

**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 March 31, 2005 or

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

For the transition period from _____ to _____.

Commission File Number: 001-13251

SLM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

52-2013874

(I.R.S. Employer
Identification No.)

12061 Bluemont Way, Reston, Virginia

(Address of principal executive offices)

20190

(Zip Code)

(703) 810-3000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the 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 April 30, 2005
Common Stock, \$.20 par value	419,534,619 shares

GLOSSARY

Listed below are definitions of key terms that are used throughout this document.

Consolidation Loans—Under the FFELP, borrowers with eligible student loans may consolidate them into one note with one lender and convert the variable interest rates on the loans being consolidated into a fixed rate for the life of the loan. The new note is considered a Consolidation Loan. Typically a borrower can consolidate their student loans only once unless the borrower has another eligible loan with which to consolidate with the existing Consolidation Loan. The borrower rate on a Consolidation Loan is fixed for the term of the loan and is set by the weighted-average interest rate of the loans being consolidated, rounded up to the nearest 1/8th of a percent, not to exceed 8.25 percent. In low interest rate environments, Consolidation Loans provide an attractive refinancing opportunity to borrowers because they allow borrowers to consolidate variable rate loans into a long-term fixed rate loan. Holders of Consolidation Loans are eligible to earn interest under the Special Allowance Payment ("SAP") formula (see definition below).

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

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

Direct Loans—Student loans originated directly by ED under the William D. Ford Federal Direct Student Loan Program ("FDLP").

ED—The U.S. Department of Education.

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

Exceptional Performer ("EP") Designation—The EP designation is determined by ED in recognition of meeting certain performance standards set by ED in servicing FFELP loans. Upon receiving the EP designation, the EP servicer receives 100 percent reimbursement on default claims on federally

guaranteed student loans for all loans serviced for a period of at least 270 days before the date of default and will no longer be subject to the two percent Risk Sharing (see definition below) on these loans. The EP servicer is entitled to receive this benefit as long as it remains in compliance with the required servicing standards, which are assessed on an annual and quarterly basis through compliance audits and other criteria.

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

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

Fixed Rate Floor Income—We refer to Floor Income (see definition below) associated with student loans whose borrower rate is fixed to term (primarily Consolidation Loans) as Fixed Rate Floor Income.

Floor Income—Our portfolio of FFELP student loans earns interest at the higher of a floating rate based on the Special Allowance Payment or SAP formula (see definition below) set by ED and the borrower rate, which is fixed over a period of time. We generally finance our student loan portfolio with floating rate debt over all interest rate levels. In low and/or declining interest rate environments, when the fixed borrower rate is higher than the rate produced by the SAP formula, our student loans earn at a fixed rate while the interest on our floating rate debt continues to decline. In these interest rate environments, we earn additional spread income that we refer to as Floor Income. Depending on the type of the student loan and when it was originated, the borrower rate is either fixed to term or is reset to a market rate each July 1. As a result, for loans where the borrower rate is fixed to term, we may earn Floor Income for an extended period of time, and for those loans where the borrower interest rate is reset annually on July 1, we may earn Floor Income to the next reset date.

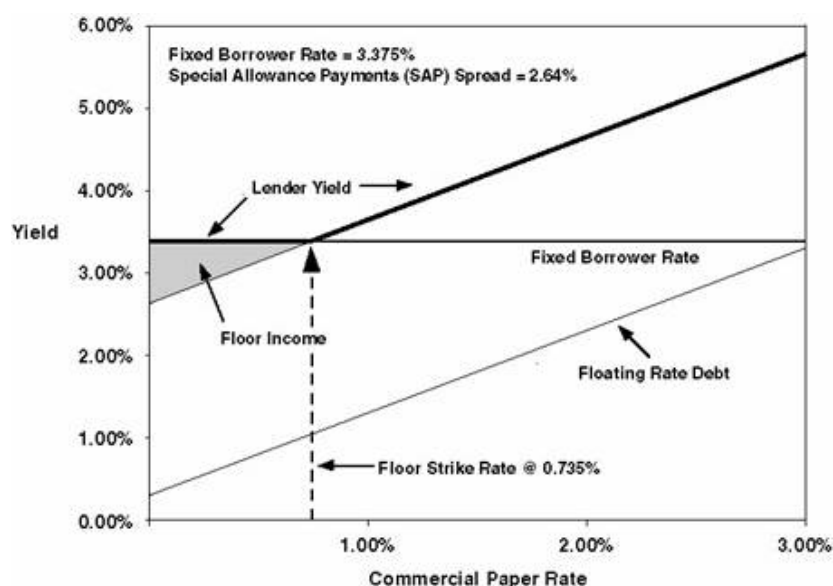
The following example shows the mechanics of Floor Income for a typical fixed rate Consolidation Loan originated after July 1, 2004 (with a commercial paper-based SAP spread of 2.64 percent):

