused by the mark-to-market valuations on derivatives that do not qualify for hedge accounting treatment under GAAP, as well as the periodic unrealized gains and losses that are a result of ineffectiveness recognized related to effective hedges under GAAP. Under GAAP, for our derivatives that are held to maturity, the cumulative net unrealized gain or loss over the life of the contract will equal $0.

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

Private Education Loan Originations

Private Education Loans are the principal asset on the Bank's balance sheet and the main driver of the Bank's future earnings and asset growth. The size of the Private Education Loan market and, hence, our ability to increase Private Education Loan originations is based on three primary factors: college enrollment levels, the costs of attending college, and the availability of funds from the federal government to pay for a college education. If the cost of education increases at a pace that exceeds income and savings growth, and the availability of federal funds does not significantly increase, we can expect more students and families to borrow privately. If the costs of attending college remain constant or decrease and/or the availability of federal funds increases, our ability to sustain Private Education Loan origination growth will be challenged.

Funding Sources

Deposits. The Bank gathers low cost retail deposits through its direct banking platform which serves as an important source of funding. The Bank utilizes both brokered and retail deposits to meet funding needs and enhance its liquidity position. These deposits can be term or liquid deposits. The term brokered deposits are swapped into one-month LIBOR. This has the effect of increasing the average life of our liabilities and matching the index that our assets reset on, minimizing our exposure to interest rate risk. Retail deposits are sourced through its direct banking platform and serve as an important source of diversified funding. Brokered deposits are sourced through a small network of brokers and provide a stable source of funding. Retail and brokered deposits can be term or liquid deposits. As of June 30, 2014, the Bank had $9.5 billion of customer deposits, representing 91 percent of interest earning assets, composed of $3.0 billion of retail deposits, $5.1 billion of brokered deposits and $1.5 billion of other deposits.

Loan Sales and Securitizations. The Bank intends to fund its portfolio of Private Education Loans with a mix of deposits and term asset backed securities. Term asset backed securities provide long term funding for our Private Education Loan portfolio at attractive interest rates and at terms that effectively match the average life of the asset. In addition, to prudently manage the growth of its balance sheet, capital, liquidity needs and to generate revenue, over time, the Bank intends to sell Private Education Loans to third parties through an auction process. It may retain servicing of these Private Education Loans subsequent to the sale at prevailing market rates for such services. While there may be near-term Private Education Loan sales to Navient to facilitate an orderly transition after the Spin-Off, neither the Company nor Navient will have any ongoing obligation to buy or sell Private Education Loans to or from the other.

2014 Management Objectives

In 2014 we have set out five major goals to create shareholder value. They are: (1) prudently grow Private Education Loan assets and revenues; (2) maintain our strong capital position; (3) complete necessary steps to permit the Bank to independently originate and service Private Education Loans; (4) continue to expand the Bank's capabilities and enhance risk oversight and internal controls; and (5) manage operating expenses while improving efficiency and customer experience. Here is how we plan to achieve these objectives:

Prudently Grow Private Education Loan Assets and Revenues

We will continue to pursue managed growth in our Private Education Loan portfolio in 2014 by leveraging our Sallie Mae and Upromise brands and our relationship with more than two thousand colleges and universities while sustaining the credit quality of, and percentage of cosigners for, new originations. We are currently targeting at least $4 billion in new loan originations for 2014, compared with $3.8 billion in 2013. We will also continue to help our customers manage their borrowings and succeed in their payoff, which we expect will result in lower charge-offs and provision for loan losses. Originations were 3 percent higher in the second quarter of 2014 compared with the year-ago quarter and 7 percent higher for the six months ended June 30, 2014, compared with the year-ago period.

Maintain Our Strong Capital Position

The Bank's goal is to remain well-capitalized at all times to support asset growth, operating needs, unexpected credit risks and to protect the interests of depositors and the deposit insurance fund. We are required by our regulators, the UDFI and the FDIC, to comply with mandated capital ratios. We intend to maintain levels of capital that significantly exceed those necessary to be considered "well capitalized" by the FDIC. The Company is a source of strength for the Bank and will provide additional capital if necessary. The Board of Directors and management evaluated the anticipated change in the Bank's ownership structure, the quality of assets, the stability of earnings, and the adequacy of the Allowance for Loan Losses and believe that current capital levels should be maintained throughout 2014. As of June 30, 2014, the Bank held total Risk-Based Capital of $1.4 billion, or 15.9 percent. We expect significant asset growth and are a new stand-alone bank as a result of the Spin-Off. We do not plan to pay a dividend or repurchase shares in 2014 or 2015.

Complete Necessary Steps to Permit the Bank to Independently Originate and Service Private Education Loans

At the time of this filing, the Bank continues to be reliant on Navient for loan origination and servicing capabilities provided under a transition services agreement entered into with Navient in connection with the Spin-Off. The two key projects remaining to complete the Bank's transition to fully independent servicer are the testing and completion of a new loan originations platform and the transition of the Bank's Private Education Loan accounts to a separate, free-standing application of that servicing platform currently utilized in tandem with Navient. We also must take steps to make sure our customers' experience is uninterrupted and as seamless and as simple as possible during this transition. Our objectives are to implement, and complete the separation of, the servicing platform and begin use of the new loan originations platform on at least a limited basis by year's end. While the Bank is not at risk of losing access to Navient originations and servicing applications for 2015 and beyond, completing the full separation of the Bank's operations from Navient resources is one of our top goals.

Continue to Expand the Bank's Capabilities and Enhance Risk Oversight and Internal Controls

In preparation for the Spin-Off, since the beginning of the year we have added approximately 880 employees to the Bank, primarily through transfers of the Company's or its subsidiaries' existing employees, complimented by external hires. We have also undertaken significant work to establish that all functions, policies and procedures transferred to the Bank in the Spin-Off are sufficient to meet currently applicable bank regulatory standards. We must continue to prepare for our expected growth and designation as a "large bank," which will entail enhanced regulatory scrutiny. For 2014, the following key initiatives have been completed or are underway.

Creation of Board-level Risk and Compliance Committees. In connection with the Spin-Off, we have created additional Board-level committees to provide more focused resources and oversight with respect to the continuing development of our enterprise risk management functions and framework, as well as our consumer protection regulatory compliance management system.

Significant Additions to Management Team and Risk Functions. We have hired a new Chief Executive Officer, Chief Audit Officer and Chief Risk Officer, all with extensive experience in the banking and financial services industries. Since the beginning of the year, we have doubled our internal audit staff through experienced external hires, including our new Chief Audit Officer. We also expect our new Chief Risk Officer to make significant progress in hiring and augmenting existing dedicated risk personnel by year end.

Continuing Development of our Enterprise Risk Management and Internal Controls Environments. In preparation for the Spin-Off, our management and Board of Directors reconsidered and recalibrated our Risk Appetite Framework and related risk profiles and tolerances initially adopted by the Board of Directors of pre-Spin-Off SLM in early 2013. We are also in the process of revising and separating our previous Internal Controls Excellence or "ICE" policies and procedures. Our Chief Financial Officer is now responsible for our internal controls over financial reporting, which have been extensively revised and updated in connection with the Spin-Off. Our Chief Risk Officer will now separately be responsible for monitoring and maintaining the system of controls and reporting procedures across our organization to monitor, escalate and mitigate significant risks against previous agreed risk tolerances. For the remainder of 2014, we will continue efforts underway to put in place a fully-developed set of operational and managerial controls throughout our organization to assist the Chief Risk Officer and to fully inform our management and Board of Directors via the Risk Appetite Framework.

Improved Compliance with Consumer Protection Laws. As part of our compliance with the terms of the 2014 FDIC Order discussed elsewhere, we expect to continue to make significant changes and enhancements to our compliance management systems and program. This work will be ongoing through 2014 and beyond.

Enhanced Vendor Management Function. As part of the transition and development of the Bank's capabilities in connection with the Spin-Off, we undertook a full review and redesign of our vendor management function. While Navient will, over time, cease to be the Bank's dominant, third-party vendor, as a stand-alone bank the number of third-party vendors on whom we rely and the volume of work we obtain from them will increase significantly as Navient is replaced.

Manage Operating Expenses While Improving Efficiency and Customer Experience

Post-Spin-Off, two major projects remain to be completed before full operational separation from Navient can be achieved: establishing the Bank's servicing and loan origination platforms. For the remainder of 2014, the Company will focus on further enhancing a culture that values customer satisfaction and the efficient delivery of its products and services. We will measure our effectiveness by the Company's efficiency ratio excluding restructuring costs, which are the costs associated with the build-out of our servicing platform and the remaining costs of the Spin-Off. Our efficiency ratio is calculated as operating expense, excluding restructuring costs, divided by total interest income and other income. In the second quarter this ratio was 35 percent. We expect this ratio to decline steadily over the next several years as the balance sheet grows to a level commensurate with our loan origination platform and we control the growth of our expense base.

GAAP Results of Operations

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

GAAP Statements of Income (Unaudited)

(In millions, except per share data)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Increase (Decrease) $	Increase (Decrease) %	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013	Increase (Decrease) $	Increase (Decrease) %
Interest income:								
Loans	$ 162	$ 122	$ 40	33 %	$ 322	$ 254	$ 68	27 %
Investments	2	6	(4)	(67)	3	11	(8)	(73)
Cash and cash equivalents	1	1	—	—	2	2	—	—
Total interest income	165	129	36	28	327	267	60	22
Interest expense:								
Total interest expense	21	22	(1)	(5)	44	44	—	—
Net interest income	144	107	37	35	283	223	60	27
Less: provisions for loan losses	1	(1)	2	(200)	40	20	20	100
Net interest income after provisions for loan losses	143	108	35	32	243	203	40	20
Noninterest income:								
Gains on sales of loans to affiliates, net	2	73	(71)	(97)	36	149	(113)	(76)
(Losses) gains on derivatives and hedging activities, net	(9)	—	(9)	(100)	(10)	1	(11)	(1,100)
Other income	15	9	6	67	23	16	7	44
Total noninterest income	8	82	(74)	(90)	49	166	(117)	(70)
Expenses:								
Operating expenses	60	66	(6)	(9)	124	127	(3)	(2)
Acquired intangible asset impairment and amortization expense	1	1	—	—	3	2	1	50
Restructuring and other reorganization expenses	14	—	14	100	14	—	14	100
Total expenses	75	67	8	12	141	129	12	9
Income before income tax expense	76	123	(47)	(38)	151	240	(89)	(37)
Income tax expense	32	47	(15)	(32)	60	92	(32)	(35)
Net income	44	76	(32)	(42)	91	148	(57)	(39)
Less: net loss attributable to noncontrolling interest	—	—	—	—	—	(1)	1	(100)
Net income attributable to SLM Corporation	44	76	(32)	(42)	91	149	(58)	(39)
Preferred stock dividends	3	—	3	100	3	—	3	100
Net income attributable to SLM Corporation common stock	$ 41	$ 76	$ (35)	(46)%	$ 88	$ 149	$ (61)	(41)%
Basic earnings per common share attributable to SLM Corporation	$ 0.10	$ 0.17	$ (0.07)	(41)%	$ 0.21	$ 0.34	$ (0.13)	(38)%
Diluted earnings per common share attributable to SLM Corporation	$ 0.09	$ 0.17	$ (0.08)	(47)%	$ 0.20	$ 0.33	$ (0.13)	(39)%

GAAP Consolidated Earnings Summary

Three Months Ended June 30, 2014 Compared with Three Months Ended June 30, 2013

For the three months ended June 30, 2014, net income was $44 million, or $0.09 diluted earnings per common share, compared with net income of $76 million, or $0.17 diluted earnings per common share for the three months ended June 30, 2013. The decrease in net income was primarily due to a $71 million decrease in gains on sales of loans to affiliates and a $9 million increase in losses on derivatives and hedging activities, net, which was partially offset by a $37 million increase in net interest income and lower operating expenses of $6 million.

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

- Net interest income increased by $37 million in the current quarter compared with the year-ago quarter primarily due to a $1.8 billion increase in average Private Education Loans outstanding.
- Provisions for loan losses increased $2 million compared with the year-ago quarter. This increase was primarily the result of less loan sales in the second quarter of 2014 increasing the provision by $8 million quarter-over-quarter, higher sales of credit impaired loans increasing the provision by $5 million, and a $3 million increase due to loans entering repayment. This was partially offset by a $14 million benefit this quarter from the net effect of a change in our loss emergence period from two years to one year and a change in our charge-off policy.
- Gains on sales of loans to affiliates decreased by $71 million as there were fewer sales to affiliates in the quarter.
- Other income increased $6 million primarily from the divestiture of NGI and an increase in the tax indemnity receivable from Navient. On April 29, 2014, we divested our ownership interests in NGI, though we will continue to partner with NGI under an extended joint marketing agreement.
- (Losses) gains on derivative and hedging activities, net, resulted in a net loss of $9 million in the second quarter 2014 compared with $0 in the year-ago quarter. The primary factors affecting the change were interest rates and whether the derivative qualified for hedge accounting treatment. In second quarter 2014, we had more derivatives used to economically hedge risk that did not qualify for hedge accounting treatment than we did in the year-ago quarter.
- Second-quarter 2014 operating expenses were $60 million compared with $66 million in the year-ago quarter. The decrease in operating expenses is primarily the result of an $8 million reduction in our litigation reserve, partially offset by a $4 million increase in marketing expenses.
- Second-quarter 2014 restructuring and other reorganization expenses were $14 million compared with $0 in the year-ago quarter. The increase is primarily the result of costs related to the Spin-Off.

Six Months Ended June 30, 2014 Compared with Six Months Ended June 30, 2013

For the six months ended June 30, 2014, net income was $91 million, or $0.20 diluted earnings per common share, compared with net income of $148 million, or $0.33 diluted earnings per common share for the six months ended June 30, 2013. The decrease in net income was primarily due to a $113 million decrease in net gains on sales of loans to affiliates, a $20 million increase in provisions for loan losses, and an $11 million increase in losses on derivatives and hedging activities which were partially offset by a $60 million increase in net interest income.

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

- Net interest income increased by $60 million primarily due to a $1.5 billion increase in average Private Education Loans outstanding.
- Provisions for loan losses increased $20 million compared with the year-ago period primarily as a result of growth in loans entering repayment and sales of credit impaired loans to Navient during the period which were partially offset by a $14 million benefit from the net effect of a change in our loss emergence period from two years to one year and a change in our charge-off policy.
- Gains on sales of loans to affiliates decreased by $113 million as a result of fewer loan sales to affiliates.
- (Losses) gains on derivative and hedging activities, net, resulted in a net loss of $10 million in the first half of 2014 compared with a gain of $1 million in the year-ago period. The primary factors affecting the change were interest rates and whether the derivative qualified for hedge accounting treatment. In the first half of 2014 we had more derivatives used to economically hedge risk that did not qualify for hedge accounting treatment than we did in the year-ago period.

- First-half 2014 operating expenses were $124 million compared with $127 million in the first half of 2013. The decrease in operating expenses is primarily the result of an $8 million reduction in our litigation reserve relating to the 2014 FDIC Order, which was partially offset by $7 million in increased marketing and servicing costs.
- First-half 2014 restructuring and other reorganization expenses were $14 million compared with $0 in the first half of 2013. The increase is primarily the result of costs related to the Spin-Off.

Private Education Loan Provision for Loan Losses

The following table summarizes the total Private Education Loan provision for loan losses.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Private Education Loan provision for loan losses	$ 329	$ (1,966)	$ 38,982	$ 18,278

In establishing the allowance for Private Education Loan losses as of June 30, 2014, we considered several factors with respect to our Private Education Loan portfolio, in particular, credit quality and delinquency, forbearance and charge-off trends in connection with the portfolio.

Prior to the Spin-Off, the Bank sold loans that were delinquent more than 90 days to an entity that is now a subsidiary of Navient. Post-Spin-Off, we (a) have changed SLM's policy of charging off loans when they are delinquent for 212 days to 120 days and (b) will, nonetheless, continue to sell to Navient Split Loans that are delinquent more than 90 days. Currently, our portfolio of Split Loans amounts to approximately $1.3 billion. Delinquent loans from this portfolio are sold at a discount to par which has historically been included in the Bank's provision and reduced the allowance for loan losses in equal amounts.

Pre-Spin-Off SLM's default aversion strategies were focused on the final stages of delinquency, from 150 days to 212 days. As a result of changing our corporate charge-off policy and greatly reducing the number of potentially delinquent loans we sell to Navient, our default aversion strategies must now focus more on loans 60 to 120 days delinquent. We have little experience in executing our default aversion strategies on such compressed collection timeframes. Through June 30, 2014, our delinquency cure rates have exceeded our expectations.

For the reasons described above, many of our historical credit indicators and period-over-period trends are not indicative of future performance and future performance may be somewhat affected by ongoing sales of Split Loans to Navient. Because we now retain more delinquent loans, we believe it could take up to two years before our credit performance indicators provide meaningful period-over-period comparisons.

Private Education Loan provisions for loan losses increased $2 million compared with the year-ago quarter. The provision in the current quarter was primarily driven by a $22 million increase in the provision due to an increase of loans entering repayment which was partially offset by a $14 million benefit this quarter from the net effect of a change in our loss emergence period from two years to one year and a change in our charge-off policy. Although there have been short-term improvements in credit results, it is unclear at this point whether these trends are sustainable given our change in charge-off policy. The provision in the prior year quarter was driven by a large loan sale which decreased the provisions for loan losses. Private Education Loan provisions increased $21 million in the six months ended June 30, 2014, compared with the year-ago period primarily as a result of growth in loans entering repayment and sales of credit impaired loans during the period which were partially offset by the $14 million benefit from the net effect of a change in our loss emergence period from two years to one year and a change in our charge-off policy.

Total loans delinquent (as a percentage of loans in repayment) have decreased to 0.7 percent from 0.8 percent in the year-ago quarter. Loans in forbearance (as a percentage of loans in repayment and forbearance) have increased to 0.9 percent from 0.1 percent in the year-ago quarter. The increase in the loans in forbearance was because in the prior year we typically sold loans in the same month that a forbearance was offered to a borrower. Other than Split Loans, we are retaining loans that have gone into forbearance.

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

Upromise Rewards

Upromise generates transaction fees through our Upromise consumer savings network. Since inception through June 30, 2014, members have saved approximately $850 million in rewards by purchasing products at hundreds of online retailers, booking travel, purchasing a home, dining out, buying gas and groceries, using the Upromise World MasterCard, or completing other qualified transactions. We earn a fee for the marketing and administrative services we provide to companies that participate in the Upromise savings network. We also compete with other loyalty shopping services and companies. Upromise income increased $1 million for the quarter and six months ended June 30, 2014, compared with the prior-year periods due to an increase in advertising revenue and consumer purchases.

Average Balance Sheets - GAAP

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
(Dollars in thousands)	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate
Average Assets								
Private Education Loans	$ 7,350,825	8.23%	$ 5,533,745	8.20%	$ 7,382,565	8.19%	$ 5,863,633	8.13%
FFELP Loans	1,374,291	3.33	1,087,954	3.32	1,387,358	3.27	1,064,303	3.30
Taxable securities	376,199	2.38	653,098	3.44	248,642	2.58	628,471	3.71
Cash and other short-term investments	1,777,683	0.25	1,496,399	0.29	1,549,076	0.26	1,244,492	0.30
Total interest-earning assets	10,878,998	6.10%	8,771,196	5.89%	10,567,641	6.25%	8,800,899	6.12%
Non-interest-earning assets	534,109		505,532		484,608		540,463	
Total assets	$ 11,413,107		$ 9,276,728		$ 11,052,249		$ 9,341,362	
Average Liabilities and Equity								
Brokered deposits	$ 5,319,031	0.95%	$ 4,873,915	1.25%	$ 5,543,419	1.03%	$ 4,989,395	1.28%
Retail and other deposits	3,121,003	0.92	2,568,062	0.97	3,098,722	0.92	2,531,003	0.99
Other interest-bearing liabilities	559,718	0.92	129,190	0.14	294,905	0.92	171,392	0.09
Total interest-bearing liabilities	8,999,752	0.94%	7,571,167	1.14%	8,937,046	0.99%	7,691,790	1.16%
Non-interest-bearing liabilities	769,879		546,456		702,382		520,289	
Equity	1,643,476		1,159,105		1,412,821		1,129,283	
Total liabilities and equity	$ 11,413,107		$ 9,276,728		$ 11,052,249		$ 9,341,362	
Net interest margin		5.08%		4.64%		5.18%		4.82%

Rate/Volume Analysis - GAAP

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

(Dollars in thousands)	Increase (Decrease)	Change Due To[1]	
		Rate	Volume
Three Months Ended June 30, 2014 vs. 2013			
Interest income	$ 36,685	$ 9,902	$ 26,778
Interest expense	(437)	(4,293)	3,856
Net interest income	$ 37,122	$ 14,195	$ 22,927
Six Months Ended June 30, 2014 vs. 2013			
Interest income	$ 60,267	$ 14,332	$ 45,928
Interest expense	(392)	(6,420)	6,028
Net interest income	$ 60,659	$ 20,752	$ 39,097

(1) Changes in income and expense due to both rate and volume have been allocated in proportion to the relationship of the absolute dollar amounts of the change in each. The changes in income and expense are calculated independently for each line in the table. The totals for the rate and volume columns are not the sum of the individual lines.

Summary of Our Education Loan Portfolio

Ending Education Loan Balances, net

	June 30, 2014			December 31, 2013		
(Dollars in thousands)	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Total education loan portfolio:						
In-school[1]	$ 2,199,238	$ 1,689	$ 2,200,927	$ 2,191,445	$ 2,477	$ 2,193,922
Grace, repayment and other[2]	5,283,556	1,358,418	6,641,974	4,371,897	1,424,495	5,796,392
Total, gross	7,482,794	1,360,107	8,842,901	6,563,342	1,426,972	7,990,314
Unamortized premium/(discount)	7,746	3,851	11,597	5,063	4,081	9,144
Allowance for loan losses	(54,315)	(6,212)	(60,527)	(61,763)	(6,318)	(68,081)
Total education loan portfolio	$ 7,436,225	$ 1,357,746	$ 8,793,971	$ 6,506,642	$ 1,424,735	$ 7,931,377
% of total	85%	15%	100%	82%	18%	100%

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

(2) Includes loans in deferment or forbearance.

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

(Dollars in thousands)	Three Months Ended June 30, 2014			Three Months Ended June 30, 2013		
Private Education Loans	$	7,350,825	84%	$	5,533,745	84%
FFELP Loans		1,374,291	16		1,087,954	16
Total portfolio	$	8,725,116	100%	$	6,621,699	100%

(Dollars in thousands)	Six Months Ended June 30, 2014			Six Months Ended June 30, 2013		
Private Education Loans	$	7,382,565	84%	$	5,863,633	85%
FFELP Loans		1,387,358	16		1,064,303	15
Total portfolio	$	8,769,923	100%	$	6,927,936	100%

Student Loan Activity

	Three Months Ended June 30, 2014			Three Months Ended June 30, 2013		
(Dollars in thousands)	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$ 7,208,356	$ 1,394,563	$ 8,602,919	$ 5,832,126	$ 1,077,836	$ 6,909,962
Acquisitions and originations	396,941	—	396,941	387,822	107,571	495,393
Capitalized interest and premium/discount amortization	25,440	10,393	35,833	17,896	9,977	27,873
Sales	(74,952)	(59)	(75,011)	(813,197)	(50)	(813,247)
Repayments and other	(119,560)	(47,151)	(166,711)	(89,416)	(35,545)	(124,961)
Ending balance	$ 7,436,225	$ 1,357,746	$ 8,793,971	$ 5,335,231	$ 1,159,789	$ 6,495,020

	Six Months Ended June 30, 2014			Six Months Ended June 30, 2013		
(Dollars in thousands)	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$ 6,506,642	$ 1,424,735	$ 7,931,377	$ 5,447,700	$ 1,039,754	$ 6,487,454
Acquisitions and originations	1,913,926	7,470	1,921,396	1,789,446	159,171	1,948,617
Capitalized interest and premium/discount amortization	53,197	25,463	78,660	34,525	19,674	54,199
Sales	(713,046)	(7,654)	(720,700)	(1,677,853)	(127)	(1,677,980)
Repayments and other	(324,494)	(92,268)	(416,762)	(258,587)	(58,684)	(317,271)
Ending balance	$ 7,436,225	$ 1,357,746	$ 8,793,971	$ 5,335,231	$ 1,159,788	$ 6,495,019

Student Loan Allowance for Loan Losses Activity

	Three Months Ended June 30,					
	2014			2013		
(Dollars in thousands)	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$ 71,453	$ 6,181	$ 77,634	$ 65,381	$ 4,199	$ 69,580
Less:						
Charge-offs	—	(654)	(654)	—	(534)	(534)
Student loan sales	(17,467)	—	(17,467)	(12,546)	—	(12,546)
Plus:						
Provision for loan losses	329	685	1,014	(1,966)	951	(1,015)
Ending balance	$ 54,315	$ 6,212	$ 60,527	$ 50,869	$ 4,616	$ 55,485
Troubled debt restructuring[(1)]	$ 4,508	$ —	$ 4,508	$ —	$ —	$ —

	Six Months Ended June 30,					
	2014			2013		
(Dollars in thousands)	Private Education Loans	FFELP Loans	Total Portfolio	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$ 61,763	$ 6,318	$ 68,081	$ 65,218	$ 3,971	$ 69,189
Less:						
Charge-offs	—	(1,297)	(1,297)	—	(754)	(754)
Student loan sales	(46,430)	—	(46,430)	(32,627)	—	(32,627)
Plus:						
Provision for loan losses	38,982	1,191	40,173	18,278	1,399	19,677
Ending balance	$ 54,315	$ 6,212	$ 60,527	$ 50,869	$ 4,616	$ 55,485
Troubled debt restructuring[(1)]	$ 4,508	$ —	$ 4,508	$ —	$ —	$ —

(1) Represents the recorded investment of loans classified as troubled debt restructuring.

Private Education Loan Originations

The following table summarizes our Private Education Loan originations.

(Dollars in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Smart Option - interest only[(1)]	$ 86,136	$ 85,183	$ 454,801	$ 447,181
Smart Option - fixed pay[(1)]	106,781	103,347	580,954	536,249
Smart Option - deferred[(1)]	153,147	142,091	807,383	725,621
Smart Option - principal and interest	213	347	921	544
Other	26,628	31,286	40,301	48,199
Total Private Education Loan originations	$ 372,905	$ 362,254	$ 1,884,360	$ 1,757,794

(1) Interest only, fixed pay and deferred describe the payment option while in school or in grace period. See "Private Education Loan Repayment Options" for further discussion.

Private Education Loan Delinquencies and Forbearance

Prior to the Spin-Off, the Bank exercised its right and sold substantially all of the Private Education Loans it originated that became delinquent or were granted forbearance to one or more of its then affiliates. Because of this arrangement, the Bank did not hold many loans in forbearance. As a result, the Bank had very little historical forbearance activity and very few delinquencies.

In connection with the Spin-Off, the agreement under which the Bank previously made these sales was amended so that the Bank now only has the right to require Navient to purchase loans where (a) the borrower has a lending relationship with both the Bank and Navient ("Split Loans") and (b) the Split Loans are either (1) more than 90 days past due; (2) have been restructured; (3) have been granted a hardship forbearance or more than six months of administrative forbearance; or (4) have a borrower or cosigner who has filed for bankruptcy. At June 30, 2014, we held approximately $1.3 billion of Split Loans.

Pre-Spin-Off SLM's default aversion strategies were focused on the final stages of delinquency, from 150 days to 212 days. As a result of changing our corporate charge-off policy and greatly reducing the number of potentially delinquent loans we sell to Navient, our default aversion strategies must now focus more on loans 60 to 120 days delinquent. This change has the effect of accelerating the recognition of losses due to the shorter charge-off period. In addition, we changed our loss confirmation period from two years to one year to reflect the shorter charge-off policy and our revised servicing practices. These two changes resulted in a $14 million net reduction in our allowance for loan losses because we are now only reserving for one year of losses as compared with two years under the prior policy which more than offset the impact of the shorter charge-off period.

For the reasons described above, many of our historical credit indicators and period-over-period trends are not indicative of future performance and future performance may be somewhat affected by ongoing sales of Split Loans to Navient. The following results have not been adjusted to reflect what the delinquencies, charge-offs and recoveries would have been had we not sold these loans. Because we now retain more delinquent loans, we believe it could take up to two years before our credit performance indicators provide meaningful period-over-period comparisons.

The table below presents our Private Education Loan delinquency trends.

(Dollars in thousands)	June 30, 2014 Balance	2014 %	2013 Balance	2013 %
Loans in-school/grace/deferment[1]	$ 3,017,257		$ 2,297,148	
Loans in forbearance[2]	39,964		4,199	
Loans in repayment and percentage of each status:				
Loans current	4,396,772	99.3%	3,054,707	99.2%
Loans delinquent 31-60 days[3]	21,381	0.5	18,520	0.6
Loans delinquent 61-90 days[3]	5,987	0.1	8,462	0.2
Loans delinquent greater than 90 days[3]	1,433	0.1	53	—
Total Private Education Loans in repayment	4,425,573	100.0%	3,081,742	100.0%
Total Private Education Loans, gross	7,482,794		5,383,089	
Private Education Loan unamortized discount	7,746		3,011	
Total Private Education Loans	7,490,540		5,386,100	
Private Education Loan allowance for losses	(54,315)		(50,869)	
Private Education Loans, net	$ 7,436,225		$ 5,335,231	
Percentage of Private Education Loans in repayment		59.1%		57.2%
Delinquencies as a percentage of Private Education Loans in repayment		0.7%		0.8%
Loans in forbearance as a percentage of loans in repayment and forbearance		0.9%		0.1%

(1) Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

(2) Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

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

(4) Based on number of months in an active repayment status for which a scheduled monthly payment was due.

Allowance for Private Education Loan Losses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2014**	**2013**	**2014**	**2013**
Allowance at beginning of period	$ 71,453	$ 65,381	$ 61,763	$ 65,218
Provision for Private Education Loan losses	329	(1,966)	38,982	18,278
Discount on delinquent student loan sales	(17,467)	(12,546)	(46,430)	(32,627)
Allowance at end of period	$ 54,315	$ 50,869	$ 54,315	$ 50,869
Allowance as a percentage of ending total loans	0.73%	0.94%	0.73%	0.94%
Allowance as a percentage of ending loans in repayment	1.23%	1.65%	1.23%	1.65%
Delinquencies as a percentage of loans in repayment	0.7%	0.8%	0.7%	0.8%
Loans in forbearances as a percentage of loans in repayment and forbearance	0.9%	0.1%	0.9%	0.1%
Percentage of loans with a cosigner	89.7%	89.2%	89.7%	89.2%
Average FICO at origination	745	745	745	745
Ending total loans[2]	$ 7,482,794	$ 5,383,128	$ 7,482,794	$ 5,383,128
Average loans in repayment	$ 4,322,356	$ 3,243,513	$ 4,354,878	$ 3,670,291
Ending loans in repayment	$ 4,425,573	$ 3,081,929	$ 4,425,573	$ 3,081,929

(1) Includes loans that are required to make a payment for the first time.

(2) Ending total loans represents gross Private Education Loans.

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

Use of Forbearance as a Private Education Loan Collection Tool

Forbearance involves granting the customer a temporary cessation of payments (or temporary acceptance of smaller than scheduled payments) for a specified period of time. Using forbearance extends the original term of the loan. Forbearance does not grant any reduction in the total repayment obligation (principal or interest). While in forbearance status, interest continues to accrue and is capitalized to principal when the loan re-enters repayment status. Our forbearance policies include limits on the number of forbearance months granted consecutively and the total number of forbearance months granted over the life of the loan. In some instances, we require good-faith payments before granting forbearance. Exceptions to forbearance policies are permitted when such exceptions are judged to increase the likelihood of collection of the loan. Forbearance as a collection tool is used most effectively when applied based on a customer’s unique situation, including historical information and judgments. We leverage updated customer information and other decision support tools to best determine who will be granted forbearance based on our expectations as to a customer’s ability and willingness to repay their obligation. This strategy is aimed at mitigating the overall risk of the portfolio as well as encouraging cash resolution of delinquent loans.

Forbearance may be granted to customers who are exiting their grace period to provide additional time to obtain employment and income to support their obligations, or to current customers who are faced with a hardship and request forbearance time to provide temporary payment relief. In these circumstances, a customer’s loan is placed into a forbearance status in limited monthly increments and is reflected in the forbearance status at month-end during this time. At the end of their granted forbearance period, the customer will enter repayment status as current and is expected to begin making their scheduled monthly payments on a go-forward basis.

Forbearance may also be granted to customers who are delinquent in their payments. In these circumstances, the forbearance cures the delinquency and the customer is returned to a current repayment status. In more limited instances, delinquent customers will also be granted additional forbearance time.

Prior to the Spin-Off, the Bank sold Private Education Loans that were delinquent more than 90 days or were granted a hardship forbearance to n entity that is now a subsidiary of Navient. As such, the Bank did not hold many loans in forbearance. Because of this past business practice, we do not have historic forbearance activity. However, subsequent to the Spin-Off, we began using forbearance as part of our loss mitigation efforts. The historic default experience on loans put into forbearance that

Navient (pre-Spin-Off SLM) experienced prior to the Spin-Off is considered in the determination of our allowance for loan losses.

The tables below show the composition and status of the Private Education Loan portfolio aged by number of months in active repayment status (months for which a scheduled monthly payment was due). As indicated in the tables, the percentage of loans in forbearance status decreases the longer the loans have been in active repayment status. At June 30, 2014, loans in forbearance status as a percentage of loans in repayment and forbearance were 0.9 percent for loans that have been in active repayment status for less than 25 months. Approximately 80 percent of our Private Education Loans in forbearance status has been in active repayment status less than 25 months.

(Dollars in millions)	Monthly Scheduled Payments Due						
June 30, 2014	0 to 12	13 to 24	25 to 36	37 to 48	More than 48	Not Yet in Repayment	Total
Loans in-school/grace/deferment	$ —	$ —	$ —	$ —	$ —	$ 3,017	$ 3,017
Loans in forbearance	24	8	5	3	—	—	40
Loans in repayment - current	2,425	1,050	505	378	39	—	4,397
Loans in repayment - delinquent 31-60 days	12	4	2	3	—	—	21
Loans in repayment - delinquent 61-90 days	4	1	1	—	1	—	7
Loans in repayment - delinquent greater than 90 days	1	—	—	—	—	—	1
Total	$ 2,466	$ 1,063	$ 513	$ 384	$ 40	$ 3,017	7,483
Unamortized discount							7
Allowance for loan losses							(54)
Total Private Education Loans, net							$ 7,436
Loans in forbearance as a percentage of loans in repayment and forbearance	0.98%	0.73%	0.89%	0.86%	0.58%	—%	—%

(Dollars in millions)	Monthly Scheduled Payments Due						
June 30, 2013	0 to 12	13 to 24	25 to 36	37 to 48	More than 48	Not Yet in Repayment	Total
Loans in-school/grace/deferment	$ —	$ —	$ —	$ —	$ —	$ 2,297	$ 2,297
Loans in forbearance	2	1	1	—	—	—	4
Loans in repayment - current	1,577	830	595	40	12	—	3,054
Loans in repayment - delinquent 31-60 days	10	4	4	—	—	—	18
Loans in repayment - delinquent 61-90 days	5	2	2	—	—	—	9
Loans in repayment - delinquent greater than 90 days	—	—	—	—	—	—	—
Total	$ 1,594	$ 837	$ 602	$ 40	$ 12	$ 2,297	5,382
Unamortized discount							3
Allowance for loan losses							(51)
Total Private Education Loans, net							$ 5,334
Loans in forbearance as a percentage of loans in repayment and forbearance	0.15%	0.09%	0.17%	0.05%	0.21%	—%	—%

Private Education Loan Repayment Options

Certain loan programs allow customers to select from a variety of repayment options depending on their loan type and their enrollment/loan status, which include the ability to extend their repayment term or change their monthly payment. The chart below provides the optional repayment offerings in addition to the standard level principal and interest payments as of June 30, 2014.

(Dollars in thousands	Signature and Other	Smart Option	Career Training	Total
$ in repayment	$ 125,208	$ 4,283,202	$ 17,163	$ 4,425,573
$ in total	$ 276,244	$ 7,189,239	$ 17,311	$ 7,482,794
Payment method by enrollment status:				
In-school/grace	Deferred[(1)]	Deferred[(1)], interest-only or fixed $25/month	Interest-only or fixed $25/month	
Repayment	Level principal and interest or graduated	Level principal and interest	Level principal and interest	

(1) “Deferred” includes loans for which no payments are required and interest charges are capitalized into the loan balance.

Accrued Interest Receivable

The following table provides information regarding accrued interest receivable on our Private Education Loans. The table also discloses the amount of accrued interest on loans greater than 90 days past due as compared to our allowance for uncollectible interest. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due portfolio for all periods presented.

	Accrued Interest Receivable		
(Dollars in thousands)	Total Interest Receivable	Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
June 30, 2014	$ 434,847	$ 69	$ 3,633
December 31, 2013	$ 333,857	$ 1	$ 4,076
June 30, 2013	$ 280,267	$ 3	$ 3,490

Liquidity and Capital Resources

Funding and Liquidity Risk Management

We define liquidity as the ability to fund all creditworthy loans, invest in future asset growth and business operations at reasonable market rates, meet customer demand for deposit withdrawals and maintain state and federal liquidity requirements. Our four primary liquidity needs include our ongoing ability to fund our businesses throughout market cycles (including during periods of financial stress), our ongoing ability to fund originations of Private Education Loans, servicing our bank deposits and payment of required dividends on our preferred stock. To achieve these objectives we analyze and monitor our liquidity needs, maintain excess liquidity and plan to access diverse funding sources. This includes the expected issuance of secured debt primarily through asset-backed securitizations and/or other financing facilities and through deposits at the Bank. It is our policy to manage operations so that liquidity needs are fully satisfied through normal operations so that there is no need to make unplanned sales of assets under emergency conditions. The Bank will target an investment portfolio that meets its liquidity needs. Our liquidity management is guided by policies developed and monitored by our Asset and Liability Committee and approved by our Board of Directors. These policies take into account the volatility of cash flow forecasts, expected maturities, anticipated loan demand and a variety of other factors to establish minimum liquidity guidelines.

Key risks associated with our liquidity relate to our ability to access the capital markets and bank deposits and access them at reasonable rates. This ability may be affected by the performance of the Company, the macroeconomic environment and the impact they have on the availability of funding sources in the marketplace.

Sources of Liquidity and Available Capacity

Ending Balances

(Dollars in thousands)	June 30, 2014	December 31, 2013
Sources of primary liquidity:		
Unrestricted cash and liquid investments:		
Holding Company and other non-bank subsidiaries	$ 8,664	$ 1,052
Sallie Mae Bank[1]	1,515,512	2,181,813
Available-for-sale investments	149,399	102,105
Total unrestricted cash and liquid investments	$ 1,673,575	$ 2,284,970

(1) This amount will be used primarily to originate student loans at the Bank. See discussion below on restrictions on the Bank to pay dividends.

Average Balances

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Sources of primary liquidity:				
Unrestricted cash and liquid investments:				
Holding Company and other non-bank subsidiaries	$ 50,467	$ 1,246	$ 4,858	$ 996
Sallie Mae Bank[1]	1,705,493	1,626,773	1,542,794	1,399,305
Available-for-sale investments	138,251	648,392	125,752	618,288
Total unrestricted cash and liquid investments	$ 1,894,211	$ 2,276,411	$ 1,673,404	$ 2,018,589

(1) This amount will be used primarily to originate student loans at the Bank. See discussion below on restrictions on the Bank to pay dividends.

Deposits

The following table summarizes total deposits at June 30, 2014 and December 31, 2013.

(Dollars in thousands)	June 30, 2014	December 31, 2013
Deposits - interest bearing	$ 9,503,559	$ 9,239,554
Deposits - non-interest bearing	42,455	55,036
Total Sallie Mae Bank deposits	9,546,014	9,294,590
Less money market deposits with subsidiaries	(655,805)	(293,040)
Total deposits	$ 8,890,209	$ 9,001,550

Interest Bearing

Interest bearing deposits as of June 30, 2014 and December 31, 2013 consisted of non-maturity savings deposits, brokered and retail certificates of deposit and affiliated money market deposits, as discussed further below, and brokered money market deposits. These deposit products are serviced by third party providers. Placement fees associated with the brokered certificates of deposit are amortized into interest expense using the effective interest rate method. We recognized placement fee expense of $2,472 thousand and $2,379,000 thousand for the three months ended June 30, 2014 and 2013, respectively and $5,222 thousand and $4,879 thousand for the six months ended June 30, 2014 and 2013, respectively. No fees were paid to third party brokers related to these certificates of deposit during the three and six months ended June 30, 2014 and 2013.

Historically, we have also offered consumer deposit products in the form of debit cards associated with interest bearing consumer (“NOW”) accounts to facilitate the distribution of financial aid refunds and other payables to students. These deposit products were serviced by third party providers. As of April 30, 2014, we no longer offer these products.

Interest bearing deposits at June 30, 2014 and December 31, 2013 are summarized as follows:

(Dollars in thousands)	June 30, 2014 Amount	June 30, 2014 Year-End Weighted Average Stated Rate	December 31, 2013 Amount	December 31, 2013 Year-End Weighted Average Stated Rate
Money market	$ 4,643,164	0.60%	$ 3,505,929	0.60%
Savings	727,350	0.81	743,742	0.81
NOW	—	—	18,214	0.12
Certificates of deposit	4,133,045	1.09	4,971,669	1.39
Deposits - interest bearing	$ 9,503,559		$ 9,239,554	

As of June 30, 2014 and December 31, 2013, there were $ 258 million and $159 million of deposits exceeding Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accrued interest on deposits was $10 million and $13 million at June 30, 2014 and December 31, 2013, respectively.

Money market deposits with affiliates

Our Upromise subsidiary maintains a money market deposit at the Bank which totaled $288 million and $293 million at June 30, 2014 and December 31, 2013, respectively, which was interest bearing. Interest expense incurred on these deposits during the three months ended June 30, 2014 and 2013 totaled $66 thousand and $85 thousand, respectively and for the six months ended June 30, 2014 and 2013 totaled $117 thousand and $192 thousand, respectively. The Company also maintains a money market deposit at the Bank which totaled $368 million at June 30, 2014 and $0 at December 31, 2013.

NonInterest Bearing

Noninterest bearing deposits as of June 30, 2014 and December 31, 2013 consisted of money market deposit accounts and are summarized as follows:

(Dollars in thousands)	June 30, 2014	December 31, 2013
Money market	$ 42,455	$ 55,036
Deposits - noninterest bearing	$ 42,455	$ 55,036

Counterparty Exposure

Counterparty exposure related to financial instruments arises from the risk that a lending, investment or derivative counterparty will not be able to meet its obligations to us.

Our investment portfolio is composed of very short-term securities issued by a diversified group of highly rated issuers, limiting our counterparty exposure, as well as mortgage-backed securities issued by government agencies and government sponsored enterprises. Additionally, our investing activity is governed by Board-approved limits on the amount that is allowed to be invested with any one issuer based on the credit rating of the issuer, further minimizing our counterparty exposure. Counterparty credit risk is considered when valuing investments and considering impairment.

Related to derivative transactions, protection against counterparty risk is generally provided by International Swaps and Derivatives Association, Inc. ("ISDA") Credit Support Annexes ("CSAs"), or clearinghouses for OTC derivatives which eliminate counterparty risk. CSAs require a counterparty to post collateral if a potential default would expose the other party to a loss. All derivative contracts entered into by the Bank are covered under such agreements and require collateral to be exchanged based on the net fair value of derivatives with each counterparty. Our exposure is limited to the value of the derivative contracts in a gain position net of any collateral we are holding. We consider counterparties' credit risk when determining the fair value of derivative positions on our exposure net of collateral.

Title VII of the Dodd-Frank Act requires all standardized derivatives, including most interest rate swaps to be submitted for clearing to central counterparties to eliminate counterparty risk. As of June 30 2014, $2.0 billion notional of our derivative contracts were cleared on the Chicago Mercantile Exchange and the London Clearing House. All derivative contracts cleared through an exchange require collateral to be exchanged based on the fair value of the derivative. Our exposure is limited to the value of the derivative contracts in a gain position net of any collateral we are holding.

We have liquidity exposure related to collateral movements between us and our derivative counterparties. Movements in the value of the derivatives, which are primarily affected by changes in interest rate and foreign exchange rates, may require us to return cash collateral held or may require us to access primary liquidity to post collateral to counterparties.

The table below highlights exposure related to our derivative counterparties at June 30, 2014.