Fixed Borrower Rate:	3.375%
SAP Spread over Commercial Paper Rate:	(2.640)%
Floor Strike Rate ⁽¹⁾	<u>0.735%</u>

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

Based on this example, if the quarterly average commercial paper rate is over 0.735 percent, the holder of the student loan will earn at a floating rate based on the SAP formula, which in this example is a fixed spread to commercial paper of 2.64 percent. On the other hand, if the quarterly average commercial paper rate is below 0.735 percent, the SAP formula will produce a rate below the fixed borrower rate of 3.375 percent and the loan holder earns at the borrower rate of 3.375 percent. The difference between the fixed borrower rate and the lender's expected yield based on the SAP formula is referred to as Floor Income. Our student loan assets are generally funded with floating rate debt, so when student loans are earning at the fixed borrower rate, decreases in interest rates may increase Floor Income.

Graphic Depiction of Floor Income:



Floor Income Contracts—We enter into contracts with counterparties under which, in exchange for an upfront fee representing the present value of the Floor Income that we expect to earn on a notional amount of student loans being hedged, we will pay the counterparties the Floor Income earned on that notional amount of student loans over the life of the Floor Income Contract. Specifically, we agree to pay the counterparty the difference, if positive, between the fixed borrower rate less the SAP spread and the average of the applicable interest rate index on that notional amount of student loans for a portion of the estimated life of the student loan. This contract effectively locks in the amount of Floor Income we will earn over the period of the contract. Floor Income Contracts are not considered effective hedges under Statement of Financial Accounting Standards (“SFAS”) No. 133, “Accounting for Derivative Instruments and Hedging Activities,” and each quarter we must record the change in fair value of these contracts through income.

GSE—The Student Loan Marketing Association was a federally chartered government-sponsored enterprise and wholly owned subsidiary of SLM Corporation that was dissolved under the terms of the Privatization Act (see definition below) on December 29, 2004.

HEA—The Higher Education Act of 1965, as amended.

Managed Basis—We generally analyze the performance of our student loan portfolio on a Managed Basis, under which we view both on-balance sheet student loans and off-balance sheet student loans owned by the securitization trusts as a single portfolio, and the related on-balance sheet financings are combined with off-balance sheet debt. When the term Managed is capitalized in this document, it is referring to Managed Basis.

Offset Fee—We were required to pay to ED an annual 30 basis point Offset Fee on the outstanding balance of Stafford and PLUS student loans purchased and held by the GSE after August 10, 1993. The fee did not apply to student loans sold to securitized trusts or to loans held outside of the GSE. This fee no longer applies, as the GSE was dissolved under the terms of the Privatization Act on December 29, 2004.

Preferred Channel Originations—Preferred Channel Originations are comprised of: 1) student loans that are originated by lenders with forward purchase commitment agreements with Sallie Mae and are

committed for sale to Sallie Mae, such that we either own them from inception or acquire them soon after origination, and 2) loans that are originated by internal Sallie Mae brands. (See also “RECENT DEVELOPMENTS—Bank One/JPMorgan Chase Relationships” for a discussion related to our lender partners.)

Preferred Lender List—To streamline the student loan process, most higher education institutions select a small number of lenders to recommend to their students and parents. This recommended list is referred to as the Preferred Lender List.