(Dollars in thousands)	SLM Corporation and Sallie Mae Bank Contracts
Exposure, net of collateral	$ 2,256
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3	8%
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's Baa	8%

Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by federal banking authorities. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on our financial statements. Under the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

"Well capitalized" regulatory requirements are the quantitative measures established by regulation to ensure capital adequacy. The Bank is required to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier I Capital to risk-weighted assets and of Tier I Capital to average assets, as defined by the regulation. The following amounts and ratios are based upon the Bank's assets.

	Actual		Well Capitalized Regulatory Requirements	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio
As of June 30, 2014:				
Tier I Capital (to Average Assets)	$ 1,291,390	11.6%	$ 554,956 ≥	5.0%
Tier I Capital (to Risk Weighted Assets)	$ 1,291,390	15.2%	$ 509,071 ≥	6.0%
Total Capital (to Risk Weighted Assets)	$ 1,351,917	15.9%	$ 848,451 ≥	10.0%
As of December 31, 2013:				
Tier I Capital (to Average Assets)	$ 1,221,416	11.7%	$ 521,973 ≥	5.0%
Tier I Capital (to Risk Weighted Assets)	$ 1,221,416	16.4%	$ 446,860 ≥	6.0%
Total Capital (to Risk Weighted Assets)	$ 1,289,497	17.3%	$ 745,374 ≥	10.0%

Capital Management

The Bank's goal is to remain well-capitalized at all times with sufficient capital to support asset growth, operating needs, unexpected credit risks and to protect the interests of depositors and the deposit insurance fund. We are required by our regulators, the UDFI and the FDIC, to comply with mandated capital ratios. We intend to maintain levels of capital that significantly exceed the levels of capital necessary to be considered "well capitalized" by the FDIC. The Company is a source of strength for the Bank and will provide additional capital if necessary. The Board of Directors and management evaluated the anticipated change in the Bank's ownership structure, the quality of assets, the stability of earnings, and the adequacy of the Allowance for Loan Losses and believe that current capital levels can be maintained throughout 2014. As of June 30, 2014, the Bank held total Risk-Based Capital of $1.4 billion or 15.9 percent. We expect significant asset growth and are a new stand-alone bank as a result of the Spin-Off. We do not plan to pay a dividend or or authorize any publicly announced share repurchase program in 2014 or 2015. The Bank will reinvest excess capital in its Private Education Loan business.

On July 9, 2013, the FDIC Board of Directors approved an interim final rule that adopts new rules related to regulatory capital measurement and reporting. The interim final rule would strengthen both the quantity and quality of risk-based capital for all banks, placing greater emphasis on Tier 1 common equity capital. The Bank's updated Capital Policy, approved in December 2013, requires that management begin monitoring the new capital standards ahead of their implementation date of January 2015. Under the new guidelines, well-capitalized institutions will be required to maintain a minimum Tier 1 Leverage ratio of 5 percent, a minimum Tier 1 common equity risk-based capital ratio of 6.5 percent, a minimum Tier 1 risk-based capital of 8 percent and minimum total risk-based capital of 10 percent. In addition, a capital conservation buffer will be phased in over four years beginning on January 1, 2016, as follows: the maximum buffer will be 0.625 percent of risk weighted assets for 2016, 1.25 percent for 2017, 1.875 percent for 2018 and 2.5 percent for 2019 and beyond, resulting in the following minimum ratios beginning in 2019: a Tier 1 common equity risk-based capital ratio of a minimum 7.0 percent, a Tier 1 capital ratio of a minimum 8.5 percent and a total risk-based capital ratio of a minimum 10.5 percent. Institutions that do not maintain the capital conservation buffer could face restrictions on dividend payments, share repurchases and the payment of discretionary bonuses.

As of June 30, 2014, the Bank had a Tier 1 leverage ratio of 11.6 percent, a Tier 1 risk-based capital ratio of 15.2 percent and total risk-based capital ratio of 15.9 percent, exceeding the current guidelines by a significant factor. Our ratios would also exceed the future guidelines if we calculated them today based on the new definitions of capital and risk weighted assets.

The Bank is chartered under the laws of the State of Utah and its deposits are insured by the FDIC. The Bank's ability to pay dividends is subject to the laws of Utah and the regulations of the FDIC. Generally, under Utah's industrial bank laws and regulations as well as FDIC regulations, the Bank may pay dividends to the Company from its net profits without regulatory approval if, following the payment of the dividend, the Bank's capital and surplus would not be impaired. The Bank paid no dividends for the three months ended June 30, 2014 and 2013 or for the six months ended June 30, 2014. For the six months ended June 30, 2013, the Bank paid dividends of $120 million. For the foreseeable future, we expect the Bank to pay dividends to the Company only in amounts sufficient to provide for regularly scheduled dividends payable on the Company's Series A and Series B Preferred Stock.

Contractual Cash Obligations

The following table provides a summary of our contractual principal obligations associated with long-term bank deposits at June 30, 2014.

(Dollars in thousands)	June 30, 2014
One year or less	$ 948,769
One to 3 years	1,790,342
3 to 5 years	963,536
Over 5 years	—
Total contractual cash obligations	$ 3,702,647

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting periods. Actual results may differ from these estimates under varying assumptions or conditions. On a quarterly basis, management evaluates its estimates, particularly those that include the most difficult, subjective or complex judgments and are often about matters that are inherently uncertain. The most significant judgments, estimates and assumptions relate to the following critical accounting policies that are discussed in more detail below.

Allowance for Loan Losses

In determining the allowance for loan losses on our Private Education Loan non-TDR portfolio, we estimate the principal amount of loans that will default over the next year (one year being the expected period between a loss event and default) and how much we expect to recover over the same one year period related to the defaulted amount. Expected defaults less our expected recoveries equal the allowance related to this portfolio. Our historical experience indicates that, on average, the time between the date that a customer experiences a default causing event (i.e., the loss trigger event) and the date that we charge off the unrecoverable portion of that loan is one year.

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

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

In connection with the Spin-Off, we changed our charge-off policy for Private Education Loans to charging off loans after 120 days of delinquency. Pre-Spin-Off SLM default aversion strategies were focused on the final stages of delinquency, from 150 days to 212 days. Our default aversion strategies are now focused on loans that are 60 to 120 days delinquent. It is uncertain if our existing default aversion strategies will be as successful in this compressed collection timeframe. We implemented our 120 day collection strategy in April 2014. Through June 30, 2014, our delinquency cure rates have exceeded our expectations.

The migration analysis model is based upon sixteen months of actual collection experience which includes twelve months of collection experience using the 212 day charge off default aversion strategies and four months of experience using the 120 day charge off default aversion strategies. We only used collection data from the first four collection buckets for all sixteen months. This results in our placing a greater emphasis on older periods when the accounts were not being aggressively collected in the 60 to 120 days delinquent buckets. We believe this is appropriate as we have a very limited data since the change in collection practices to be confident that the positive trends will continue. Once the quantitative calculation is performed, we review the adequacy of the allowance for loan losses and determine if qualitative adjustments need to be considered. As part of this process we consider changes in laws and regulations that could potentially impact the allowance for loan losses. We did not adjust our allowance to reflect any qualitative impacts.

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

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

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

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

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

FFELP Loans are insured as to their principal and accrued interest in the event of default subject to a Risk Sharing level based on the date of loan disbursement. These insurance obligations are supported by contractual rights against the United States. For loans disbursed after October 1, 1993, and before July 1, 2006, we receive 98 percent reimbursement on all qualifying default claims. For loans disbursed on or after July 1, 2006, we receive 97 percent reimbursement. For loans disbursed prior to October 1, 1993, we receive 100 percent reimbursement.

The allowance for FFELP Loan losses uses historical experience of customer default behavior and a two year loss confirmation period to estimate the credit losses incurred in the loan portfolio at the reporting date. We apply the default rate projections, net of applicable Risk Sharing, to each category for the current period to perform our quantitative calculation. Once the quantitative calculation is performed, we review the adequacy of the allowance for loan losses and determine if qualitative adjustments need to be considered.

Fair Value Measurement

The most significant assumptions used in fair value measurements, including those related to credit and liquidity risk, are as follows:

1. **Derivatives** - When determining the fair value of derivatives, we take into account counterparty credit risk for positions where we are exposed to the counterparty on a net basis by assessing exposure net of collateral held. The net exposure for each counterparty is adjusted based on market information available for that specific counterparty, including spreads from credit default swaps. Additionally, when the counterparty has exposure to us related to our derivatives, we fully collateralize the exposure, minimizing the adjustment necessary to the derivative valuations for our own credit risk. A major indicator of market inactivity is the widening of the bid/ask spread in these markets. In general, the widening of counterparty credit spreads and reduced liquidity for derivative instruments as indicated by wider bid/ask spreads will reduce the fair value of derivatives.

2. **Education Loans** - Our Private Education Loans and FFELP Loans are accounted for at cost or at the lower of cost or fair value if the loan is held-for-sale. The fair values of our student loans are disclosed in Note 10, “Fair Value Measurements.” For both Private Education Loans and FFELP Loans accounted for at cost, fair value is determined by modeling loan level cash flows using stated terms of the assets and internally-developed assumptions to determine aggregate portfolio yield, net present value and average life. The significant assumptions used to project cash flows are prepayment speeds, default rates, cost of funds, the amount funded by deposits versus equity, and required return on equity. Significant inputs into the models are not generally market observable. They are either derived internally through a combination of historical experience and management’s qualitative expectation of future performance (in the case of prepayment speeds, default rates, and capital assumptions) or are obtained through external broker quotes (as in the case of cost of funds). When possible, market transactions are used to validate the model. In most cases, these are either infrequent or not observable. For FFELP Loans classified as held-for-sale and accounted for at the lower of cost or market, the fair value is based on the committed sales price of the various loan purchase programs established by the U.S. Department of Education (“ED”).

For further information regarding the effect of our use of fair values on our results of operations, see Note 10, “Fair Value Measurements.”

Derivative Accounting

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity Analysis

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

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

A number of potential interest rate scenarios are simulated using our asset liability management system. The Bank is primary source of interest rate risk within the Company. The majority of the Bank’s assets are priced off of 1-month LIBOR. Therefore, 1-month LIBOR is considered the core rate in our interest rate risk analyses with other interest rate changes are correlated to this rate through a detailed statistical analysis. In addition, all rates have floors which indicate how low each specific rate is likely to go. Rates are adjusted up or down via a set of scenarios that includes both shocks and ramps. Shocks represent an immediate and sustained change in 1-month LIBOR plus the resulting changes in other indexes correlated accordingly. Ramps represent a linear increase in 1-month LIBOR over the course of 12 months plus the resulting changes in other indexes correlated accordingly.

The following tables summarize the potential effect on earnings over the next 24 months and the potential effect on fair values of balance sheet assets and liabilities at June 30, 2014 and December 31, 2013, based upon a sensitivity analysis performed by management assuming a hypothetical increase in market interest rates of 100 basis points and 300 basis points while funding spreads remain constant, as well as a hypothetical 100 basis point decrease in market interest rates. The earnings sensitivity is applied only to financial assets and liabilities, including hedging instruments that existed at the balance sheet date, and does not take into account new assets, liabilities or hedging instruments that may arise in 2014.

	June 30, 2014		June 30, 2013	
	+300 Basis Points	+100 Basis Points	+300 Basis Points	+100 Basis Points
EAR - Shock	13.1 %	4.2 %	10.5 %	3.4 %
EAR - Ramp	8.2 %	2.4 %	7.0 %	2.3 %
EVE	(3.2)%	(3.3)%	(2.4)%	(0.9)%

A primary objective in our funding is to minimize our sensitivity to changing interest rates by generally funding our floating rate student loan portfolio with floating rate debt. However, due to the ability of some FFELP Loans to earn Floor Income, we can have a fixed versus floating mismatch in funding if the student loan earns at the fixed borrower rate and the funding remains floating. In addition, we can have a mismatch in the index (including the frequency of reset) of floating rate debt versus floating rate assets.

In the preceding tables, under the scenario where interest rates increase 100 and 300 basis points, the change in net interest income is primarily due to the impact of (i) our unhedged FFELP Loans being in a fixed-rate mode due to Floor Income, while being funded with variable debt in low interest rate environments; and (ii) a portion of our variable assets being funded with fixed rate liabilities and equity. Item (i) will generally cause net interest income to decrease when interest rates increase from a low interest rate environment, whereas item (ii) will generally offset this decrease.

Although we believe that these measurements provide an estimate of our interest rate sensitivity, they do not account for potential changes in credit quality and size of our balance sheet. They also do not account for other business developments that could affect net income, or for management actions that could affect net income or that could be taken to change our risk profile. Accordingly, we can give no assurance that actual results would not differ materially from the estimated outcomes of our simulations. Further, such simulations do not represent our current view of expected future interest rate movements.

Asset and Liability Funding Gap

The tables below present our assets and liabilities (funding) arranged by underlying indices as of June 30, 2014. In the following GAAP presentation, the funding gap only includes derivatives that qualify as effective hedges (those derivatives which are reflected in net interest margin, as opposed to those reflected in the "gains (losses) on derivatives and hedging activities, net" line on the consolidated statements of income). The difference between the asset and the funding is the funding gap for the specified index. This represents our exposure to interest rate risk in the form of basis risk and repricing risk, which is the risk that the different indices may reset at different frequencies or may not move in the same direction or at the same magnitude.

(Dollars in billions) Index	Frequency of Variable Resets	Assets	Funding[(1)]	Funding Gap
3-month Treasury bill	weekly	$ 0.4	$ —	$ 0.4
1-month LIBOR	daily	0.9	—	0.9
1-month LIBOR	weekly	—	0.5	(0.5)
1-month LIBOR	monthly	6.4	3.3	3.1
Non-Discrete reset[(2)]	daily/weekly	1.7	2.8	(1.1)
Fixed Rate[(3)]		2.0	2.3	(0.3)
Total		$ 11.4	$ 8.9	$ 2.5

(1) Funding (by index) includes all derivatives that qualify as hedges.

(2) Assets include restricted and unrestricted cash equivalents and other overnight type instruments. Funding includes liquid retail deposits and the obligation to return cash collateral held related to derivatives exposures.

(3) Assets include receivables and other assets (including premiums and reserves). Funding includes unswapped time deposits.

The "Funding Gap" in the above table primarily mismatches in the reset frequency of the 1-month LIBOR index. We consider the risk to be minimal since they are all indexed to the same rate as the reset frequency is not materially different.

We use interest rate swaps and other derivatives to achieve our risk management objectives. Our asset liability management strategy is to match assets with debt (in combination with derivatives) that have the same underlying index and reset frequency or, when economical, have interest rate characteristics that we believe are highly correlated. The use of funding with index types and reset frequencies that are different from our assets exposes us to interest rate risk in the form of basis and repricing risk. This could result in our cost of funds not moving in the same direction or with the same magnitude as the yield on our assets. While we believe this risk is low, as all of these indices are short-term with rate movements that are highly correlated over a long period of time, market disruptions (which have occurred in recent years) can lead to a temporary divergence between indices resulting in a negative impact to our earnings.

Weighted Average Life

The following table reflects the weighted average life of our earning assets and liabilities at June 30, 2014.

(Averages in Years)	Weighted Average Life
Earning assets	
Student loans	6.7
Cash and investments	0.6
Total earning assets	5.7
Deposits	
Short-term deposits	0.1
Long-term deposits	2.4
Total deposits	0.8

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of June 30, 2014. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2014, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (b) accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

Before the Spin-Off, the Company relied on the controls and resources of pre-Spin-Off SLM for internal control over financial reporting. In conjunction with the Spin-Off, several areas of internal control over financial reporting have changed. We have implemented our own financial, administrative, and other support systems as well as new corporate oversight functions, primarily through the retention of pre-Spin-Off SLM personnel, policies and procedures within the Company and giving consideration to the significantly smaller size of the Company post-Spin-Off.

Other than those noted above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Legal Proceedings

We and our subsidiaries and affiliates are subject to various claims, lawsuits and other actions that arise in the normal course of business. We believe that these claims, lawsuits and other actions will not, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. In the ordinary course of business, it is common for the Company, our subsidiaries and affiliates to receive information and document requests and investigative demands from state attorneys general, legislative committees and administrative agencies. These requests may be for informational or regulatory purposes and may relate to our business practices, the industries in which we operate, or other companies with whom we conduct business. Our practice has been and continues to be to cooperate with these bodies and be responsive to any such requests.

Regulatory Update

At the time of this filing, the Bank remains subject the 2014 FDIC Order. The 2014 FDIC Order replaces a prior cease and desist order jointly issued in August 2008 by the FDIC and the UDFI which was terminated on July 15, 2014. Specifically, on May 13, 2014, the Bank reached settlements with the FDIC and the Department of Justice regarding disclosures and assessments of certain late fees, as well as compliance with the SCRA. Under the FDIC's 2014 Order, the Bank agreed to pay $3.3 million in fines and oversee the refund of up to $30 million in late fees assessed on loans owned or originated by the Bank since its inception in November 2005.

Under the terms of the Separation and Distribution Agreement, Navient is responsible for funding all liabilities under the regulatory orders, other than fines directly levied against the Bank in connection with these matters. Under the Department of Justice order, Navient is solely responsible for reimbursing SCRA benefits and related compensation on behalf of both its subsidiary, Navient Solutions, Inc., and the Bank.

As required by the 2014 FDIC Order and the Department of Justice order, the Bank is implementing new SCRA policies, procedures and training, has updated billing statement disclosures, and is taking additional steps to ensure its third-party service providers are also fully compliant in these regards. The 2014 FDIC Order also requires the Bank to have its current compliance with consumer protection regulations audited by independent qualified audit personnel. The Bank is focused on achieving timely and comprehensive remediation of each item contained in the orders and on further enhancing its policies and practices to promote responsible financial practices, customer experience and compliance.

In May 2014, the Bank received a Civil Investigative Demand from the CFPB in the Bank's capacity as a former affiliate of Navient as part of the CFPB's separate investigation relating to fees and policies of pre-Spin-Off SLM during the period prior to the Spin-Off of Navient. We are cooperating fully with the CFPB but are not in a position at this time to predict the duration or outcome of the investigation. Given the timeframe covered by this demand, Navient would be responsible for all costs, expenses, losses or remediation likely to arise from this investigation.

Item 1A. Risk Factors

Our business activities involve a variety of risks. Below we describe the significant risk factors affecting our business. The implications of the recently completed Spin-Off, the ongoing transition of our business and related operational platforms after the Spin-Off, as well as our ongoing involvement with, and reliance on, Navient will add to these risks in the near term. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Quarterly Report on Form 10-Q because these factors could cause our actual results or financial condition to differ materially from those projected in forward-looking statements.

Economic Environment

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

Our business is always influenced by economic conditions. Economic growth in the United States remains slow and uneven. Our earnings are dependent on the expected future creditworthiness of our student loan customers and their co-borrowers. High unemployment rates and the failure of our in-school borrowers to graduate are two of the most significant macroeconomic factors that could increase loan delinquencies, defaults and forbearance, or otherwise negatively affect performance of our existing education loan portfolios. Since 2009, the unemployment rate has been higher than historical norms. In 2008, the unemployment rate was 5.8 percent; it reached a high of 9.6 percent in 2010 and declined to 7.4 percent in 2013. Forbearance program provides temporary relief for borrowers experiencing difficulty in making payments but may also have the effect of delaying the recognition of potential defaults. Higher credit-related losses and weaker credit quality could also negatively affect our business, financial condition and results of operations and limit funding options, which could also adversely impact our liquidity position. If the type and amount of federal funds available to pay for a college education or refinance existing education loans increases, the volume of our new loan originations and the repayment rates of our existing loans could be materially and adversely effected.

Regulatory

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

We are subject to extensive regulation and supervision that govern almost all aspects of our operations. Intended to protect clients, depositors, the Deposit Insurance Fund (the "DIF"), and the overall financial system, these laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on the business activities in which we can engage, limit the dividend or distributions that the Bank can pay to us, restrict the ability of institutions to guarantee our debt, limit proprietary trading and investments in certain private funds, impose certain specific accounting requirements on us that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than generally accepted accounting principles, among other things. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations, as well as increased intensity in supervision, often impose additional compliance costs. We, like the rest of the banking sector, are facing increased regulation and supervision of our industry by the federal bank regulatory agencies and expect that there will be additional and changing requirements and conditions imposed on us. Once the Bank has four consecutive quarters with total assets of at least $10 billion, the Consumer Financial Protection Bureau (the "CFPB") will become its primary consumer compliance supervisor, with exclusive examination authority and primary enforcement authority. CFPB jurisdiction could result in additional regulation and supervision, which could increase our costs and limit our ability to pursue business opportunities. Consent orders, decrees or settlements entered into with governmental agencies may also increase our compliance costs or restrict certain of our activities. The Bank is subject to a Consent Order, Order to Pay Restitution and Order to Pay Civil Money Penalty issued by the FDIC. Specifically, on May 13, 2014, the Bank reached settlements with the FDIC and the Department of Justice regarding disclosures and assessments of certain late fees, as well as compliance with the Servicemembers Civil Relief Act ("SCRA"). Further, our failure to comply with these laws and regulations, even if the failure is inadvertent or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines and other penalties, any of which could adversely affect our results of operations, capital base and the price of our securities. Finally, we operate in a politically charged environment for student loan lending and originations, which could lead to further laws and regulations limiting our business.

Funding, Liquidity, and Capital

Our business is heavily reliant on our ability to obtain deposits and dispose of portions of the loans we originate.

If we are unable to obtain funds from which to make new Private Education Loans or sell sufficient portions of the loans we produce, our business, financial condition and results of operations would be materially adversely affected.

We fund Private Education Loan originations through term and liquid brokered and retail deposits raised by the Bank. Assets funded in this manner result in refinancing risk because the average term of the deposits is shorter than the expected term of the education loan assets we create. Also, our ability to maintain our current level of deposits or grow our deposit base could be affected by regulatory restrictions, including the possible imposition of prior approval requirements or restrictions on deposit growth through brokered deposits. As a supervisory matter, reliance on brokered deposits as a significant source of funding is discouraged. As a result, in order to grow our deposit base, we will need to expand our non-brokered channels for deposit generation, including through new marketing and advertising efforts, which may require significant time, capital, and effort to implement. Further, we are likely to face significant competition for deposits from other banking organizations that are also seeking stable deposits to support their funding needs. If we are unable to develop new channels of deposit origination, it could have a material adverse effect on our business, results in operations, and financial position.