Private Education Loans (formerly referred to as “Private Credit Student Loans”)—Education loans to students or parents of students that are not guaranteed or reinsured under the FFELP or any other federal student loan program. Private Education Loans include loans for traditional higher education, undergraduate and graduate degrees, and for alternative education, such as career training, private kindergarten through secondary education schools and tutorial schools. Traditional higher education loans have repayment terms similar to FFELP loans, whereby repayments begin after the borrower leaves school. Repayment for alternative education or career training loans begins immediately.

Privatization Act—The Student Loan Marketing Association Reorganization Act of 1996.

Residual Interest—When we securitize student loans, we retain the right to receive cash flows from the student loans sold to trusts we sponsor in excess of amounts needed to pay servicing, derivative costs (if any), other fees, and the principal and interest on the bonds backed by the student loans. The Residual Interest is the present value of the future expected cash flows from off-balance sheet student loans in securitized trusts, which includes the present value of Embedded Fixed Rate Floor Income described above. We value the Residual Interest at the time of sale of the student loans to the trust and at each subsequent quarter.

Retained Interest—The Retained Interest includes the Residual Interest (defined above) and servicing rights (as the Company retains the servicing responsibilities).

Risk Sharing—When a FFELP loan defaults, the federal government guarantees 98 percent of the principal balance plus accrued interest and the holder of the loan generally must absorb the two percent not guaranteed as a Risk Sharing loss on the loan. FFELP student loans acquired after October 1, 1993 are subject to Risk Sharing on loan default claim payments unless the default results from the borrower’s death, disability or bankruptcy. FFELP loans serviced by a servicer that has EP designation from ED are not subject to Risk Sharing.

Special Allowance Payment (“SAP”)—FFELP student loans generally earn interest at the greater of the borrower rate or a floating rate determined by reference to the average of the applicable floating rates (91-day Treasury bill rate or commercial paper) in a calendar quarter, plus a fixed spread that is dependent upon when the loan was originated and the loan’s repayment status. If the resulting floating rate exceeds the borrower rate, ED pays the difference directly to us. This payment is referred to as the Special Allowance Payment or SAP and the formula used to determine the floating rate is the SAP formula. We refer to the fixed spread to the underlying index as the Special Allowance spread.

Title IV Programs and Title IV Loans—Student loan programs created under Title IV of the HEA, including the FFELP and the FDLP, and student loans originated under those programs, respectively.

Wind-Down—The dissolution of the GSE under the terms of the Privatization Act (see definition above).

Variable Rate Floor Income—For FFELP Stafford student loans whose borrower interest rate resets annually on July 1, we may earn Floor Income or Embedded Floor Income (see definitions above) based on a calculation of the difference between the borrower rate and the then current interest rate. We refer to this as Variable Rate Floor Income because Floor Income is earned only through the next reset date.

SLM CORPORATION
FORM 10-Q
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March 31, 2005