We cannot increase the rate of growth on Private Education Loan originations and remain within FDIC-stipulated growth rates unless we can sell significant amounts of our loan production in secondary capital markets transactions. There is no assurance that secondary buyers of our loan production will be available at sufficient levels or costs that make the origination of new Private Education Loans possible or profitable.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine transactions including with our derivative counterparties could be adversely affected by the actions and commercial soundness of other financial institutions or market utilities. Defaults by, or even rumors or questions about, one or more financial institutions or market utilities, or the financial services industry generally, may lead to market-wide liquidity problems and a lack of confidence in financial institutions and could lead to losses or defaults by us or by other financial institutions.

The interest rate characteristics of our earning assets do not always match the interest rate characteristics of our funding arrangements, which may increase the price of, or decrease our ability to obtain, necessary liquidity.

Net interest income is the primary source of cash flow generated by our portfolios of Private Education Loans and FFELP Loans. Interest earned on Private Education Loans and FFELP Loans is primarily indexed to one-month LIBOR rates. In a rising interest rate environment, this difference in timing may compress the net interest margin on Private Education Loans and FFELP Loans.

The different interest rate characteristics of our loan portfolio and liabilities funding these loans also result in basis risk and re-pricing risk. It is not possible to hedge all of our exposure to such risks. While the asset and hedge indices are short-term with rate movements that are typically highly correlated, there can be no assurance that the historically high correlation will not be disrupted by capital market dislocations or other factors not within our control. In these circumstances, our earnings could be materially adversely affected.

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

We must effectively manage the liquidity risk to which we are exposed. We require liquidity to meet cash requirements such as day-to-day operating expenses, extensions of credit on our Private Education Loans, meet demand for deposit withdrawals and payment of required dividends on our preferred stock. Our primary sources of liquidity and funding are from customer deposits, payments made on Private Education Loans and FFELP Loans that we hold, and proceeds from loan sales we undertake. We may maintain too much liquidity, which can be costly, or we may be too illiquid, which could result in financial distress during times of financial stress or capital market disruptions.

Unexpected and sharp changes in the overall economic environment may negatively impact the performance of our loan and credit portfolios and cause increases in our provision for loan losses and charge-offs.

Unexpected changes in the overall economic environment, including unemployment, may result in the credit performance of our loan portfolio being materially different from what we expect. Our earnings are dependent on the expected future creditworthiness of our education loan customers, especially with respect to our Private Education Loan portfolio. We maintain an allowance for credit losses based on expected future charge-offs expected over primarily the next year, which considers

many factors, including levels of past due loans and forbearances and expected economic conditions. However, management's determination of the appropriate allowance level may under- or over-estimate future losses. If the credit quality of our customer base materially decreases, if a market risk changes significantly, or if our reserves for credit losses are not adequate, our business, financial condition and results of operations could suffer.

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

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

Our use of derivatives also exposes us to market risk and credit risk. Market risk is the chance of financial loss resulting from changes in interest rates and market liquidity. Some of the swaps we use to manage earnings variability caused by having different reset characteristics on interest-earning assets and interest-bearing liabilities do not qualify for hedge accounting treatment. Therefore, the change in fair value, called the "mark-to-market," of these derivative instruments is included in our statement of income. A decline in the fair value of these derivatives could have a material adverse effect on our reported earnings.

We are also subject to the creditworthiness of other third parties, including counterparties to derivative transactions. For example, we have exposure to the financial conditions of various lending, investment and derivative counterparties. If a counterparty fails to perform its obligations, we could, depending on the type of counterparty arrangement, experience a loss of liquidity or an economic loss. In addition, we might not be able to cost effectively replace the derivative position depending on the type of derivative and the current economic environment, and thus be exposed to a greater level of interest rate and/or foreign currency exchange rate risk which could lead to additional losses. Our counterparty exposure is more fully discussed in Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Counterparty Exposure." If our counterparties are unable to perform their obligations, our business, financial condition and results of operations could suffer.

Defaults on education loans, particularly Private Education Loans, could adversely affect our earnings, financial condition, and liquidity.

We bear the full credit exposure on Private Education Loans. Delinquencies are an important indicator of the potential future credit performance for Private Education Loans. Our delinquencies, as a percentage of Private Education Loans in repayment, were 0.7 percent at June 30, 2014.

The evaluation of our allowance for loan losses is inherently subjective, as it requires material estimates that may be subject to significant changes. As of June 30, 2014, our allowance for Private Education Loan losses was approximately $54 million. During the six months ended June 30, 2014, we recognized provisions for Private Education Loan losses of $39 million. The provision for loan losses reflects the activity for the applicable period and provides an allowance at a level that management believes is appropriate to cover probable losses inherent in the loan portfolio. However, future defaults can be higher than anticipated due to a variety of factors outside of our control, such as downturns in the economy, regulatory or operational changes and other unforeseen future trends. Losses on Private Education Loans are also determined by risk characteristics such as school type, loan status (in-school, grace, forbearance, repayment and delinquency), loan seasoning (number of months in active repayment), underwriting criteria (e.g., credit scores), a cosigner and the current economic environment. General economic and employment conditions, including employment rates for recent college graduates during the recent recession, led to higher rates of education loan defaults. If actual loan performance is worse than currently estimated, it could materially affect our estimate of the allowance for loan losses and the related provision for loan losses in our statements of income and, as a result, adversely affect our results of operations.

Additionally, pre-Spin-Off SLM's Private Education Loan default aversion strategies were focused on the final stages of delinquency, from 150 days to 212 days. As a result of changing our corporate charge-off policy to charging off at 120 days delinquent and greatly reducing the number of potentially delinquent loans we sell to Navient, our default aversion strategies must now focus more on loans 60 to 120 days delinquent. We have little experience in executing our default aversion strategies on such compressed collection timeframes. If we are unable to maintain or improve on our existing default aversion levels during these shortened collection timeframes default rates on our Private Education Loans could increase.

FFELP Loans are insured or guaranteed by state or not-for-profit agencies and are also protected by contractual rights to recovery from the United States pursuant to guaranty agreements among ED and these agencies. These guarantees generally cover at least 97 percent of a FFELP Loan's principal and accrued interest for loans disbursed and, in limited circumstances, 100 percent of the loan's principal and accrued interest. Nevertheless, we are exposed to credit risk on the non-guaranteed portion of the FFELP Loans in our portfolio and to the possible loss of the insurance or guarantee due to a failure of our servicer to comply with the Higher Education Act and related regulations.

The revised capital requirements under the U.S. Basel III capital rules impose heightened capital standards which may adversely affect us, our business, results of operations and financial position.

In July 2013, the federal banking regulators issued the U.S. Basel III final rule. The final rule implements the Basel III capital framework in the United States and certain provisions of the Dodd-Frank Act, including the Collins Amendment. The U.S. Basel III final rule will apply to the Bank beginning on January 1, 2015. Consistent with the Basel Committee on Banking Supervision's Basel III capital framework, the U.S. Basel III final rule includes a new minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 4.5 percent and a Common Equity Tier 1 capital conservation buffer of greater than 2.5 percent of risk-weighted assets that will apply to all U.S. banking organizations, including the Bank. Failure to maintain the capital conservation buffer will result in increasingly stringent restrictions on a banking organization's ability to make dividend payments and other capital distributions and pay discretionary bonuses to executive officers. The capital conservation buffer and certain other aspects of the U.S. Basel III final rule will be phased in over several years. The final rule also increases the minimum ratio of Tier 1 capital to risk-weighted assets from 4 percent to 6 percent, while maintaining the current minimum total risk-based capital ratio of 8 percent. Effective January 1, 2015, the final rule revises the capital categories, including the well-capitalized category, in the prompt corrective action framework applicable to insured depository institutions such as the Bank to reflect the higher Basel III capital ratios. If the Bank fails to satisfy regulatory capital or leverage capital requirements, it may be subject to serious regulatory sanctions which could also have an impact on us. If any of these sanctions were to occur, they could prevent us from successfully executing our business plan and may have a material adverse effect on our business, results of operations, and financial position.

Operations

A failure of our operating systems or infrastructure could disrupt our business, cause significant losses, result in regulatory action or damage our reputation.

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

Our loan originations and conversions and the servicing, financial, accounting, data processing or other operating systems and facilities that support them may fail to operate properly or become disabled as a result of events that are beyond our control, adversely affecting our ability to process these transactions. Any such failure could adversely affect our ability to service our clients, result in financial loss or liability to our clients, disrupt our business, result in regulatory action or cause reputational damage. Despite the plans and facilities we have in place, our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our businesses. This may include a disruption involving electrical, communications, Internet, transportation or other services used by us or third parties with which we conduct business. Notwithstanding our efforts to maintain business continuity, a disruptive event impacting our processing locations could adversely affect our business, financial condition and results of operations.

We depend on secure information technology, and a breach of those systems could result in significant losses, disclosure of confidential customer information and reputational damage, which would adversely affect our business.

Our operations rely on the secure processing, storage and transmission of personal, confidential and other information in our computer systems and networks. Although we take protective measures, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses, malicious attacks and other events that could have a security impact beyond our control. Our technologies, systems, networks and those of third parties may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our customers' confidential, proprietary and other information, or otherwise disrupt our or our customers' or other third parties' business operations. Moreover, information security risks for large financial institutions have generally increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties.

If one or more of such events occur, personal, confidential and other information processed and stored in, and transmitted through, our computer systems and networks, could be jeopardized or could cause interruptions or malfunctions in our operations that could result in significant losses or reputational damage. We also routinely transmit and receive personal, confidential and proprietary information, some through third parties. We have put in place secure transmission capability, and work to ensure third parties follow similar procedures. An interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a customer or third party could result in legal liability, regulatory action and reputational harm. In the event personal, confidential or other information is jeopardized, intercepted, misused or mishandled, we may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to fines, penalties, litigation costs and settlements and financial losses that are either not insured against or not fully covered through any insurance maintained by us. If one or more of such events occur, our business, financial condition or results of operations could be significantly and adversely affected.

We depend on third parties for a wide array of services, systems and information technology applications, and a breach or violation of law by one of these third parties could disrupt our business or provide our competitors with an opportunity to enhance their position at our expense.

We increasingly depend on third parties for a wide array of services, systems and information technology applications. Third-party vendors are significantly involved in aspects of our software and systems development, the timely transmission of information across our data communication network, and for other telecommunications, processing, remittance and technology-related services in connection with our banking and payment services businesses. If a service provider fails to provide the services we require or expect, or fails to meet applicable contractual or regulatory requirements, such as service levels or compliance with applicable laws, the failure could negatively impact our business by adversely affecting our ability to process customers' transactions in a timely and accurate manner, otherwise hampering our ability to serve our customers, or subjecting us to litigation and regulatory risk for matters as diverse as poor vendor oversight or improper release or protection of personal information. Such a failure could adversely affect the perception of the reliability of our networks and services, and the quality of our brands, and could materially adversely affect our revenues and/or our results of operations.

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

The preparation of our consolidated financial statements requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Incorrect estimates and assumptions by management in connection with the preparation of our consolidated financial statements could adversely affect the reported amounts of assets and liabilities and the reported amounts of income and expenses. A description of our critical accounting estimates and assumptions may be found in Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates" and in Note 1, "Significant Accounting Policies" to the consolidated financial statements included in this Form 10-Q. If we make incorrect assumptions or estimates, we may under- or overstate reported financial results, which could materially and adversely affect our business, financial condition and results of operations.

Risks Related to the Spin-Off

The actions required to implement the complete separation of our pre-Spin-Off businesses into two, distinct, publicly-traded entities have and will continue to take significant management time and attention and could disrupt operations.

The complete separation of the pre-Spin-Off organization into two publicly-traded companies will require significant ongoing execution and administration at all levels of the internal organization. A team of employees is charged with implementing the Spin-Off, reporting frequently to management on status and progress of the project. For the foreseeable future, high-level employees and management will continue to dedicate a significant amount of time to the implementation of the Spin-Off to ensure that it is carried out timely and appropriately. The time and attention that high-level employees and management dedicate to the implementation of the Spin-Off could limit the time and attention spent on managing the business which could disrupt current and future operations.

We will incur significant costs in connection with being a stand-alone company and lose the advantage of our larger size and purchasing power that existed prior to the Spin-Off.

We will incur significant costs in connection with the transition to being a stand-alone public company and implementing the Spin-Off, including costs to separate information systems, accounting, tax, legal and other professional services costs and recruiting and relocation costs associated with hiring key senior management personnel new to us. In addition, the businesses that we operate have historically taken advantage of our larger size and purchasing power prior to the Spin-Off in procuring goods and services. After the Spin-Off, we are no longer able to rely on this purchasing power and, as a result, we may not be able to obtain goods and services from third-party service providers and vendors at prices or on terms as favorable as those we obtained prior to the Spin-Off. Furthermore, prior to the Spin-Off, our businesses have obtained services from, or engaged in transactions with, our affiliates under intercompany agreements. Navient and its affiliates will provide services to us and our affiliates following the Spin-Off under a transition services agreement for a transition period and potentially thereafter. The fees charged by Navient and its affiliates for the provision of these services to us and our affiliates may be higher than those charged prior to the Spin-Off. All of these factors will result in costs that are higher than the amounts reflected in historical financial statements which could cause our profitability to decrease.

We continue to have significant exposures to risks related to Navient's loan servicing operations and its creditworthiness. If we are unable to obtain services, complete the transition of our origination and loan servicing operations as planned, or obtain indemnification payments from Navient, we could experience higher than expected costs and operating expenses and our results of operations and financial condition could be materially and adversely affected.

At the time of this filing, our loan origination and servicing capabilities continue to be provided by Navient pursuant to a transition services agreement. Pursuant to the Separation and Distribution Agreement and transition services agreement, Navient will also continue to bear significant responsibility for its servicing activities undertaken for the Bank during this transition period. We are continuing to work with Navient to complete an orderly and staged transition to our own separate, stand-alone loan origination and servicing platforms. Any unexpected delays or additional costs or expenses to complete this transition or to provide the servicing activities conducted by Navient on our behalf, whether or not due to Navient's actions, could significantly affect our operating expenses and earnings.

Navient has also agreed to be responsible, and indemnify us, for all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM occurring prior to the Spin-Off other than those specifically excluded in the Separation and Distribution Agreement. Some significant examples of the types of indemnification obligations Navient has include:

- Pursuant to a tax sharing agreement, Navient has agreed to indemnify us for $283 million in deferred taxes that the Company will be legally responsible for but that relate to gains recognized by the Company's predecessor on debt repurchases made prior to the Spin-Off.

- Navient has responsibility to assume new or ongoing litigation matters relating to the conduct of most pre-Spin-Off SLM businesses operated or conducted prior to the Spin-Off.

- Under the terms of the Separation and Distribution Agreement, Navient is responsible for funding all liabilities under the recently agreed regulatory orders with the FDIC and the Department of Justice, other than fines directly levied against the Bank in connection with these matters. Under the Department of Justice order, Navient is solely responsible for reimbursing SCRA benefits and related compensation on behalf of both its subsidiary, Navient Solutions, Inc., and the Bank.

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

We may not achieve some or all of the expected benefits of the Spin-Off, and the Spin-Off may adversely affect our business.

We may not be able to achieve the full strategic and financial benefits expected to result from the Spin-Off, or such benefits may be delayed or not occur at all. The Spin-Off is expected to provide the following benefits, among others: (i) a distinct investment identity allowing investors to evaluate the merits, performance, and future prospects of the Company separately from Navient; (ii) cash flows significantly in excess of preferred stock dividend and debt service obligations; (iii) more efficient allocation of capital for the Company and Navient; (iv) reducing the likelihood the Company is designated a systemically important financial institution; and (v) a separate equity structure that allows direct access by the Company to the capital markets and the use of our equity for acquisitions and equity compensation.

We may not be able to realize these and other anticipated benefits for a variety of reasons, including, among others: (a) the Spin-Off will continue to require significant amounts of management's time and effort for the foreseeable future, which may divert management's attention from operating our business; (b) following the Spin-Off, the Company may be more susceptible to market fluctuations and other adverse events than if it were still part of the larger SLM Corporation that existed prior to the Spin-Off; (c) since the Spin-Off, our business is less diversified than our business prior to the Spin-Off; and (d) other actions required to separate our business from Navient could disrupt our operations. If we fail to achieve some or all of the benefits expected to result from the Spin-Off, or if such benefits are delayed, the business, financial condition and results of our operations of could be adversely affected and the value of its stock could be impacted.

Our common and preferred stock prices may fluctuate significantly.

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

- Actual or anticipated fluctuations in our operating results
- Our smaller market capitalization as compared to pre-Spin-Off SLM
- Changes in earnings estimated by securities analysts or our ability to meet those estimates
- Our policy of paying no common stock dividends
- The operating and stock price performance of comparable companies
- Changes to the regulatory and legal environment under which we and our subsidiaries operate
- Domestic and worldwide economic conditions

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

- Significant sales of our preferred stock, or the expectation of these sales or expectations of same
- Lack of credit agency ratings or FDIC insurance
- Movements in interest rates and spreads that negatively affect return
- Call and redemption features

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

Sallie Mae and Navient will each be subject to restrictions under a tax sharing agreement between them, and a violation of the tax sharing agreement may result in tax liability to Sallie Mae and to its stockholders.

In connection with the Spin-Off, the Company entered into a tax sharing agreement with Navient to preserve the tax-free treatment of the separation and distribution of Navient. Under this tax sharing agreement, both the Company and Navient will be restricted from engaging in certain transactions that could prevent the Spin-Off from being tax-free to the Company and its stockholders at the time of the Spin-Off for U.S. federal income tax purposes. Compliance with the tax sharing agreement and the restrictions therein may limit the Company's near-term ability to pursue certain strategic transactions or engage in activities

that might be beneficial from a business perspective, including M&A transactions. This may result in missed opportunities or the pursuit of business strategies that may not be as beneficial for the Company and which may negatively affect the Company's anticipated profitability. If Navient fails to comply with the restrictions in the tax sharing agreement and as a result the Spin-Off was determined to be taxable for U.S. federal income tax purposes, the Company and its stockholders at the time of the Spin-Off that are subject to U.S. federal income tax could incur significant U.S. federal income tax liabilities. Although the tax sharing agreement will provide that Navient is required to indemnify the Company for taxes incurred by the Company that may arise were Navient to fail to comply with its obligations under the tax sharing agreement, there is no assurance that Navient will have the funds to satisfy that liability. Also, Navient will not be required to indemnify our stockholders for any tax liabilities they may incur for its violation of the tax sharing agreement.

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

Our risk management framework seeks to mitigate risk and appropriately balance risk and return. We have established processes and procedures intended to identify, measure, monitor, control and report the types of risk to which we are subject. We seek to monitor and control our risk exposure through a framework of policies, procedures, limits and reporting requirements. Management of risks in some cases depends upon the use of analytical and/or forecasting models. If the models that we use to mitigate these risks are inadequate, we may incur increased losses. In addition, there may be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated. If our risk management framework does not effectively identify or mitigate our risks, we could suffer unexpected losses and our financial condition and results of operations could be materially adversely affected.

Competition

We operate in a competitive environment. Our product offerings are primarily concentrated in loan and savings products for higher education.

We compete in the private credit lending business with banks and other consumer lending institutions, many with strong consumer brand name recognition and greater financial resources. We compete based on our products, origination capability and customer service. To the extent our competitors compete aggressively or more effectively, we could lose market share to them or subject our existing loans to refinancing risk. Our product offerings may not prove to be profitable and may result in higher than expected losses.

We are a leading provider of saving- and paying-for-college products and programs. This concentration gives us a competitive advantage in the marketplace. This concentration also creates risks in our business, particularly in light of our concentrations as a Private Education Loan lender. If population demographics result in a decrease in college-age individuals, if demand for higher education decreases, if the cost of attendance of higher education decreases, if public resistance to higher education costs increases, or if the demand for higher education loans decreases, our business could be negatively affected. In addition, the federal government, through the Direct Student Loan Program ("DSLP"), poses significant competition to our private credit loan products. If loan limits under the DSLP and other federal education lending programs increase, federally-funded education loans could be more widely available to students and their families, resulting in further decreases in the size of the Private Education Loan market and demand for our Private Education Loan products.

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

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

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

Share Repurchases

The following table provides information relating to our purchase of shares of our common stock in the three months ended June 30, 2014.

(In thousands, except per share data)	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2]	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs[2]
Period:				
April 1 - April 30, 2014	—	—	—	—
May 1 - May 31, 2014	47	$ 8.87	—	—
June 1 - June 30, 2014	312	$ 8.58	—	—
Total second-quarter 2014	359	$ 8.62	—	

(1) All shares purchased are pursuant to the shares of our common stock tendered to us to satisfy the exercise price in connection with cashless exercise of stock options, and tax withholding obligations in connection with exercise of stock options and vesting of restricted stock and restricted stock units.

(2) At the present time the Company does not have a publicly announced share repurchase plan or program.

The closing price of our common stock on the NASDAQ Global Select Market on June 30, 2014 was $8.31.

Item 3. Defaults Upon Senior Securities

Nothing to report.

Item 4. Mine Safety Disclosures

Nothing to report.

Item 5. Other Information

Supervision and Regulation

Overview

The following discussion addresses the significant areas of supervision and regulation applicable to our current business and operations.

We are subject to extensive regulation, examination and supervision by various federal, state and local authorities. Significant aspects of the laws and regulations that apply to us and our subsidiaries are described below. These descriptions are qualified in their entirety by reference to the full text of the applicable statutes, legislation, regulations and policies, as they may be amended, and as interpreted and applied, by federal, state and local agencies. Such statutes, regulations and policies are continually under review and are subject to change at any time, particularly in the current economic and regulatory environment.

Dodd-Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) was adopted to reform and strengthen regulation and supervision of the U.S. financial services industry. It contains comprehensive provisions to govern the practices and oversight of financial institutions and other participants in the financial markets. It imposes significant regulations, additional requirements and oversight on almost every aspect of the U.S. financial services industry, including increased capital and liquidity requirements, limits on leverage and enhanced supervisory authority. It requires the issuance of many implementing regulations which will take effect over several years, making it difficult to anticipate the overall impact to us, our affiliates, including the Bank as well as our customers and the financial industry more generally. While

the overall impact cannot be predicted with any degree of certainty, we are and will continue to be affected by the Dodd-Frank Act in a wide range of areas.

The Consumer Financial Protection Act, a part of the Dodd-Frank Act, established the CFPB, which has broad authority to write regulations under federal consumer financial protection laws and to directly or indirectly enforce those laws, including regulatory oversight of the Private Education Loan industry, and to examine financial institutions for compliance. It is authorized to collect fines and provide consumer restitution in the event of violations, engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. It has authority to prevent unfair, deceptive or abusive practices by issuing regulations that define the same or by using its enforcement authority without first issuing regulations. The CFPB has been active in its supervision, examination and enforcement of financial services companies, most notably bringing enforcement actions, imposing fines and mandating large refunds to customers of several large banking institutions for practices relating to the sale of additional products associated with the extension of consumer credit. Once the Bank has four consecutive quarters with total assets of at least $10 billion, the CFPB will become its primary consumer compliance supervisor with exclusive examination authority and primary enforcement authority. The UDFI and FDIC will remain the prudential regulatory authorities with respect to the Bank's financial strength.

The CFPB continues an active interest in the student loan industry undertaking a number of initiatives relative to the Private Education Loan Market and student loan servicing. On October 16, 2013, the Private Education Loan Ombudsman within the CFPB submitted its second report based on Private Education Loan inquiries received through the CFPB portal from October 1, 2012 through September 30, 2013, including 1,327 inquiries transmitted to Sallie Mae during that period. The Dodd-Frank Act created the Private Education Loan Ombudsman within the CFPB to receive and attempt to informally resolve inquiries about Private Education Loans. The Private Education Loan Ombudsman reports to Congress annually on the trends and issues that it identifies through this process. The report offers analysis, commentary and recommendations to address issues reported by consumers. The report's key observations included: (1) just under 50 percent of all private student loan inquiries received were related to consumers seeking a loan modification or other option to reduce their monthly payment; (2) payment processing problems continue to represent a significant amount of the inquiries received by the CFPB, such as confusion about payment application policies, the application of excess payments and underpayments, timing of payment processing, access to payment histories, lost payments, obtaining payoff information and servicing transfers; and (3) many of the private student loan inquiries mirror the problems heard from consumers in the mortgage market and that recent changes to mortgage servicing and credit card servicing practices might be applicable to the Private Education Loan market.

Regulation of Sallie Mae Bank

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

General

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

Actions by Federal and State Regulators

Like all depository institutions, the Bank is regulated extensively under federal and state law. Under federal and state laws and regulations pertaining to the safety and soundness of insured depository institutions, the UDFI and separately the FDIC as the insurer of bank deposits have the authority to compel or restrict certain actions on the Bank's part if they determine that it has insufficient capital or other resources, or is otherwise operating in a manner that may be deemed to be inconsistent with safe and sound banking practices. Under this authority, the Bank's regulators can require it to enter into informal or formal supervisory agreements, including board resolutions, memoranda of understanding, written agreements and consent or cease and desist orders, pursuant to which the Bank would be required to take identified corrective actions to address cited concerns and to refrain from taking certain actions.

Enforcement Powers

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

At the time of this filing, the Bank remains subject to the 2014 FDIC Order. The 2014 FDIC Order replaces a prior cease and desist order jointly issued in August 2008 by the FDIC and the UDFI which was terminated on July 15, 2014. Specifically, on May 13, 2014, the Bank reached settlements with the FDIC and the Department of Justice regarding disclosures and assessments of certain late fees, as well as compliance with the Servicemembers Civil Relief Act ("SCRA"). Under the FDIC's 2014 Order, the Bank agreed to pay $3.3 million in fines and oversee the refund of up to $30 million in late fees assessed on loans owned or originated by the Bank since its inception in November 2005.

Under the terms of the Separation and Distribution Agreement, Navient is responsible for funding all liabilities under the regulatory orders, other than fines directly levied against the Bank in connection with these matters. Under the Department of Justice order, Navient is solely responsible for reimbursing SCRA benefits and related compensation on behalf of both its subsidiary, Navient Solutions, Inc., and the Bank.

As required by the 2014 FDIC Order and the Department of Justice order, the Bank is implementing new SCRA policies, procedures and training, has updated billing statement disclosures, and is taking additional steps to ensure its third-party service providers are also fully compliant in these regards. The 2014 FDIC Order also requires the Bank to have its current compliance with consumer protection regulations audited by independent qualified audit personnel. The Bank is focused on achieving timely and comprehensive remediation of each item contained in the orders and on further enhancing its policies and practices to promote responsible financial practices, customer experience and compliance.

In May 2014, the Bank received a Civil Investigative Demand from the CFPB in its capacity as a former affiliate of Navient as part of the CFPB's separate investigation relating to fees and policies of pre-Spin-Off SLM during the period prior to the Spin-Off of Navient. We are cooperating fully with the CFPB but are not in a position at this time to predict the duration or outcome of the investigation. Given the timeframe covered by this demand, Navient would be responsible for all costs, expenses, losses or remediation likely to arise from this investigation.

Standards for Safety and Soundness

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

Dividends

The Federal Deposit Insurance Corporation Improvement Act generally prohibits a depository institution from making any capital distribution, including payment of a dividend, or paying any management fee to its holding company if the institution would thereafter be undercapitalized. In addition, federal banking regulations applicable to the Bank require minimum levels of capital that may limit the amounts available for payment of dividends. In addition, many regulators have a policy, but not a requirement, that a dividend payment should not exceed net income to date in the current year. Finally, the ability of the Bank to pay dividends, and the contents of its respective dividend policy, could be impacted by a range of regulatory changes made pursuant to the Dodd-Frank Act, many of which will require final implementing rules to become effective.

The Bank is chartered under the laws of the State of Utah and its deposits are insured by the FDIC. The Bank's ability to pay dividends is subject to the laws of Utah and the regulations of the FDIC. Generally, under Utah's industrial bank laws and regulations as well as FDIC regulations, the Bank may pay dividends from its net profits without regulatory approval if, following the payment of the dividend, the Bank's capital and surplus would not be impaired. The Bank paid no dividends for the three months ended June 30, 2014 and 2013 or for the six months ended June 30, 2014. For the six months ended June 30, 2013, the Bank paid dividends of $120 million.

Capital Requirements under Basel III

The current risk-based capital guidelines that apply to the Bank are based on the 1988 Basel I capital accord. In 2007, the federal banking regulators established capital standards based on the advanced internal ratings-based approach for credit risk and the advanced measurement approaches for operational risk contained in the Basel Committee's second capital accord, referred to as "Basel II," for the largest and most internationally active U.S. banking organizations, which do not include the Bank. In December 2010, the Basel Committee reached agreement on a revised set of regulatory capital standards: Basel III. These new standards, which are aimed at increasing the quality and quantity of regulatory capital, seek to further strengthen financial institutions' capital positions by mandating a higher minimum level of common equity to be held, along with a capital conservation buffer to withstand future periods of stress.

In July 2013, the federal banking regulators issued the U.S. Basel III final rule. The final rule implements the Basel III capital framework and certain provisions of the Dodd-Frank Act, including the Collins Amendment. Certain aspects of the final rule, such as the new minimum capital ratios and the revised methodology for calculating risk-weighted assets, will become effective on January 1, 2015 for the Bank. Other aspects of the final rule, such as the capital conservation buffer and the new regulatory deductions from and adjustments to capital, will be phased in over several years beginning on January 1, 2015.

Consistent with the Basel Committee's Basel III capital framework, the U.S. Basel III final rule includes a new minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 4.5 percent and a Common Equity Tier 1 capital conservation buffer of greater than 2.5 percent of risk-weighted assets that will apply to all U.S. banking organizations, including the Bank. Failure to maintain the capital conservation buffer will result in increasingly stringent restrictions on a banking organization's ability to make dividend payments and other capital distributions and pay discretionary bonuses to executive officers. The final rule also increases the minimum ratio of Tier 1 capital to risk-weighted assets from 4 percent to 6 percent, while maintaining the current minimum total risk-based capital ratio of 8 percent. In addition, for the largest and most internationally active U.S. banking organizations, which do not include the Bank, the final rule includes a new minimum supplementary leverage ratio that takes into account certain off-balance sheet exposures.

The U.S. Basel III final rule focuses regulatory capital on Common Equity Tier 1 capital, and introduces new regulatory adjustments and deductions from capital as well as narrower eligibility criteria for regulatory capital instruments. The new eligibility criteria for regulatory capital instruments results in, among other things, cumulative perpetual preferred stock not qualifying as Tier 1 capital.

Stress Testing Requirements

As of December 31, 2013, the Bank had total assets of $10.8 billion. Once the Bank's average total assets over four consecutive quarters exceed $10 billion, it will subsequently become subject to annual Dodd-Frank Act stress testing requirements. The Dodd-Frank Act imposes stress test requirements on banking organizations with total consolidated assets of more than $10 billion. The FDIC's implementing regulations require FDIC-regulated depository institutions, such as the Bank, to conduct annual company-run stress test scenarios provided by the FDIC and publish a summary of those results. If, as is expected, the proposed rule that revises Part 325 Subpart C of the FDIC Rules and Regulations is adopted, the Bank will be required to submit the results of its stress tests to the FDIC by July 31, 2016.

Deposit Insurance and Assessments

Deposits at the Bank are insured by the Deposit Insurance Fund (the "DIF"), as administered by the FDIC, up to the applicable limits established by law. The Dodd-Frank Act amended the statutory regime governing the DIF. Among other things, the Dodd-Frank Act established a minimum designated reserve ratio ("DRR") of 1.35 percent of estimated insured deposits, required that the fund reserve ratio reach 1.35 percent by September 30, 2020, and directed the FDIC to amend its regulations to redefine the assessment base used for calculating deposit insurance assessments. Specifically, the Dodd-Frank Act requires the assessment base to be an amount equal to the average consolidated total assets of the insured depository institution during the assessment period, minus the sum of the average tangible equity of the insured depository institution during the assessment period and an amount the FDIC determines is necessary to establish assessments consistent with the risk-based assessment system found in the FDIA.

In December of 2010, the FDIC adopted a final rule setting the DRR at 2.0 percent. Furthermore, on February 7, 2011, the FDIC issued a final rule changing its assessment system from one based on domestic deposits to one based on the average consolidated total assets of a bank minus its average tangible equity during each quarter. The February 7, 2011 final rule modifies two adjustments added to the risk-based pricing system in 2009 (an unsecured debt adjustment and a brokered deposit adjustment), discontinues a third adjustment added in 2009 (the secured liability adjustment), and adds an adjustment for long-term debt held by an insured depository institution where the debt is issued by another insured depository institution. Under the February 7, 2011 final rule, the total base assessment rates will vary depending on the DIF reserve ratio.

With respect to brokered deposits, an insured depository institution must be well-capitalized in order to accept, renew or roll over such deposits without FDIC clearance. An adequately capitalized insured depository institution must obtain a waiver from the FDIC in order to accept, renew or roll over brokered deposits. Undercapitalized insured depository institutions generally may not accept, renew or roll over brokered deposits. For more information on the Bank's deposits, see the section titled "Certain Unaudited Financial and Statistical Information of Sallie Mae and Sallie Mae Bank."

Regulatory Examinations

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

Source of Strength

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

Community Reinvestment Act

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

Properties

The following table lists the principal facilities owned by us as of June 30, 2014:

Location	Function	Related Business Area(s)	Approximate Square Feet
Newark, DE	Headquarters	Consumer Lending; Business Services; FFELP Loans; Other	160,000
Indianapolis, IN	Loan Servicing Center	Business Services	50,000

The following table lists the principal facilities leased by us as of June 30, 2014:

Location	Function	Related Business Area(s)	Approximate Square Feet
Reston, VA	Administrative Offices	Consumer Lending; Business Services; FFELP Loans; Other	18,000
Newton, MA	Upromise	Business Services	18,000
Salt Lake City, UT	Sallie Mae Bank	Consumer Lending	11,400

None of the facilities that we own is encumbered by a mortgage. We believe that our headquarters, loan servicing centers, data center, back-up facility and data management and collection centers are generally adequate to meet our long-term student loan and business goals. Our headquarters are currently located in owned space at 300 Continental Drive, Newark, Delaware, 19713.

Item 6. Exhibits

The following exhibits are furnished or filed, as applicable:

3.1	Amended and Restated Certificate of Incorporation of SLM Corporation
10.1	Employment Agreement, dated April 21, 2014 between Laurent C. Lutz and the Company†
10.2	Sallie Mae Employee Stock Purchase Plan, Amended and Restated as of June 25, 2014†
10.3	Form of SLM Corporation 2012 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement - 2014†
12.1	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

† Management Contract or Compensatory Plan or Arrangement

SIGNATURES

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

SLM CORPORATION
(Registrant)

By: /s/ STEVEN J. MCGARRY

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

Date: July 23, 2014

Exhibit 3.1

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "SLM CORPORATION", FILED IN THIS OFFICE ON THE FOURTEENTH DAY OF JULY, A.D. 2014, AT 3:55 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Jeffrey W. Bullock, Secretary of State

5436644 8100

140951406

AUTHENTICATION: 1532681

DATE: 07-14-14

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 03:55 PM 07/14/2014
FILED 03:55 PM 07/14/2014
SRV 140951406 - 5436644 FILE

CERTIFICATE OF AMENDMENT
OF
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

SLM CORPORATION

SLM CORPORATION (the "***Corporation***"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "***DGCL***"), DOES HEREBY CERTIFY:

FIRST: The Amended and Restated Certificate of Incorporation of the Corporation, as amended to date, is hereby amended to reflect the elimination of cumulative voting for the election of directors by deleting in its entirety ARTICLE FOURTH, Section a.(1) of the Amended and Restated Certificate of Incorporation and replacing said ARTICLE FOURTH, Section a.(1) with the following:

> "(1) Voting. Except as otherwise expressly required by law or provided in this Certificate of Incorporation, and subject to any voting rights provided to holders of Preferred Stock at any time outstanding, at each annual or special meeting of stockholders, each holder of record of shares of Common Stock on the relevant record date shall be entitled to cast one vote in person or by proxy for each share of the Common Stock standing in such holder's name on the stock transfer records of the Corporation."

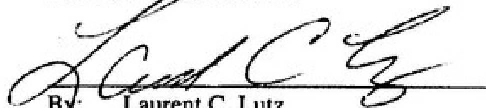
SECOND: The Board of Directors of the Corporation has adopted a resolution proposing and declaring advisable the amendment described herein in accordance with the provisions of Section 242 of the DGCL.

THIRD: At a duly called and convened annual meeting of stockholders held on June 25, 2014, the stockholders of the Corporation duly adopted the amendment described herein in accordance with the provisions of Section 242 of the DGCL.

FOURTH: The foregoing amendment was duly adopted in accordance with the provisions of Section 242 of the DGCL.

IN WITNESS WHEREOF, the undersigned has executed this Certificate on this 14th day of July, 2014.

SLM CORPORATION



By: Laurent C. Lutz
Title: Executive Vice President, General Counsel and Corporate Secretary

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "NEW BLC CORPORATION", CHANGING ITS NAME FROM "NEW BLC CORPORATION" TO "SLM CORPORATION", FILED IN THIS OFFICE ON THE TWENTY-EIGHTH DAY OF APRIL, A.D. 2014, AT 11:45 O'CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF AMENDMENT IS THE TWENTY-NINTH DAY OF APRIL, A.D. 2014, AT 9:01 O'CLOCK A.M.

5436644 8100

140525016

AUTHENTICATION: 1324390

DATE: 04-28-14

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 11:41 AM 04/28/2014
FILED 11:45 AM 04/28/2014
SRV 140525016 - 5436644 FILE

CERTIFICATE OF AMENDMENT
OF
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
NEW BLC CORPORATION

NEW BLC CORPORATION (the "***Corporation***"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "***DGCL***"), DOES HEREBY CERTIFY:

FIRST: The Amended and Restated Certificate of Incorporation of the Corporation, as amended to date, is hereby amended to reflect a change in the name of the Corporation by deleting in its entirety ARTICLE FIRST of the Amended and Restated Certificate of Incorporation and replacing said ARTICLE FIRST with the following:

> "FIRST: The name of the corporation is SLM Corporation (hereinafter the "Corporation")."

SECOND: The sole director of the Corporation has adopted a resolution, by written consent, proposing and declaring advisable the amendment described herein in accordance with the provisions of Sections 141(f) and 242 of the DGCL.

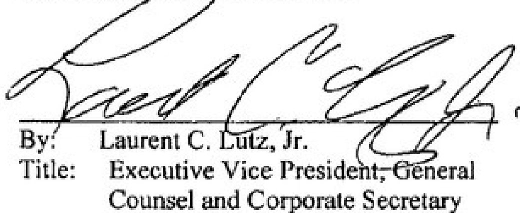
THIRD: In lieu of a meeting and vote of the sole stockholder, the sole stockholder has given written consent to the amendment described herein in accordance with the provisions of Section 228 and Section 242 of the DGCL.

FOURTH: The foregoing amendment was duly adopted in accordance with the provisions of Sections 242 and 228 (by the written consent of the sole stockholder of the Corporation) of the DGCL.

FIFTH: This Certificate of Amendment shall become effective on April 29, 2014 at 9:01 a.m., Eastern Time.

IN WITNESS WHEREOF, the undersigned has executed this Certificate on this 28th day of April, 2014.

NEW BLC CORPORATION



By: Laurent C. Lutz, Jr.
Title: Executive Vice President, General Counsel and Corporate Secretary

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "NEW BLC CORPORATION", FILED IN THIS OFFICE ON THE TWENTY-EIGHTH DAY OF APRIL, A.D. 2014, AT 11:41 O'CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

5436644 8100

140524912

AUTHENTICATION: 1324313

DATE: 04-28-14

You may verify this certificate online
at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 11:41 AM 04/28/2014
FILED 11:41 AM 04/28/2014
SRV 140524912 - 5436644 FILE

**AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
NEW BLC CORPORATION**

New BLC Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

(1) The name of the Corporation is New BLC Corporation, and the name under which the Corporation was originally incorporated was JDB Corporation. The date of filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware was December 2, 2013.

(2) This Amended and Restated Certificate of Incorporation, which restates and further amends the certificate of incorporation of the corporation, has been duly adopted by the corporation in accordance with Section 242 and 245 of the General Corporation Law of the State of Delaware and has been adopted by the requisite vote of the sole stockholder of the corporation, acting by written consent in lieu of a meeting in accordance with Section 228 of the General Corporation Law of the State of Delaware.

(3) The certificate of incorporation of the corporation is hereby amended and restated in its entirety to read as follows:

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF NEW BLC CORPORATION

FIRST: The name of the Corporation is New BLC Corporation (hereinafter the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 2711 Centerville Road, Suite 400, City of Wilmington 19808, County of New Castle. The name of its registered agent at that address is Corporation Service Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware as set forth in Title 8 of the Delaware Code (the "GCL").

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is 1,145,000,000 shares of capital stock, consisting of (i) 1,125,000,000 shares of common stock, par value $.20 per share (the "Common Stock"), and (ii) 20,000,000 shares of preferred stock, par value $.20 per share (the "Preferred Stock").

a. **Common Stock**. The powers, preferences and rights, and the qualifications, limitations and restrictions, of the Common Stock are as follows:

(1) Voting. Except as otherwise expressly required by law or provided in this Certificate of Incorporation, and subject to any voting rights provided to holders of Preferred Stock at any time outstanding, at each annual or special meeting of stockholders, each holder of record of shares of Common Stock on the relevant record date shall be entitled to cast one vote in person or by proxy for each share of the Common Stock standing in such holder's name on the stock transfer records of the Corporation; provided, however, that at all elections of directors of the Corporation, each holder of record of shares of Common Stock on the relevant record date shall be entitled to cast as many votes, in person or by proxy, which (except for this provision) such holder would be entitled to cast for the election of directors with respect to its shares of stock multiplied by the number of directors to be elected at such election, and that such holder may cast all such votes for a single director or may distribute them among the number to be voted for, or for any two or more of them as such holder sees fit.

(2) Dividends. Subject to the rights of the holders of Preferred Stock, and subject to any other provisions of this Certificate of Incorporation, as it may be amended from time to time, holders of shares of Common Stock shall be entitled to receive such dividends and other distributions in cash, stock or property of the Corporation when, as and if declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor.

(3) Liquidation, Dissolution, etc. In the event of any liquidation, dissolution or winding up (either voluntary or involuntary) of the Corporation, the holders of shares of Common Stock shall be entitled to receive the assets and funds of the Corporation available for distribution after payments to creditors and to the holders of any Preferred Stock of the Corporation that may at the time be outstanding, in proportion to the number of shares held by them.

(4) No Preemptive or Subscription Rights. No holder of shares of Common Stock shall be entitled to preemptive or subscription rights.

b. **Preferred Stock**. The Board of Directors is hereby expressly authorized to provide for the issuance of all or any shares of the Preferred Stock in one or more classes or series, and to fix for each such class or series such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such class or series, including, without limitation, the authority to provide that any such class or series may be (i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; or (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions.

c. **Power to Sell and Purchase Shares**. Subject to the requirements of applicable law, the Corporation shall have the power to issue and sell all or any part of any shares of any class of stock herein or hereafter authorized to such persons, and for such consideration, as the Board of Directors shall from time to time, in its discretion, determine, whether or not greater consideration could be received upon the issue or sale of the same number of shares of another class, and as otherwise permitted by law. Unless approved by the affirmative vote of not less than a majority of the voting power of the shares of capital stock of the Corporation then entitled to vote at an election of directors, the Corporation shall not take any action that would result in the acquisition by the Corporation, directly or indirectly, from any person or "group" (as defined in Section 13(d) of the Securities Exchange Act of 1934) of five percent or more of the shares of Common Stock issued and outstanding, at a price in excess of the prevailing market price of such Common Stock, other than pursuant to a tender offer made to all stockholders or to all stockholders owning less than 100 shares of Common Stock.

d. **Limitation on Stockholder Rights Plan.** Notwithstanding any other powers set forth in this Certificate of Incorporation, the Board of Directors shall not adopt a stockholders "rights plan" (which for this purpose shall mean any arrangement pursuant

to which, directly or indirectly, Common Stock or Preferred Stock purchase rights may be distributed to stockholders that provide all stockholders, other than persons who meet certain criteria specified in the arrangement, the right to purchase the Common Stock or Preferred Stock at less than the prevailing market price of the Common Stock or Preferred Stock), unless (i) such rights plan is ratified by the affirmative vote of a majority of the voting power of the shares of capital stock of the Corporation then entitled to vote at an election of directors at the next meeting (annual or special) of stockholders; (ii) by its terms, such rights plan expires within thirty-seven (37) months from the date of its adoption, unless extended by the affirmative vote of a majority of the voting power of the shares of capital stock of the Corporation then entitled to vote at an election of directors; and (iii) at any time the rights issued thereunder will be redeemed by the Corporation upon the affirmative vote of a majority of the voting power of the shares of capital stock of the Corporation then entitled to vote at an election of directors.