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2005 (Unaudited)	December 31, 2004
Assets		
Federally insured student loans (net of allowance for losses of \$6,849 and \$7,778, respectively)	\$ 63,379,249	\$ 60,561,439
Private Education Loans (net of allowance for losses of \$190,880 and \$171,886 respectively)	6,527,022	5,419,611
Other loans (net of allowance for losses of \$11,754 and \$11,148, respectively)	1,094,712	1,047,745
Investments		
Available-for-sale	2,175,566	3,274,123
Other	323,599	304,700
Total investments	2,499,165	3,578,823
Cash and cash equivalents	735,869	3,395,487
Restricted cash and investments	2,224,354	2,211,643
Retained Interest in off-balance sheet securitized loans	2,246,329	2,316,388
Goodwill and acquired intangible assets, net	1,014,986	1,066,142
Other assets	4,075,267	4,496,248
Total assets	<u>\$ 83,796,953</u>	<u>\$ 84,093,526</u>
Liabilities		
Short-term borrowings	\$ 5,516,177	\$ 2,207,095
Long-term notes	72,241,082	75,914,573
Other liabilities	2,901,843	2,797,921
Total liabilities	<u>80,659,102</u>	<u>80,919,589</u>
Commitments and contingencies		
Minority interest in subsidiaries	72,869	71,633
Stockholders' equity		
Preferred stock, Series A, par value \$.20 per share, 20,000 shares authorized: 3,300 and 3,300 shares issued, respectively, at stated value of \$50 per share	165,000	165,000
Common stock, par value \$.20 per share, 1,125,000 shares authorized: 484,917 and 483,266 shares issued, respectively	96,984	96,654
Additional paid-in capital	1,969,881	1,905,460
Accumulated other comprehensive income (net of tax of \$201,694 and \$237,285, respectively)	374,574	440,672
Retained earnings	2,662,316	2,521,740
Stockholders' equity before treasury stock	5,268,755	5,129,526
Common stock held in treasury at cost: 62,936 and 59,634 shares, respectively	2,203,773	2,027,222
Total stockholders' equity	<u>3,064,982</u>	<u>3,102,304</u>
Total liabilities and stockholders' equity	<u>\$ 83,796,953</u>	<u>\$ 84,093,526</u>

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31,	
	2005 (Unaudited)	2004 (Unaudited)
Interest income:		
Federally insured student loans	\$ 699,154	\$ 468,967
Private Education Loans	129,616	76,589

Other loans	20,153	18,376
Cash and investments	62,049	43,457
Total interest income	910,972	607,389
Interest expense:		
Short-term debt	30,206	84,664
Long-term debt	534,006	201,010
Total interest expense	564,212	285,674
Net interest income	346,760	321,715
Less: provisions for losses	46,523	39,818
Net interest income after provisions for losses	300,237	281,897
Other income:		
Gains on student loan securitizations	49,894	113,954
Servicing and securitization revenue	142,961	136,658
Losses on derivative and hedging activities, net	(34,251)	(116,743)
Guarantor servicing fees	32,540	34,971
Debt management fees and collections revenue	120,635	79,928
Other	62,319	58,955
Total other income	374,098	307,723
Operating expenses:		
Salaries and benefits	146,932	126,241
Other	115,359	82,636
Total operating expenses	262,291	208,877
Income before income taxes and minority interest in net earnings of subsidiaries	412,044	380,743
Income taxes	186,466	89,278
Income before minority interest in net earnings of subsidiaries	225,578	291,465
Minority interest in net earnings of subsidiaries	2,194	—
Net income	223,384	291,465
Preferred stock dividends	2,875	2,886
Net income attributable to common stock	\$ 220,509	\$ 288,579
Basic earnings per common share	\$.52	\$.65
Average common shares outstanding	420,924	442,664
Diluted earnings per common share	\$.49	\$.61
Average common and common equivalent shares outstanding	463,014	482,060
Dividends per common share	\$.19	\$.17

See accompanying notes to consolidated financial statements.

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

	Preferred Stock Shares	Common Stock Shares			Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity
		Issued	Treasury	Outstanding							
Balance at December 31, 2003	3,300,000	472,642,996	(24,964,753)	447,678,243	\$ 165,000	\$ 94,529	\$ 1,553,240	\$ 425,621	\$ 941,284	\$ (549,628)	\$ 2,630,046
Comprehensive income:											
Net income									291,465		291,465
Other comprehensive income, net of tax:											
Change in unrealized gains (losses) on investments, net of tax								104,189			104,189
Change in unrealized gains (losses) on derivatives, net of tax								4,993			4,993
Minority pension liability adjustment								(358)			(358)
Comprehensive income											400,289
Cash dividends:											
Common stock (\$.17 per share)									(76,763)		(76,763)
Preferred stock (\$.87 per share)									(2,886)		(2,886)
Issuance of common shares		3,799,142	46,249	3,845,391		760	96,053			1,773	98,586
Tax benefit related to employee stock option and purchase plans							21,347				21,347
Repurchase of common shares:											
Equity forwards:											
Exercise cost, cash			(7,891,660)	(7,891,660)						(240,045)	(240,045)
Gain on settlement										(63,706)	(63,706)
Benefit plans			(723,318)	(723,318)						(29,217)	(29,217)
Balance at March 31, 2004	3,300,000	476,442,138	(33,533,482)	442,908,656	\$ 165,000	\$ 95,289	\$ 1,670,640	\$ 534,445	\$ 1,153,100	\$ (880,823)	\$ 2,737,651
Balance at December 31, 2004	3,300,000	483,266,408	(59,634,019)	423,632,389	\$ 165,000	\$ 96,654	\$ 1,905,460	\$ 440,672	\$ 2,521,740	\$ (2,027,222)	\$ 3,102,304
Comprehensive income:											
Net income									223,384		223,384
Other comprehensive income, net of tax:											
Change in unrealized gains (losses) on investments, net of tax								(56,785)			(56,785)
Change in unrealized gains (losses) on derivatives, net of tax								(9,313)			(9,313)
Comprehensive income											157,286
Cash dividends:											
Common stock (\$.19 per share)									(79,933)		(79,933)
Preferred stock (\$.87 per share)									(2,875)		(2,875)
Issuance of common shares		1,651,039	56,286	1,707,325		330	53,079			2,835	56,244
Tax benefit related to employee stock option and purchase plans							11,342				11,342
Repurchase of common shares:											
Equity forwards:											
Exercise cost, cash			(3,122,381)	(3,122,381)						(157,586)	(157,586)
Gain on settlement										(10,023)	(10,023)

Benefit plans		(235,993)	(235,993)	(11,777)	(11,777)						
Balance at March 31, 2005	3,300,000	484,917,447	(62,936,107)	421,981,340	\$ 165,000	\$ 96,984	\$ 1,969,881	\$ 374,574	\$ 2,662,316	\$ (2,203,773)	\$ 3,064,982

See accompanying notes to consolidated financial statements.

SLM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Three months ended	
	March 31,	
	2005	2004
	(Unaudited)	(Unaudited)
Operating activities		
Net income	\$ 223,384	\$ 291,465
Adjustments to reconcile net income to net cash used in operating activities:		
Gains on student loan securitizations	(49,894)	(113,954)
Unrealized (gains)/losses on derivative and hedging activities, excluding equity forwards	(196,516)	41,094
Unrealized (gains)/losses on derivative and hedging activities—equity forwards	108,307	(140,761)
Provisions for losses	46,523	39,818
Minority interest, net	(2,284)	—
Mortgage loans originated	(368,737)	(363,140)
Proceeds from sales of mortgage loans	280,793	262,582
Increase in restricted cash	(103,246)	(238,066)
Increase in accrued interest receivable	(110,922)	(164,716)
Increase in accrued interest payable	7,195	99,349
Decrease in Retained Interest in off-balance sheet securitized loans, net	9,165	22,893
Decrease in other assets, goodwill and acquired intangible assets, net	53,637	34,558
Decrease in other liabilities	(29,932)	(558,130)
Total adjustments	(355,911)	(1,078,473)
Net cash used in operating activities	(132,527)	(787,008)
Investing activities		
Student loans acquired	(7,396,513)	(6,311,801)
Loans purchased from securitized trusts (primarily through loan consolidations)	(1,831,300)	(1,273,677)
Reduction of student loans:		
Installment payments	1,419,656	1,595,982
Claims and resales	283,186	216,594
Proceeds from securitization of student loans treated as sales	3,544,305	1,236,345
Proceeds from sales of student loans	14,709	190,687
Other loans made	(116,791)	(151,343)
Other loans repaid	156,589	143,086
Purchases of available-for-sale securities	(28,684,462)	(51,640,829)
Proceeds from sales of available-for-sale securities	841,797	—
Proceeds from maturities of available-for-sale securities	28,955,447	50,367,989
Purchases of held-to-maturity and other securities	(150,388)	(114,179)
Proceeds from maturities of held-to-maturity securities and other securities	155,973	90,515
Return of investment from Retained Interest	73,196	126,897
Net cash used in investing activities	(2,734,596)	(5,523,734)
Financing activities		
Short-term borrowings issued	4,568,130	179,680,070
Short-term borrowings repaid	(2,921,784)	(181,021,844)
Long-term notes issued	1,664,501	5,943,574
Long-term notes repaid	(2,897,392)	(4,074,944)
Borrowings collateralized by loans in trust	—	8,009,643
Common stock issued	56,244	98,586
Common stock repurchased	(179,386)	(273,467)
Common dividends paid	(79,933)	(76,763)
Preferred dividends paid	(2,875)	(2,886)
Net cash provided by financing activities	207,505	8,281,969
Net (decrease) increase in cash and cash equivalents	(2,659,618)	1,971,227
Cash and cash equivalents at beginning of period	3,395,487	1,847,585
Cash and cash equivalents at end of period	\$ 735,869	\$ 3,818,812
Cash disbursements made for:		
Interest	\$ 437,243	\$ 218,583
Income taxes	\$ 12,384	\$ 201,564