FIFTH: Reserved.

SIXTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

a. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

b. The directors shall have concurrent power with the stockholders to make, alter, amend, change, add to or repeal the By-Laws of the Corporation.

c. (1) (i) The number of directors of the Corporation shall be not less than eleven (11) and no more than sixteen (16).

(ii) Directors may be removed with or without cause by a vote of the holders of shares entitled to vote at an election of directors at a duly called meeting of such holders, provided that no director shall be removed for cause except by the affirmative vote of not less than a majority of the voting power of the shares then entitled to vote at an election of directors, and provided further that if less than the entire board of directors is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire board of directors.

(iii) Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Certificate of Incorporation applicable thereto.

(2) A director shall hold office until the succeeding annual meeting (or special meeting in lieu thereof) and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

(3) Any vacancy on the Board of Directors, regardless of whether resulting from death, resignation, retirement, disqualification, removal from office, increase in the size of the Board or otherwise, may be filled by the affirmative vote of a majority of directors then in office, but any vacancy filled in such manner shall be filled only until the next annual meeting of stockholders.

d. No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the GCL or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Article SIXTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

e. In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the GCL, this Certificate of Incorporation, and any By-Laws adopted by the stockholders; provided, however, that no such action by the Board of Directors, unless approved by a majority of the voting shares of capital stock of the Corporation then entitled to vote at an election of directors, shall amend, alter, change or repeal the right of stockholders as provided for in the By-Laws to call a special meeting of stockholders; and provided further that no By-Laws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such By-Laws had not been adopted.

SEVENTH: Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. The books of the Corporation may be kept (subject to any provision contained in the GCL) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation.

EIGHTH: Any action required to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting of stockholders, may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation delivery to its registered office, its principal place of

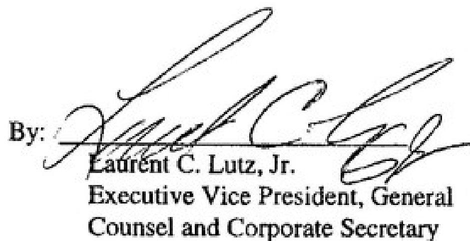
business or an officer or director of the Corporation having custody of the book in which proceedings of meetings of members are recorded.

NINTH: Pursuant to § 203(b)(1) of the GCL, the Corporation hereby expressly opts not to be governed by GCL § 203.

TENTH: Any action by the Board of Directors to make, alter, amend, change, add to or repeal this Certificate of Incorporation shall be approved by the affirmative vote of not less than a majority of the voting power of the shares of capital stock of the Corporation then entitled to vote at an election of directors. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be executed on its behalf this 28th day of April, 2014.

NEW BLC CORPORATION



By: ______________________
Laurent C. Lutz, Jr.
Executive Vice President, General Counsel and Corporate Secretary

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "**Agreement**") dated as of April 21, 2014 is entered into by and between Laurent C. Lutz, a resident of the State of Delaware ("**Executive**"), SLM Corporation, a corporation organized and existing under the laws of the State of Delaware ("**SLM**") and New BLC Corporation, a subsidiary of SLM (together with any successor thereto, the "**Company**").

WHEREAS, the business of SLM is expected to be separated into an education loan management business and a consumer banking business, as described in the Form 10 filed by Navient Corporation with the Securities and Exchange Commission on December 6, 2013, as currently filed or later amended (the "**Separation and Distribution**");

WHEREAS, after the Separation and Distribution, the consumer banking business of SLM, including Sallie Mae Bank (the "**Bank**"), will be operated through the Company, which will become in the Separation and Distribution SLM's successor as a publicly traded company;

WHEREAS, the Board of Directors of SLM (the "**Board**") wishes to retain Executive as Executive Vice President, General Counsel and Corporate Secretary of the Company and the Bank following the Separation and Distribution, and Executive wishes to accept such roles with the Company and the Bank, in each case, on the terms set forth herein; and

WHEREAS, the Board and the Compensation and Personnel Committee of the Board have approved this Agreement and all awards issued hereunder;

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. *Effectiveness.* This Agreement is conditioned in all respects on the effectiveness of the Separation and Distribution. Should the Separation and Distribution not be effective by December 31, 2014, this Agreement shall be void *ab initio* and shall be of no further force or effect. Subject to the effectiveness of the Separation and Distribution, this Agreement shall be considered effective as of the date first written above.

2. *Employment and Term.* Executive hereby agrees to be employed by the Company as Executive Vice President, General Counsel and Corporate Secretary of the Company and the Bank and the Company hereby agrees to employ Executive as Executive Vice President, General Counsel and Corporate Secretary of the Company and the Bank. Executive's employment under this Agreement may be maintained through the Company or another wholly owned subsidiary of the Company used to employ the Company executives, and in such case any reference in this Agreement to employment or termination of employment with the Company shall be deemed to include employment or termination of

employment with the Company or such other subsidiary. The term of this Agreement and of Executive's employment as Executive Vice President, General Counsel and Corporate Secretary of the Company and the Bank under this Agreement shall be the period commencing on the effective date of the Separation and Distribution (the "**Commencement Date**") and ending on the earlier of December 1, 2017 and the effective date of any termination pursuant to the provisions of Section 13 (the "**Term**").

3. *Duties and Title*. During the Term, Executive will have the title of Executive Vice President, General Counsel and Corporate Secretary of the Company and the Bank. Executive agrees to assume such duties and responsibilities as may be reasonably assigned to Executive from time to time by the Board or the Company's Chief Executive Officer, which duties shall include, but not be limited to, (i) direct management responsibility for the Company's Legal and Corporate Secretary functions, (ii) day-to-day administrative oversight of Company's Compliance functions, (iii) collaboration with the Company's Chief Executive Officer, Chief Financial Officer, and the President of the Bank with regard to relationships involving regulators, rating agencies and investor relations, (iv) collaboration with the Company's Chief Executive Officer, Chief Audit Officer, the President of the Bank, and the Board to establish, execute and maintain an effective governance structure, risk framework and operating model for the Company and the Bank and (v) collaboration with the Company's Chief Executive Officer to effectively remove the Cease and Desist Order. Executive shall report directly to the Company's Chief Executive Officer and shall work based out of the Company's Newark, Delaware offices. As requested by the Chief Executive Officer, Executive shall assume such additional positions with respect to subsidiaries of the Company as necessary or appropriate in furtherance of his responsibilities.

4. *Other Business Activities*. During the Term, Executive agrees to devote such time, attention, skill and efforts to the business and affairs of the Company and the Bank as may be required by the Chief Executive Officer or the Board and/or necessary to discharge the duties and responsibilities assigned to Executive hereunder. Executive shall serve the Company and the Bank faithfully and to the best of his ability. In furtherance of the foregoing, and not by way of limitation, for so long as he remains employed by the Company hereunder, Executive shall not directly or indirectly engage in any other business activities or pursuits, except for (a) those arising from positions held as of the Commencement Date as a director or otherwise with charitable or business organizations, and (b) with prior notice to the Chief Executive Officer, activities in connection with (i) service as a volunteer, officer or director or in a similar capacity of any charitable or civic organization, and (ii) serving as a director, executor, trustee or in another similar fiduciary capacity for a non-commercial entity; *provided, however*, that any such activities do not conflict with or materially interfere with Executive's performance of his responsibilities and obligations pursuant to this Agreement.

5. *Base Salary*. During the Term, the Company shall pay Executive a salary at the annual rate of $525,000 (the "**Base Salary**"). The Base Salary shall be subject to all applicable income, Social Security and other taxes and charges which are required by law or 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 as in effect from time to time.

6. *Annual Incentive Compensation*. In light of the awards provided for in this Agreement, for any performance period or portion thereof that occurs during the period starting on the Commencement Date and ending on December 31, 2016, Executive shall not be entitled to participate in the Company's annual incentive compensation program(s) for executive officers with respect to both cash and equity awards, except that Executive shall be entitled to participate in SLM's 2014 Management Incentive Plan solely for the period January 1, 2014 through the Commencement Date, subject to the limitations and conditions set forth in such plan (the "**2014 Stub Bonus**"). In connection with the 2014 Stub Bonus, the Company hereby recognizes Executive shall no longer be entitled to participate in the Company's 2014 Management Incentive Plan after the Commencement Date and therefore the 2014 Stub Bonus will be computed in such a manner that Executive is not penalized for being unable to participate subsequent to the Commencement Date. The 2014 Stub Bonus shall otherwise be payable at the same time, which is expected to be the first quarter of 2015, and in the same form and proportions of cash and/or equity awards as the other executive officers participating in such plan. For the avoidance of doubt, this provision does not impact Executive's rights with respect to the $350,000 and $150,000 cash bonuses related to his contributions to SLM in 2014 and with respect to the Separation and Distribution that were approved by the Compensation Committee on April 7, 2014.

7. *Cash Bonus*. As a material inducement for Executive to continue his employment with the Company following the Separation and Distribution, on the last payroll date before the Commencement Date, Executive will receive a cash bonus equal to $1,150,000 (the "**Retention Bonus**") provided that Executive is employed by SLM as of the payment date. The Retention Bonus is conditioned in all respects on the effectiveness of the Separation and Distribution. Should the Separation and Distribution not be effective by December 31, 2014, Executive agrees to repay to the Company the full amount of the Retention Bonus. Further, in the event Executive's employment is terminated for any reason, either by the Company or Executive, on or before the six-month anniversary of the Commencement Date, Executive agrees to repay to the Company the full amount of the Retention Bonus. In the event Executive resigns for any reason after the six-month anniversary of the Commencement Date and does not give timely notice in accordance with Section 13.1, Executive agrees to repay to the Company a prorated portion of the Retention Bonus, which shall be calculated by multiplying the full value of the Retention Bonus by a ratio, the numerator of which is equal to the number of days during the period from the Commencement Date through August 31, 2015 that remain following the termination date of the

Executive, and the denominator of which is the total number of days during the period from the Commencement Date through August 31, 2015; *provided* that, in the event Executive's employment terminates by reason of his death or Disability, no such repayment is required by Executive or his executors, legal representatives, administrators, heirs or assigns.

8. *Equity Awards.*

(a) As a material inducement for Executive to continue his employment with the Company following the Separation and Distribution, on April 21, 2014 Executive will be granted a restricted stock unit award with a grant date fair value of $5,750,000 (the "**Retention RSU Award**") under SLM's 2012 Omnibus Incentive Plan, or its successor plan, pursuant to the terms of such plan and a restricted stock unit award agreement issued thereunder substantially in the form of Exhibit A hereto. The Retention RSU Award will cliff vest on November 30, 2017, subject to the effectiveness of the Separation and Distribution and Executive's continuous employment with the Company through and including November 30, 2017; *provided* that (x) in the event of Executive's (i) termination due to Disability or Death, (ii) Termination Without Misconduct or (iii) Termination For Good Reason or (y) to the extent any other earlier termination would result in accelerated vesting pursuant to the award agreement with respect to the Retention RSU Award, the award shall vest on the date of such termination and convert into shares of common stock (such conversion, a "**settlement**") on November 30, 2017, except that (x) upon death or Disability (*provided* that such Disability qualifies as a "disability" within the meaning of Treasury Regulation Section 1.409A-3(i)(4)), the Retention RSU Award will settle on the date of such termination, and (y) if a different settlement date is provided for in the award agreement underlying the Retention RSU Award, the award shall settle on such date. For the avoidance of doubt, the Retention RSU Award will be forfeited in full if the Separation and Distribution does not become effective by December 31, 2014 or the Company terminates Executive's employment for Misconduct or Executive terminates employment Without Good Reason prior to November 30, 2017.

(b) Following the Commencement Date and at the time granted to other executives receiving the remaining portion of their 2014 annual equity award after the Commencement Date, Executive will be granted the remaining one-third of Executive's 2014 annual equity award in the form of an award with a grant date fair value of $597,667 (the "**2014 Award**") under the Company's equity incentive plan pursuant to the terms of such plan and an award agreement issued thereunder, which such award agreement shall be consistent, to the extent applicable, with the form of award agreement used for other senior executives with respect to 2014 equity awards granted by the Company; *provided* that such award agreement shall contain terms consistent with Section 13.

(c) As of the date hereof, Executive held the equity awards with respect to SLM as set forth on Exhibit B hereto (the "**Existing Awards**"). The Existing Awards will continue to vest in accordance with their respective terms as of the date hereof; *provided* that, notwithstanding anything to the contrary in the award agreements of the Existing Awards, in the event of Executive's (1) termination due to Disability or Death, (2) Termination Without Misconduct, (3) Termination For Good Reason or (4) provided that Executive gives timely notice in accordance with Section 13.1, resignation for any reason during the period beginning on the Commencement Date and ending on November 29, 2015 (*i.e.*, notice must be given by August 31, 2015) each Existing Award shall vest and settle as provided in Section 13 and in the Severance Letter.

9. *Other Benefits.*

(a) *Retirement Plans.* During the Term, to the extent permissible under the terms of the applicable plans, Executive shall be entitled to participate in all tax-qualified and non-tax-qualified pension plans maintained or contributed to by the Company or for the benefit of its executives, in accordance with their terms as they may be amended from time to time in the discretion of the Company.

(b) *Medical Insurance.* During the Term, Executive shall be entitled to participate in any medical and dental insurance plans generally available to the senior management of the Company, in accordance with the terms of such plans as they may be amended from time to time in the discretion of the Company.

(c) *Other Benefit Plans.* During the Term, Executive shall be entitled to receive or participate in such further retirement, savings, deferred compensation, matching gift program, life insurance, health or welfare benefit plans offered to the Company's senior management generally, in accordance with the terms of such plans as they may be amended from time to time in the discretion of the Company.

(d) *Expenses.* The Company agrees to reimburse Executive for all reasonable, ordinary and necessary business expenses incurred by Executive in performing his duties pursuant to this Agreement, in accordance with the Company's reimbursement policies generally applicable to management personnel. In no event shall any such reimbursement be paid later than the end of the calendar year following the year in which the expense was incurred.

(e) *Indemnification.* The Company shall indemnify Executive as provided in the Company's Articles of Incorporation and Bylaws, to the fullest extent provided to directors and officers thereunder with respect to Executive's activities on behalf of the Company.

10. *No Other Compensation.* Except as set forth in Sections 5 through 9 above, Executive shall have no right to any other remuneration from SLM or the Company, or any of their respective affiliates, in respect of his services as Executive Vice President, General Counsel and Corporate Secretary of the Company and the Bank during the Term.

11. *Severance.* During the Term, Executive shall not be entitled to receive any cash severance upon a termination of employment for any reason, either by the Company or Executive, except that Executive shall be entitled to cash severance pursuant to the letter to Executive from SLM with respect to severance dated June 20, 2013 (the "**Severance Letter**") if Executive should elect to exercise the rights provided in the Severance Letter in accordance with its terms during the period from the Commencement Date through the six-month anniversary of the Commencement Date. For the avoidance of doubt, the Severance Letter does not provide for benefits upon a termination due to death or disability and the Company is under no obligation to consider Executive eligible to participate in any severance or change in control plans that it may have from time to time, including any successor plans to SLM's Executive Severance Plan and Change in Control Severance Plan.

12. *Nondisclosure of Confidential Information.*

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

        (i) *Business Procedures.* All information concerning or relating to the way SLM, the Company and their respective subsidiaries conduct their businesses, which is not generally known to the public or within the industry or trade in which SLM, the Company or their respective subsidiaries compete (such as 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).

(ii) *Marketing Plans and Customer Lists.* All information not generally known to the public or within the industry or trade in which SLM, the Company or their respective subsidiaries compete pertaining to SLM's, the Company's or their respective subsidiaries' 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.

(iii) *Business Ventures.* All information not generally known to the public or within the industry or trade in which SLM, the Company or their respective subsidiaries operate concerning new product development, negotiations for new business ventures, future business plans, and similar information and the physical embodiments of such information.

(iv) *Software.* All information relating to SLM's, the Company's and their respective subsidiaries' software or hardware in operation or various stages of research and development, which are not generally known to the public or within the industry or trade in which SLM, the Company or their respective subsidiaries compete and the physical embodiments of such information.

(v) *Litigation.* Information which is not a public record and is not generally known to the public or within the industry or trade in which SLM, the Company or their respective subsidiaries compete regarding litigation and potential litigation matters and the physical embodiments of such information.

(vi) *Policy Information.* Information not of a public nature regarding the policies and positions that have been or will be advocated by SLM, the Company or their respective subsidiaries with government officials, the views of government officials toward such policies and positions, and the status of any communications that SLM, the Company or their respective subsidiaries may have with any government officials.

(vii) *Information Not Generally Known.* Any information which (A) is not generally known to the public or within the industry or trade in which SLM, the Company or their respective subsidiaries compete, (B) gives SLM, the Company or their respective subsidiaries a significant advantage over its or their competitors, or (C) has significant economic value or potentially significant economic value to SLM, the Company or their respective subsidiaries, including the physical embodiments of such information.

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

13. Termination of Employment.

13.1. *Employment At-Will and Notice.* Executive shall be employed by the Company under this Agreement on an at-will basis meaning that Executive's employment by the Company may be terminated by Executive or the Company at any time during the Term, with or without cause, and for no reason or any reason. In the event of a termination by Executive, Executive shall give the Company 90 days' notice of his intention to terminate his employment for any reason.

13.2. *Disability and Death.*

(a) *Disability.* If Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under the Company's disability plan available generally to all employees (any such situation, "**Disability**"), the Company may terminate Executive's employment hereunder due to Disability. The determination of whether Executive has a Disability under this Agreement shall be made by the compensation committee of the Company's board of directors (the "**Compensation Committee**"), which shall consider the information presented by Executive's personal physician and by any other advisors, including any other physician, which the Compensation Committee determines appropriate. The determination of the Compensation Committee shall be final and binding, unless it is determined to have been arbitrary and capricious. If the employment of Executive terminates during the Term due to the Disability of Executive, the Company shall provide to Executive (i) whatever benefits are available to him under any disability benefit plan(s) in which Executive participates as an employee of the Company at the time of such termination to the extent Executive satisfies the requirements of such plan(s), and (ii) the payments and benefits set forth in Section 13.2(c).

(b) *Death.* If Executive dies during the Term, the Company shall provide to Executive's executors, legal representatives or administrators the

payments and benefits set forth in Section 13.2(c). Except as specifically set forth in this Section 13.2 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 payable to them as beneficiaries under any insurance policy or other benefit plans in which Executive participates as an employee of the Company at the time of such termination to the extent Executive satisfies the requirements of such plan(s) and to exercise any rights afforded them under any benefit plan then in effect.

(c) *Payments and Benefits Upon Disability or Death.* Upon termination of the employment of Executive due to death or Disability during the Term, the Company shall provide Executive with (i) within 30 days after the Company receives notice of Executive's Disability or death, a payment in an amount equal to all accrued but unpaid Base Salary through the date of termination of employment and (ii) full vesting of his Retention RSU Award, 2014 Award and Existing Awards; *provided* that each such award, to the extent it is a restricted stock unit, shall settle at the time(s) and amount(s) it would have settled absent a termination pursuant to the terms of the applicable award agreement underlying such award unless the award agreement provides for alternative settlement date(s) upon a termination due to death or Disability. Further, upon and following Executive's termination of employment due to death or Disability during the Term, Executive and Executive's eligible dependents or survivors shall be entitled to medical and dental insurance benefits as provided in Section 9(b) for a period ending on the 18-month anniversary of the termination date.

13.3. Termination By Company Without Misconduct.

(a) The Chief Executive Officer or the Board may terminate Executive's employment hereunder at any time for any reason other than Misconduct upon written notice to Executive ("**Termination Without Misconduct**"). For the purposes of this Agreement, "**Misconduct**" means (i) embezzlement, fraud, conviction of a felony crime, pleading guilty or *nolo contendere* to a felony crime, or breach of fiduciary duty or deliberate disregard of the Company's or the Bank's Code of Business; (ii) personal dishonesty of Executive materially injurious to the Company or the Bank; (iii) an unauthorized disclosure of any proprietary information; or (iv) competing with the Company or the Bank in contravention of any restrictive covenants applicable to Executive.

(b) In the event of a Termination Without Misconduct, the Company shall provide Executive with (i) within 30 days after termination, a payment in an amount equal to all accrued but unpaid Base Salary through the date of termination of employment and (ii) full vesting of his Retention RSU

Award, 2014 Award and Existing Awards; *provided* that each such award, to the extent it is a restricted stock unit, shall settle at the time(s) and the amount(s) it would have settled absent a termination pursuant to the terms of the applicable award agreement underlying such award unless the award agreement provides for alternative settlement date(s) upon a Termination Without Misconduct. Further, upon and following Executive's Termination Without Misconduct during the Term, Executive and Executive's eligible dependents or survivors shall be entitled to medical and dental insurance benefits as provided in Section 9(b) for a period ending on the earlier of (x) the 18-month anniversary of the termination date and (y) the date on which Executive becomes eligible for coverage under a subsequent employer's plan.

13.4. Termination By Executive For Good Reason.

(a) Executive may terminate his employment hereunder at any time for Good Reason ("**Termination For Good Reason**"). For purposes of this Agreement, "**Good Reason**" means without the consent of Executive (i) a material reduction in the position or responsibilities of Executive not including a change in title only, including, without limitation, a material decrease in the annual compliance budget, a material decrease in the annual legal budget or engagement of outside counsel to the Company or the Bank or a division or subsidiary thereof without Executive's approval (other than engagement of special counsel by the Board (or a committee thereof) in connection with matters with respect to Executive); (ii) a material reduction in Executive's base salary; or (iii) a relocation of Executive's primary work location to a distance of more than 75 miles from its location as of the Commencement Date. If Executive continues his employment with the Company for more than six months after the occurrence of an event that constitutes Good Reason, then Executive shall be deemed to have given his consent to such event.

(b) In the event of a Termination For Good Reason, the Company shall provide Executive with (i) upon termination, provided that Executive has given timely notice in accordance with Section 13.1, or otherwise within 30 days after termination, a payment in an amount equal to all accrued but unpaid Base Salary through the date of termination of employment and (ii) full vesting of his Retention RSU Award, 2014 Award and Existing Awards; *provided* that each such award, to the extent it is a restricted stock unit, shall settle at the time(s) and in the amount(s) it would have settled absent a termination pursuant to the terms of the applicable award agreement underlying such award unless the award agreement provides for alternative settlement date(s) upon a Termination For Good Reason. Further, upon and following Executive's Termination For Good Reason during the Term, Executive and Executive's eligible dependents or survivors shall be entitled to medical and dental insurance benefits as provided in Section 9(b) for a period ending on the earlier of (x) the 18-

month anniversary of the termination date and (y) the date on which Executive becomes eligible for coverage under a subsequent employer's plan.

13.5. Termination By Company For Misconduct; Termination By Executive Without Good Reason.

(a) *Termination for Misconduct.* The Chief Executive Officer or the board of directors of the Company may terminate Executive's employment hereunder at any time for Misconduct.

(b) *Termination By Executive Without Good Reason.* Executive may terminate his employment hereunder at any time other than by reason of a Termination For Good Reason (a termination "**Without Good Reason**").

(c) In the event that Executive's employment with the Company terminates as a result of a termination by the Company for Misconduct or by Executive Without Good Reason, Executive shall receive all accrued but unpaid Base Salary and benefits as of the effective date of termination. In the event that Executive's employment with the Company terminates as a result of a termination by the Company for Misconduct or by Executive Without Good Reason, Executive is entitled to no other payments or benefits and Executive shall forfeit any unvested equity awards outstanding at the time of such termination; *provided, however*, that in the event that Executive's employment with the Company is terminated by Executive Without Good Reason during the period beginning on the Commencement Date and ending on November 29, 2015 (*i.e.*, notice must be given by August 31, 2015) and Executive gives timely notice of such termination in accordance with Section 13.1, the 2014 Award and Existing Awards will fully vest upon such termination; *provided further* that each such award, to the extent it is a restricted stock unit, shall settle at the time(s) and in the amount(s) it would have settled absent a termination pursuant to the terms of the applicable award agreement underlying such award unless the award agreement provides for alternative settlement date(s) upon such a termination.

13.6. *Termination after a Change of Control.* For the avoidance of doubt, the provisions of this Section 13 shall remain in full force and effect following any change in control of the Company (which, for the avoidance of doubt, shall not include the Separation and Distribution or any related transactions).

14. *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 are or would be inconsistent or in conflict with this Agreement or Executive's employment hereunder, or

which 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 period covered by the restrictive covenants.

15. *Survival of Provisions*. The provisions of this Agreement that by their nature are intended to survive the termination of this Agreement, such as the nondisclosure obligations in Section 12 hereof and the requirement to pay all amounts payable to Executive and to deliver all post-termination compensation and benefits to Executive, shall survive the termination of this Agreement.

16. *Successors and Assigns*. This Agreement shall inure to the benefit of and be binding upon SLM, the Company and their respective successors or permitted assigns and Executive and his executors, administrators or heirs. For purposes of this Agreement, the term "**successor**" shall include the ultimate parent corporation of any corporation involved in a merger, consolidation, or reorganization with or including SLM or the Company, as applicable, that results in the stockholders of SLM or the Company, as applicable, immediately before such merger, consolidation or reorganization owning, directly or indirectly, immediately following such merger, consolidation or reorganization, securities of another corporation, regardless of whether any such merger, consolidation or reorganization is deemed to constitute a Change of Control for purposes of this Agreement. 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. Neither SLM nor the Company may assign any obligations or responsibilities under this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of Executive; however, at any time during the Term, the Company may provide, without the prior written consent of Executive, that Executive shall be employed pursuant to this Agreement by any of its subsidiaries, and in such case all references herein to the "**Company**" shall be deemed to include any such entity, *provided* that such action shall not relieve the Company of its obligation to make or cause an affiliate to make or provide for any payment to or on behalf of Executive pursuant to this Agreement. The Board or the board of directors of the Company may assign any or all of its responsibilities hereunder to any committee of the Board or the board of directors of the Company, respectively, in which case references to Board or the board of directors of the Company shall be deemed to refer to such committee.

17. *Approvals*. Executive may request certified copies of the resolutions related to the approval of this Agreement by the Board and the Compensation and Personnel Committee.

18. *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 18, 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 at his address on file with the Company at the applicable time.

(b) If to SLM:

SLM Corporation
300 Continental Drive
Newark, DE 19713
Attention: Chief Executive Officer
Fax No. (703) 984-5675

or, if different, SLM's address and fax number at the applicable time

(c) If to the Company:

SLM Corporation (or, if different, the Company's name at the applicable time)
300 Continental Drive
Newark, DE 19713
Attention: Chief Executive Officer
Fax No. (703) 984-5675

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 business days after the date mailed if mailed by certified or registered mail. Any notice of any change of 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 be waived in writing by the party entitled to receive such notice.

19. *Entire Agreement*. 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, including any term sheets, with respect to the terms of Executive's employment by the Company and the Bank except any equity award agreements referenced herein and any restrictive covenants to which Executive is subject. Without limiting the foregoing, this Agreement expressly supersedes (i) the Employment Agreement dated as of January 5, 2011 as entered into by and between Executive and SLM and (ii) with respect to the treatment of equity awards, the Severance Letter.

20. *Amendments; Waiver*. This Agreement may be amended or modified only by a written instrument signed (i) prior to the Commencement Date, by all parties hereto and (ii) on or after the Commencement Date, by the Company and Executive. 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.

21. *Governing Law*. This Agreement shall be governed and construed as to its validity, interpretation and effect by the laws of the State of Delaware.

22. *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.

23. *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.

24. *Conflicts*. In the event any of the terms of this Agreement are in conflict with any plan or other documents referenced herein, the terms of this Agreement shall control. Notwithstanding the above, in the event of a conflict between the terms of an equity incentive plan under which an equity award referenced herein is grant (including SLM's 2012 Omnibus Incentive Plan) and this Agreement, the terms of such equity incentive plan govern; *provided* that this Agreement will be read to preserve to the greatest extent possible the economic terms provided herein.

25. *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.

26. *Taxes; Section 409A*. SLM or the Company, as applicable, shall deduct and withhold from any amount payable to Executive all taxes and any other amounts that are required to be withheld pursuant to applicable law. This Agreement shall be interpreted and administered in a manner so that any amount or benefit payable hereunder shall be paid or provided in a manner that is either exempt from or compliant with the requirements of Section 409A of the Internal Revenue Code and applicable Internal Revenue Service guidance and Treasury Regulations issued thereunder ("**Section 409A**"). Nevertheless, the tax treatment of the amounts or benefits provided under this Agreement is not warranted or guaranteed. Neither SLM, the Company, the Bank nor their respective directors, officers, employees or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by Executive as a result of the application of Section 409A. Notwithstanding anything in this Agreement to the contrary, any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A and that would otherwise be payable or distributable hereunder by reason of Executive's termination of employment, will not be payable or distributable to

Executive unless the circumstances giving rise to such termination of employment meet any description or definition of "separation from service" in Section 409A and applicable regulations (without giving effect to any elective provisions that may be available under such definition). This provision does not prohibit the vesting of any amount upon Executive's termination of employment or the determination of the amounts owed to him due to such termination. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the date, if any, on which an event occurs that constitutes a Section 409A-compliant "separation from service," subject to any permissible acceleration of payment by the Bank under Treas. Reg. Section 1.409A-3(j)(4).

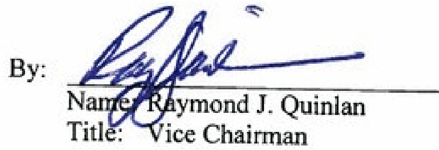
27. *Specific Enforcement; Extension of Period.* Executive acknowledges that the restrictions contained in Section 12 hereof are reasonable and necessary to protect the legitimate interests of SLM, the Company and the Bank and their respective subsidiaries and that neither SLM nor the Company would have entered into this Agreement in the absence of such restrictions. Executive also acknowledges that any breach by him of Section 12 hereof will cause continuing and irreparable injury to SLM and/or the Company for which monetary damages would not be an adequate remedy. Executive shall not, in any action or proceeding by SLM or the Company to enforce Section 12 of this Agreement, assert the claim or defense that an adequate remedy at law exists. In the event of such breach by Executive, SLM and the Company shall have the right to enforce the provisions of Section 12 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 SLM or the Company. In the event that the provisions of Section 12 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.

28. *Arbitration.* Any dispute or claim, other than those referred to in Section 27, arising out of or relating to this Agreement or otherwise relating to the employment relationship between Executive and the Company (including but not limited to any claims under Title VII of the Civil Rights Act of 1964, as amended; the Americans with Disabilities Act; the Age Discrimination in Employment Act; the Family Medical Leave Act; and the Employee Income Retirement Security Act) shall be submitted to arbitration in New Castle County, Delaware, and except as otherwise provided in this Agreement shall be conducted in accordance with the rules of, but not under the auspices of, the American Arbitration Association. The arbitration shall be conducted before an arbitration tribunal comprised of three individuals, one selected by the Company, one selected by Executive, and the third selected by the first two. The parties and the arbitrators selected by them shall use their best efforts to reach agreement on the identity of the tribunal within ten business days of either party to this Agreement submitting to the other party a written demand for arbitration. The proceedings before the tribunal shall take place within 20 business days of the selection thereof. Executive and the Company agree that such arbitration will be confidential and no details,

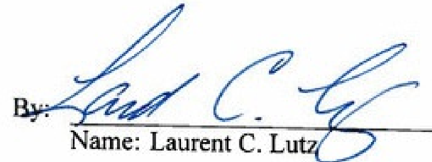
descriptions, settlements or other facts concerning such arbitration shall be disclosed or released to any third party without the specific written consent of the other party, unless required by law or court order or in connection with enforcement of any decision in such arbitration. Any damages awarded in such arbitration shall be limited to the contract measure of damages, and shall not include punitive damages. The parties shall equally divide the costs of the arbitrators, and each party shall bear his or its attorneys' fees and other costs, except that the arbitrators may specifically direct one party to bear the entire cost of the arbitration, including all attorneys' fees, if the arbitrators determine that such party acted in bad faith.

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

SLM CORPORATION

By: 
Name: Raymond J. Quinlan
Title: Vice Chairman

EXECUTIVE:

By: 
Name: Laurent C. Lutz

NEW BLC CORPORATION

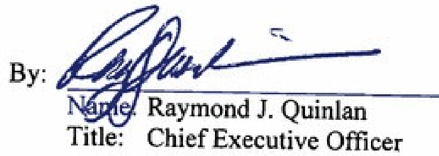
By: 
Name: Raymond J. Quinlan
Title: Chief Executive Officer

Exhibit A

SLM Corporation 2012 Omnibus Incentive Plan
Restricted Stock Unit Term Sheet

Pursuant to the terms and conditions of the SLM Corporation 2012 Omnibus Incentive Plan (together with any successor plan thereto, the "**Plan**"), the Compensation and Personnel Committee of the SLM Corporation Board of Directors (the "**Committee**") hereby grants to Laurent Lutz (the "**Grantee**") on April 21, 2014 (the "**Grant Date**") an award (the "**Award**") of _______ shares of Restricted Stock Units ("**RSUs**"), which represent the right to acquire shares of common stock of SLM Corporation (the "**Corporation**") subject to the following terms and conditions (this "**Agreement**"):

1. Effectiveness. This Agreement is conditioned in all respects on the effectiveness of the Separation and Distribution (as defined in the Grantee's Employment Agreement with SLM Corporation and New BLC Corporation dated April 21, 2014, the "**Employment Agreement**"). Should the Separation and Distribution not be effective by December 31, 2014, this Agreement shall be void *ab initio* and shall be of no further force or effect. Subject to the effectiveness of the Separation and Distribution, this Agreement shall be considered effective as of the Grant Date. After the effective date of the Separation and Distribution, all references herein to the "Corporation" shall be read to mean New BLC Corporation, SLM's successor as a publicly traded company to SLM Corporation and references herein to the "Committee" shall be read to mean the compensation committee of New BLC Corporation.

2. Vesting Schedule. Unless vested earlier as set forth below, the Award will vest, and will be converted into shares of common stock, on November 30, 2017 (the "**Vesting Date**"), subject to the effectiveness of the Separation and Distribution and the continued employment of the Grantee through the Vesting Date, except as provided below.

3. Employment Termination; Death; Disability. If prior to the Vesting Date, the Grantee voluntarily ceases to be an employee of the Corporation (or one of its subsidiaries) Without Good Reason (as defined in the Employment Agreement) or his employment is terminated by the Corporation for Misconduct (as defined in the Employment Agreement), he shall forfeit the Award.

   If prior to the Vesting Date, the Grantee's employment is Terminated Without Misconduct or is Terminated For Good Reason (as each such term is defined in the Employment Agreement), the Award will vest on the date of such termination. In such a case, the Award will not be converted into shares of common stock until the Vesting Date.

If not previously vested, the Award will vest, and will be converted into shares of common stock, upon death or Disability (as defined in the Employment Agreement); *provided* that such Disability qualifies as a "disability" within the meaning of Treasury Regulation Section 1.409A-3(i)(4).

Notwithstanding anything stated herein, the Plan or in the SLM Corporation Change in Control Severance Plan for Senior Officers or any successor plan thereto, this Award shall not be subject to the terms set forth in the SLM Corporation Change in Control Severance Plan for Senior Officers or any successor plan thereto.

Upon the Separation and Distribution, this Award shall convert into restricted stock units with respect to the Corporation's successor.

4. Change in Control. Notwithstanding anything to the contrary in this Agreement:

4.1. In the event of a Change in Control in which the acquiring or surviving company in the transaction does not assume or continue outstanding Awards upon the Change in Control, then any portion of the Award that is not vested shall become 100 percent vested; *provided, however*, the conversion of the accelerated portion of the RSUs into shares of common stock (*i.e.*, the settlement of the Award) will nevertheless be made on November 30, 2017 or, if earlier, upon the termination of Grantee's employment upon death or Disability, Termination Without Misconduct or Termination For Good Reason.

4.2. If Grantee's employment shall terminate within twenty-four months following a Change in Control for any reason other than (i) by the Corporation for Misconduct or (ii) by Grantee's voluntary termination of employment Without Good Reason, any portion of the Award not previously vested shall immediately become vested, and shall be converted into shares of common stock, upon such employment termination.

5. Taxes; Dividends. The Grantee of the Award shall make such arrangements as may reasonably be required by the Corporation, including transferring a sufficient number of shares of the Corporation's stock, to satisfy the income and employment tax withholding requirements that accrue upon the Award becoming vested or, if applicable, settled in shares of the Corporation's common stock (by approving this Agreement, the Committee hereby approves the transfer of such shares to the Corporation for purposes of SEC Rule 16b-3). Dividends declared on an unvested Award will not be paid currently. Instead, amounts equal to such dividends will be credited to an account established on behalf of the Grantee and such amounts will be deemed to be invested in additional shares of the Corporation's common stock ("**Dividend Equivalents**"). Such Dividend Equivalents will be subject to the same vesting schedule to which the Award is subject. Upon vesting of any portion of the Award, the amount of Dividend

Equivalents allocable to such Award (and any fractional share amount) will also vest and will be converted into shares of the Corporation's common stock (provided that any fractional share amount shall be paid in cash).

6. Section 409A. For purposes of section 409A of the Internal Revenue Code, the regulations and other guidance thereunder and any state law of similar effect (collectively "**Section 409A**"), each payment and benefit payable under this Agreement is hereby designated as a separate payment. The parties intend that all RSUs provided under this Agreement and shares issuable hereunder comply with or be exempt from the requirements of Section 409A so that none of the payments or benefits will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the RSUs is to be accelerated in connection with the Grantee's termination of service, such accelerated RSUs will not be settled by virtue of such acceleration until and unless the Grantee has a "separation from service" within the meaning of Section Treasury Regulation 1-409A-1(h), as determined by the Corporation, in its sole discretion. Further, and notwithstanding anything in the Plan or this Agreement to the contrary, if (x) any of the RSUs to be provided in connection with the Grantee's separation from service do not qualify for any reason to be exempt from Section 409A, (y) the Grantee is, at the time of such separation from service, a "specified employee" (as defined in Treasury Regulation Section 1.409A-1(i)) and (z) the settlement of such RSUs would result in the imposition of additional tax under Section 409A if such settlement occurs on or within the six (6) month period following the Grantee's separation from service, then, to the extent necessary to avoid the imposition of such additional taxation, the settlement of any such RSUs during such six (6) month period will accrue and will not be settled until the date six (6) months and one (1) day following the date of the Grantee's separation from service and on such date (or, if earlier, the date of the Grantee's death), such RSUs will be settled.

7. Clawback Provision. Notwithstanding anything to the contrary herein, if the Board of Directors of the Corporation, or an appropriate committee thereof, determines that, any material misstatement of financial results or a performance metric criteria has occurred as a result of the Grantee's conduct or the Grantee has committed a material violation of corporate policy or has committed fraud or Misconduct, then the Board or committee shall consider all factors, with particular scrutiny when one of the top 20 members of management are involved, and the Board or such committee, may in its sole discretion require reimbursement of any compensation resulting from the vesting, exercise or settlement of Options and/or Restricted Stock/RSUs and the cancellation of any outstanding Options and/or Restricted Stock/RSUs from the Grantee (whether or not such individual is currently employed by the Corporation) during the three-year period following the date the Board first learns of the violation, fraud or Misconduct.

8. Securities Law Compliance. The Corporation may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any transfer or sale by the Grantee of any shares of the Corporation's common stock, including without limitation (a) restrictions under an insider trading policy and (b) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the shares of the Corporation's common stock. The sale of the shares must also comply with other applicable laws and regulations governing the sale of such shares.

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

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

11. Board Interpretation. The Grantee hereby agrees to accept as binding, conclusive, and final all decisions and interpretations of the Board and, where applicable, the Committee concerning any questions arising under this Agreement or the Plan.

12. No Right to Continued Employment. Nothing in the Plan, in this Agreement or any other instrument executed pursuant thereto or hereto shall confer upon the Grantee any right to continued employment with the Corporation or any of its subsidiaries or affiliates.

13. Amendments for Accounting Charges. The Committee reserves the right to unilaterally amend this Agreement to reflect any changes in applicable law or financial accounting standards.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

15. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if personally delivered, telefaxed or telecopied to, or, if mailed, when received by, the other party at the following addresses:

If to the Corporation to:

Human Resources Department – HR Compensation & Workforce Analytics
ATTN: Equity Plan Administration
300 Continental Drive
Newark, DE 19713

If to the Grantee, to (i) the last address maintained in the Corporation's Human Resources files for the Grantee or (ii) the Grantee's mail delivery code or place of work at the Corporation (or its subsidiaries).

16. Plan Controls; Entire Agreement; Capitalized Terms. In the event of any conflict between the provisions of this Agreement and the provisions of the Plan, the terms of the Plan control, except as expressly stated otherwise herein. This Agreement, the Plan and the Employment Agreement together set forth the entire agreement and understanding between the parties as to the subject matter hereof and supersede all prior oral and written and all contemporaneous or subsequent oral discussions, agreements and understandings of any kind or nature. Capitalized terms not defined herein shall have the meanings as described in the Plan.

17. Miscellaneous. In the event that any provision of this Agreement is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of this Agreement shall not be affected except to the extent necessary to reform or delete

such illegal, invalid or unenforceable provision. The headings in this Agreement are solely for convenience of reference, and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect. The Grantee shall cooperate and take such actions as may be reasonably requested by the Corporation in order to carry out the provisions and purposes of this Agreement. The Grantee is responsible for complying with all laws applicable to the Grantee, including federal and state securities reporting laws.

Accepted by:

____

____
Date

SLM CORPORATION

BY:

Exhibit B

Existing Equity Awards

Grant ID	Grant Date	Grant Type	Exercise Price ($)	Remaining Shares Outstanding
SLM000166035	01/05/2011	SAR	12.81	200,000
SLM000177462	02/03/2012	SAR	15.99	107,775
SLM000176350	02/03/2012	PU	--	58,369
SLM000176145	02/03/2012	RSU	--	8,648
SLM000193429	02/07/2013	SAR	17.91	181,459
SLM000192315	02/07/2013	PU	--	68,496
SLM000193552	02/07/2013	RSU	--	11,826
SLM000203712	02/04/2014	RSU	--	54,556
SLM000204857	02/04/2014	RSU	--	16,317

SALLIE MAE
EMPLOYEE STOCK PURCHASE PLAN
Amended and Restated as of June 25, 2014

Exhibit 10.2

1. PURPOSE

The purpose of the Sallie Mae Employee Stock Purchase Plan (the "Plan") is to motivate employees of SLM Corporation (the "Corporation") and subsidiaries owned more than 50% by the Corporation or which the Corporation controls (collectively the "Employers") to achieve corporate goals and to encourage equity ownership in the Corporation in order to increase proprietary interest in the Corporation's success.

2. ADMINISTRATION

(a) The Plan shall be administered by the Nominations, Governance, and Compensation Committee of the Board of Directors (the "Committee") or such other committee as the Committee may delegate. In addition to its duties with respect to the Plan, the Committee shall have full authority, consistent with the Plan, to interpret the Plan, to promulgate such rules and regulations with respect to the Plan as it deems desirable, to delegate its responsibilities hereunder to appropriate persons and to make all other determinations necessary or desirable for the administration of the Plan. All decisions, determinations and interpretations of the Committee shall be binding upon all persons.

(a) The rights to purchase stock ("Options") that are granted under this Plan shall constitute non-qualified stock options that are not intended to qualify under Section 423 of the Internal Revenue Code of 1986, as amended from time to time (the "Code"). However, the Plan is intended to comply with Section 409A of the Code and will be interpreted in a manner intended to comply with Section 409A of the Code.

3. SHARES SUBJECT TO THE PLAN

The stock that may be purchased under the Plan is common stock, $.20 par value, of the Corporation. The aggregate number of shares that may be purchased pursuant to the Plan is 15,326,214 shares, subject to any adjustment pursuant to Paragraph 4. Such shares may be previously-issued stock reacquired by the Corporation, authorized, but unissued stock, or stock that is purchased on the open market by the Corporation.

If at any time the number of shares to be purchased in an Offering Period, as defined in Paragraph 5(c), causes the total number of shares offered under the Plan to exceed the above stated limit, then the number of shares that may be purchased by each Participant in that Offering Period shall be reduced pro rata.

4. ADJUSTMENTS FOR CHANGES IN CAPITALIZATION

If any change is made in, or other events occur with respect to, the Corporation's stock subject to the Plan or subject to any Option granted under this Plan without receipt of consideration by the Corporation (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, extraordinary cash dividend, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Corporation, each an "Adjustment Event"), the Plan shall be adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to Section 3 and the outstanding Options granted under this Plan shall be maintained in the same equivalent economic position with respect to the class(es) and number of securities and price per share of Corporation stock subject to such outstanding Options. The Committee shall be responsible for determining whether an Adjustment Event has occurred for purposes of this Section 4. If an Adjustment Event has occurred, the Committee shall make such adjustments as described herein, and its determination shall be final, binding and conclusive. No fractional interests shall be issued under the Plan based on such adjustments. The Committee shall not make any adjustment pursuant to this Section 4 that would cause an Option that is otherwise exempt from Section 409A of the Code to become subject to Section 409A of the Code, or that would cause an Option that is subject to Section 409A of the Code to fail to satisfy the requirements of Section 409A of the Code.

5. DEFINITIONS

(a) Eligible Compensation. The term "Eligible Compensation" shall mean the regular salary and hourly wages (calculated at the regular hourly rate, including payments for sick leave, vacation, paid time-off, holidays, jury duty, bereavement and other paid leaves of absence). In addition commissions (i.e., amounts paid to Participants by an Employer related to a particular transaction or sale) paid by an Employer to a Participant during the Offering Period are considered "Eligible Compensation." "Eligible Compensation" shall not include other forms of compensation such as short-term disability payments, severance payments, incentive compensation, equity compensation and overtime pay.

(b) Entry Date. The term "Entry Date" shall mean the first day of each Plan Year, except that for eligible employees hired

after the first day of any Plan Year and on or prior to January 1st, the initial “Entry Date” shall mean the first day of the month following their commencement of employment with the Corporation or an Employer. For the avoidance of doubt, if an employee is hired after January 1st, the “Entry Date” for such employee shall be the first day of the next Plan Year.

(c) Offering Period. The term "Offering Period" shall mean the 12-month period beginning with the first day of each Plan Year, except that for eligible employees hired after the first day of any Plan Year and on or prior to January 1st, the initial “Offering Period” shall mean the period beginning with the first day of the month in which benefits are otherwise effective following their commencement of employment with the Corporation or an Employer and ending on the immediately following July 31st.

(d) Plan Year. The Plan will follow a twelve month cycle starting each August 1st and ending the next July 31st, or such other period as the Committee may designate from time to time. In the event of a change in the Plan Year designated by the Committee, the Committee may also update the dates designated in the definitions of Entry Date and Offering Period in such manner as the Committee may determine in its discretion.

(e) Purchase Date. The term "Purchase Date" shall mean the last day of an Offering Period, except if the NASDAQ Stock Market is closed on the last day of an Offering Period, the Purchase Date shall mean the immediately preceding trading day on the NASDAQ Stock Market.

(f) Participant. The term "Participant" shall mean an eligible employee who elects to participate in the Plan pursuant to Paragraph 9.

6. ELIGIBILITY

All regular full-time and part-time employees working 24 or more hours per week of the Corporation shall be eligible to participate in the Plan on their Entry Date; provided, however, that such eligible employees complete the enrollment procedures established by the Committee prior to the enrollment deadline for such Entry Date. Notwithstanding the prior sentence, the following individuals shall not be eligible to participate in the Plan:

(a) any individual whose services are performed for the Employer pursuant to a contract between the Employer and another entity, and whom the Employer treats as a leased employee;

(a) any individual that the Employer treats as an independent contractor;

(a) temporary employees;

(a) members of the Boards of Directors of the Corporation and of the Employers, unless otherwise eligible as described above; and

(b) International employees.

7. PURCHASE PRICE

The Purchase Price per share shall be equal to the fair market value of a share of common stock on the first business day of the Plan Year on which the NASDAQ Stock Market is open, less 15 percent of such fair market value. Unless otherwise determined by the Board of Directors of the Corporation or the Committee, the fair market value of a share of common stock on a particular date shall be deemed to be the closing price of a share of common stock as recorded by the NASDAQ Stock Market on such date or, if no closing price has been recorded on such date, on the next day in which a closing price is recorded.

8. OPTION TO PURCHASE STOCK

Prior to each Entry Date, the Corporation will offer eligible employees the opportunity to elect to participate in the Plan. Each eligible employee who elects to participate will receive an Option to purchase on the Purchase Date the number of full and/or fractional shares of common stock at the Purchase Price.

9. ENROLLING IN THE PLAN

An eligible employee may elect to participate in the Plan by completing the enrollment procedures established by the Committee before the enrollment deadline announced for each Entry Date.

A Participant shall elect a percentage to be deducted regularly from his or her Eligible Compensation on an after-tax basis provided that the Participant must elect an initial payroll deduction of no less than one percent (1%) and no more than twenty-five percent (25%) of his or her Eligible Compensation, not to exceed $7,500 per Offering Period. Only whole percentages may be elected.

A Participant may elect to change his or her payroll deduction percentage on a biweekly basis, as limited by Paragraph 12.

Unless a Participant changes his or her payroll deduction percentage or ceases participation in the Plan in accordance with Paragraphs 12 and 13, a Participant's payroll deductions, as limited by Paragraph 10, and his or her initial enrollment elections will continue until the end of the Offering Period. A Participant must complete the enrollment procedures established by the Committee each Offering Period.

10. DEPOSITS

Pursuant to the enrollment procedures established by the Committee, after-tax payroll contributions to the Plan will be deposited to a non-interest bearing omnibus account established for the Plan at the Sallie Mae Bank, a related party. No other types of deposits may be made.

11. INDIVIDUAL BALANCES

Individual balances are record kept at Sallie Mae, by the Committee’s designates.

12. MINIMUM AND MAXIMUM CONTRIBUTIONS

A Participant must elect an initial payroll deduction of no less than one percent (1%) and no more than twenty-five percent (25%) of his or her Eligible Compensation, not to exceed $7,500 per Offering Period. A Participant may change his or her contribution during the Offering Period, including changing to zero percent. Contributions other than by payroll deductions are not permitted. Only whole percentages are allowed.

13. WITHDRAWALS FROM THE PLAN

A Participant may make one withdrawal during each Offering Period under the terms and procedures established by the Committee. The withdrawal must be for the total amount of contributions on record at the time the transaction is processed. The funds will be distributed to the employee through their regular payroll check as soon as practicable but no later than thirty (30) days from the date the withdrawal request is submitted. If a Participant receives a withdrawal during an Offering Period, he or she shall no longer participate in the Plan for the remainder of such Offering Period. An eligible employee who has ceased participation in the Plan may enter the Plan for the next Offering Period by following the enrollment procedures established by the Committee, subject to Paragraph 9.

14. STOCK PURCHASES

In accordance with the applicable procedures established by the Committee, the Corporation shall exercise all Options to Purchase shares which each Participant is entitled to on each Purchase Date. The Corporation shall withhold a sufficient number of shares to cover his or her applicable taxes on any gains, which is the difference between the value of shares purchased at the discount price and the market value of those shares on the purchase date. Taxes in the required amount will be paid to the appropriate government agency(ies).

If the Purchase Price exceeds the fair market value per share on the Purchase Date, no shares will be purchased. The individual balances will be distributed to the Participant’s via payroll.

The common stock purchased on the Purchase Date will be issued and credited to a brokerage account established by the Corporation on behalf of the Participant (the “Stock Account”) as soon as administratively practicable after such Purchase Date. A Participant may sell any or all shares held in his/her Stock Account unless restricted from trading in Corporation Stock at that time.

15. TERMINATION OF EMPLOYMENT

In the event that a Participant’s employment terminates for any reason including retirement, total and permanent disability, or death, before the applicable Purchase Date, participation in the Plan shall terminate immediately and as soon as practicable and no later than March 15 following the end of the Offering Period in which Participant’s termination of employment occurs, the Participant

or the Participant's beneficiary(ies) or estate if no beneficiary is elected will be paid in cash the value of his or her Individual Balance. A Participant who transfers employment between Employers shall not be deemed to have terminated employment for the purposes of this Paragraph.

16. Change in Control

In the event of a Change of Control or Change of Control Transaction, all outstanding Options under the Plan shall automatically be exercised immediately prior to the consummation of such Change of Control or Change of Control Transaction by causing all amounts credited to each Participant's account to be applied to purchase as many shares pursuant to the Participant's Option as possible at the Purchase Price, subject to the limitations set forth in the Plan. The Corporation shall use its best efforts to provide at least ten (10) days' prior written notice of the occurrence of a Change of Control or Change of Control Transaction and Participants shall, following the receipt of such notice, have the right to terminate their outstanding Options prior to the effective date of such Change of Control or Change of Control Transaction.

"Change of Control" shall mean an occurrence of any of the following events: (a) an acquisition (other than directly from the Corporation) of any voting securities of the Corporation (the "Voting Securities") by any "person or group" (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) other than an employee benefit plan of the Corporation, 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 the Corporation's then outstanding Voting Securities; or (b) the consummation of (i) a merger, consolidation or reorganization involving the Corporation, unless the Corporation resulting from such merger, consolidation or reorganization (the "Surviving Corporation") shall adopt or assume this Plan and a Participant's Options under the Plan and either (A) the shareholders of the Corporation 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 the Corporation immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization, or (ii) a complete liquidation or dissolution of the Corporation. "Change of Control Transaction" shall mean the consummation of any tender offer, offer, exchange offer, solicitation, merger, consolidation, reorganization or other transaction, either of which results in a Change of Control.

17. Acquisitions and Dispositions

The Board of Directors may, in its sole and absolute discretion, create special Offering Periods for individuals who become eligible employees solely in connection with the acquisition of another company or business by merger, reorganization or purchase of assets and, notwithstanding anything in the Plan to the contrary, may provide for special purchase dates for Participants who will cease to be eligible employees solely in connection with the disposition of all or a portion of any Employer or a portion of the Corporation, which Offering Periods and purchase rights granted pursuant thereto shall, notwithstanding anything stated herein, be subject to such terms and conditions as the Board of Directors considers appropriate in the circumstances.

18. NO TRANSFER OR ASSIGNMENT OF EMPLOYEE'S RIGHTS

Except as specified in Paragraph 17, an employee's rights under the Plan are his or hers alone and may not be transferred or assigned to, or availed of, by any other person.

19. BENEFICIARY DESIGNATION

The beneficiary shall be one or more persons designated by the Participant in accordance with the procedures established by the Committee who is entitled to receive amounts contributed and/or earned by the Participant and/or act on behalf of the Participant, pursuant to Paragraph 15.

20. CLAIMS PROCEDURES

A Participant may appeal a denial of benefits under this Plan by submitting a written statement appealing the decision, normally within 60 days of the denial of the benefit by the Committee. In the written statement, the Participant must state reasons why the claim should not have been denied. Also, the written statement should be accompanied by any documents, additional information or comments that might be helpful to the Committee. In this manner, the Committee intends to afford any Participant or beneficiary whose claim for benefits has been denied a reasonable opportunity for a review of the decision. Written appeals must be sent to:

Nominations, Governance, and Compensation Committee
Sallie Mae

300 Continental Drive
Newark, Delaware 19713

The Committee will review a Participant's appeal and will promptly notify such Participant in writing of the decision. Normally, this decision will be made within 60 days of receipt of the appeal, but this period may be extended to no more than 120 days if special circumstances require additional time. In such a case, the Participant will be notified before the end of the initial 60-day period of the reasons for the extension.

21. TERMINATION AND AMENDMENTS TO PLAN

The Board may at any time and from time to time, alter, amend, suspend or terminate this Plan in whole or in part, including to add or remove subsidiaries of the Corporation, *provided, however,* that shareholder approval shall be required for any amendment (i) that materially alters the terms of this Plan or (ii) where such approval is required by applicable legal or stock exchange requirements. No amendment or alteration that would adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant. Nothing contained in this Plan shall be construed to prevent the Corporation from taking any corporate action which is deemed by the Corporation to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any rights granted under the Plan. No employee, beneficiary or other person or entity shall have any claim against the Corporation as a result of any such action.

22. INDEMNITY

The Corporation shall, consistent with applicable law, indemnify members of the Committee from any liability, loss or other financial consequence with respect to any act or omission relating to the Plan to the same extent and subject to the same conditions as specified in the indemnity provisions contained in the By-Laws and Regulations of the Corporation.

23. LIMITATIONS ON SALE OF STOCK PURCHASED UNDER THE PLAN

The Plan is intended to provide common stock for investment and not for resale. The Corporation does not, however, intend to restrict the sale of the stock other than in accordance with the Corporation's general policies regarding the sale of the Corporation's stock. The employee assumes the risk of any market fluctuations in the price of such stock.

24. PAYMENT OF EXPENSES RELATED TO PLAN

The cost, if any, for the delivery of shares to a Participant or commissions upon the sale of stock shall be paid by the Participant using such service. Other expenses associated with the Plan, if any, at the discretion of the Committee, will be allocated as deemed appropriate by the Committee.

25. OPTIONEES NOT STOCKHOLDERS

Neither the granting of an Option to an employee, nor the deductions from his or her pay shall cause such employee to be a stockholder of the shares covered by an Option until such shares have been purchased by and issued to him or her.

26. TAXES

As a condition of the grant and exercise of an Option, a Participant shall make such arrangements as the Corporation may require for the satisfaction of any applicable U.S. federal, state, local or foreign tax, withholding, and any other required deductions or payments that may arise in connection with such Option. The Corporation shall not be required to issue any shares under the Plan until such obligations are satisfied.

The Corporation may, to the extent permitted under applicable laws, permit a Participant to satisfy all or part of his or her tax, withholding, or any other required deductions or payments by cashless exercise or by surrendering shares (either directly or by stock attestation) that he or she previously acquired. Any payment of taxes by surrendering shares to the Corporation may be subject to restrictions, including, but not limited to, any restrictions required by rules of the Securities and Exchange Commission.

27. NO EMPLOYMENT RIGHTS

Nothing in the Plan shall confer upon any employee any right to continued employment, or interfere with the right of the Corporation or the Employers to terminate his or her employment at any time, for any reason.

28. EFFECTIVE DATE

SALLIE MAE
EMPLOYEE STOCK PURCHASE PLAN
Amended and Restated as of June 25, 2014

This current amendment and restatement is effective June 25, 2014.

IN WITNESS WHEREOF, SLM Corporation has caused this instrument to be duly executed in its name and on its behalf.

SLM Corporation

By: _______________

Exhibit 10.3

SLM Corporation 2012 Omnibus Incentive Plan

Independent Director Restricted Stock Agreement 2014

Pursuant to the terms and conditions of the SLM Corporation 2012 Omnibus Incentive Plan (the "Plan"), SLM Corporation (the "Corporation") hereby grants to _____________ (the "Grantee") _________ shares of common stock of the Corporation, par value $0.20 (the "Restricted Stock"), on June 26, 2014 (the "Grant Date") subject to the terms and conditions set forth below in this agreement (the "Agreement"). All capitalized terms used herein that are not defined shall have the meanings as set forth in the Plan.

- 100 percent of the Restricted Stock is subject to a risk of forfeiture and is non-transferable on the Grant Date.
- Upon the first anniversary of the Grant Date (the "Vesting Event"), 100 percent of the Restricted Stock will vest and become transferable unless vested earlier as set forth below.
- The Restricted Stock will vest and become transferable prior to the Vesting Event upon any of the following events: (i) the Grantee's death or Disability or (ii) upon a Change in Control.
- 100 percent of the Restricted Stock will be forfeited if the Grantee is no longer a director of the Corporation's Board of Directors prior to the Vesting Event for reasons other than death, Disability (as defined below) or a Change in Control.
- The Restricted Stock will be held in an account in the Grantee's name at the Corporation's transfer agent, currently Computershare. The Grantee is entitled to vote the shares of Restricted Stock.
- Dividends declared on unvested shares of Restricted Stock will not be paid currently. Instead, amounts equal to such dividends will be credited to an account established on behalf of the Grantee and such amounts will be deemed to be invested in additional shares of the Corporation's common stock ("Dividend Equivalents"). Such Dividend Equivalents will be subject to the same vesting schedule to which the Restricted Stock is subject. At the time that the underlying Restricted Stock vests, the amount of Dividend Equivalents allocable to such Restricted Stock will also vest and will be settled in shares of the Corporation's common stock (provided that any fractional share amount shall be paid in cash). Dividend Equivalents declared on unvested shares of Restricted Stock are not subject to income tax until vesting, at which time they are taxed as ordinary income.
- The Corporation may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any transfer or sale by the Grantee of any shares of Common Stock, including without limitation (a) restrictions under an insider trading policy and (b) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the shares of the Corporation's common stock. The sale of the shares must also comply with other applicable laws and regulations governing the sale of such shares.
- As an essential term of this award, the Grantee consents to the collection, use and transfer, in electronic or other form, of personal data as described herein for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan. By accepting this award, the Grantee acknowledges that the Corporation holds certain personal information about the Grantee, including, but not limited to, name, home address and telephone number, date of birth, social security number or other identification number, salary, tax rates and amounts, nationality, job title, any shares of stock held in the Corporation, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding, for the purpose of implementing, administering and managing the Plan ("Data"). The Grantee

acknowledges that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in jurisdictions that may have different data privacy laws and protections, and the Grantee authorizes the recipients to receive, possess, use, retain and transfer Data, in electronic or other form, for the purposes of implementing, administering and managing the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Grantee or the Corporation may elect to deposit any shares of the Corporation's common stock. The Grantee acknowledges that Data may be held to implement, administer and manage the Grantee's participation in the Plan as determined by the Corporation, and that the Grantee may request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, provided however, that refusing or withdrawing the Grantee's consent may adversely affect the Grantee's ability to participate in the Plan.

- The Corporation may, in its sole discretion, decide to deliver any documents related to any awards granted under the Plan by electronic means or to request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation, and such consent shall remain in effect throughout the Grantee's term of service with the Corporation and thereafter until withdrawn in writing by the Grantee.
- "Disability" means the absence of the Grantee from the Corporation's Board of Director's duties for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Corporation or its insurers and reasonably acceptable to the Grantee or the Grantee's legal representative.
- The Grantee hereby agrees to accept as binding, conclusive, and final all decisions and interpretations of the Board and, where applicable, the Committee concerning any questions arising under this Agreement or the Plan.
- Nothing in the Plan, in this Agreement or any other instrument executed pursuant thereto or hereto shall confer upon the Grantee any right to continued service on the Board.
- The Board and/or the Committee reserve the right to unilaterally amend this Agreement to reflect any changes in applicable law or financial accounting standards.
- This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if personally delivered, telefaxed or telecopied to, or, if mailed, when received by, the other party at the following addresses:

If to the Corporation to:

Human Resources Department - HR Compensation & Workforce Analytics
ATTN: Equity Plan Administration
300 Continental Drive
Newark, DE 19713

If to the Grantee, to the last address maintained in the Corporation's files for the Grantee.

- In the event of any conflict between the provisions of this Agreement and the provisions of the Plan, the terms of the Plan control, except as expressly stated otherwise herein. This Agreement and the Plan together set forth the entire agreement and understanding between the parties as to the subject matter hereof and supersede all prior oral and written and all contemporaneous or

subsequent oral discussions, agreements and understandings of any kind or nature. Capitalized terms not defined herein shall have the meanings as described in the Plan.

- In the event that any provision of this Agreement is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of this Agreement shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision. The headings in this Agreement are solely for convenience of reference, and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect. The Grantee shall cooperate and take such actions as may be reasonably requested by the Corporation in order to carry out the provisions and purposes of the Agreement. The Grantee is responsible for complying with all laws applicable to the Grantee, including federal and state securities reporting laws.

Accepted by:

____

Signature

____

Date

SLM CORPORATION

BY: Raymond J. Quinlan

Chief Executive Officer

Exhibit 12.1

SLM CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(Dollars in thousands)

	Years Ended					Six Months Ended June 30,	
	2009	2010	2011	2012	2013	2013	2014
Income (loss) before income tax expense (benefit)	$ (123,671)	$ (122,669)	$ 87,848	$ 341,871	$ 416,528	$ 240,405	$ 151,741
Add: Fixed charges	169,719	146,256	107,896	84,708	91,182	45,091	44,053
Total earnings	$ 46,048	$ 23,587	$ 195,744	$ 426,579	$ 507,710	$ 285,496	$ 195,794
Interest expense	$ 167,055	$ 143,927	$ 105,385	$ 82,911	$ 89,085	$ 44,057	$ 43,665
Rental expense, net of income	2,664	2,329	2,511	1,797	2,097	1,034	388
Total fixed charges	169,719	146,256	107,896	$ 84,708	91,182	45,091	44,053
Preferred stock dividends	—	—	—	—	—	—	**3,228**
Total fixed charges and preferred stock dividends	**$ 169,719**	**$ 146,256**	**$ 107,896**	**$ 84,708**	**$ 91,182**	**$ 45,091**	**$ 47,281**
Ratio of earnings to fixed charges(1) (2) (3)	—	—	**1.81**	**5.04**	**5.57**	**6.33**	**4.44**
Ratio of earnings to fixed charges and preferred stock dividends(1) (2) (3)	—	—	**1.81**	**5.04**	**5.57**	**6.33**	**4.14**

(1) For purposes of computing these ratios, earnings represent income (loss) before income tax expense plus fixed charges. Fixed charges represent interest expensed and capitalized plus one-third (the proportion deemed representative of the interest factor) of rents, net of income from subleases.

(2) Due to a pre-tax loss from operations of $123,671 for the year ended December 31, 2009, the ratio coverage was less than 1:1. We would have needed to generate $123,671 million of additional earnings in the year ended December 31, 2009 for the ratio coverage to equal 1:1.

(3) Due to a pre-tax loss from operations of $122,669 for the year ended December 31, 2010, the ratio coverage was less than 1:1. We would have needed to generate $122,669 million of additional earnings in the year ended December 31, 2010 for the ratio coverage to equal 1:1.

Exhibit 31.1

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

I, Raymond J. Quinlan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Raymond J. Quinlan

Raymond J. Quinlan
Executive Chairman and Chief Executive Officer
(Principal Executive Officer)
July 23, 2014

Exhibit 31.1

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

I, Steven J. McGarry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEVEN J. MCGARRY

Steven J. McGarry
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
July 23, 2014

Exhibit 32.1

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

In connection with the Quarterly Report of SLM Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Raymond J. Quinlan, Executive Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ RAYMOND J. QUINLAN

Raymond J. Quinlan
Executive Chairman and Chief Executive Officer
(Principal Executive Officer)
July 23, 2014

Exhibit 32.2

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

In connection with the Quarterly Report of SLM Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven J. McGarry, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ STEVEN J. MCGARRY

Steven J. McGarry
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
July 23, 2014