See accompanying notes to consolidated financial statements.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2005 and for the three months ended
March 31, 2005 and 2004 is unaudited)

(Dollars and shares in thousands, except per share amounts, unless otherwise stated)

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, consolidated financial statements of SLM Corporation (the “Company”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP

requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three months ended March 31, 2005 are not necessarily indicative of the results for the year ending December 31, 2005. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in the Company's 2004 Annual Report on Form 10-K.

Reclassifications

Certain reclassifications have been made to the balances as of and for the three months ended March 31, 2004 to be consistent with classifications adopted for 2005.

Recently Issued Accounting Pronouncements

Share-Based Payment

On December 16, 2004, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment," which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. The new standard will be effective for public entities (excluding small business issuers) for the fiscal year beginning after June 15, 2005. SFAS No. 123(R) allows for two transition alternatives for public companies: (a) modified-prospective transition or (b) modified-retrospective transition. Management is still evaluating both methods, but has tentatively decided to apply the modified-retrospective transition alternative for all periods presented and will recognize compensation cost in the amounts previously reported in the pro forma footnote disclosure under the provisions of SFAS No. 123. Had the Company adopted SFAS No. 123(R) for the first three months of 2005, its diluted earnings per share would have been \$.02 lower and going forward, the adoption of SFAS No. 123(R) should have a similar effect on diluted earnings per share. The Company plans to adopt SFAS No. 123(R) in January 2006.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2005 and for the three months ended
March 31, 2005 and 2004 is unaudited)
(Dollars and shares in thousands, except per share amounts, unless otherwise stated)

1. Significant Accounting Policies (Continued)

Effect of Contingently Convertible Debt on Diluted Earnings per Share

In December 2004, the Company adopted Emerging Issues Task Force ("EITF") Issue No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share," which addresses the timing of the inclusion of the dilutive effect of contingently convertible debt instruments ("Co-Cos") in diluted earnings per share ("diluted EPS"). Co-Cos are generally convertible into the common shares of the issuer after the common stock share price exceeds a predetermined threshold for a specified time period, generally referred to as the market price trigger. EITF No. 04-8 requires the shares underlying the Co-Cos be included in diluted EPS computations regardless of whether the market price trigger or the conversion price has been met, using the "if-converted" accounting method. EITF No. 04-8 was effective for reporting periods ending after December 15, 2004 with retroactive restatement to all required reporting periods. As a result, the diluted EPS amounts have been retroactively restated for all prior periods presented to give effect to the application of EITF No. 04-8 as it relates to the Company's \$2 billion Co-Cos issued in May 2003. The effect of the adoption of EITF No. 04-8 was to decrease diluted EPS, as discussed in Note 5, "Common Stock."

Stock-Based Compensation

The Company has elected to continue to follow the intrinsic value method of accounting as prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," to account for employee stock options (see "Recently Issued Accounting Pronouncements—Share Based Payment" above). Under APB No. 25, the Company does not recognize compensation expense on fixed award plans unless the exercise price of its employee stock options is less than the market price of the underlying stock on the date of grant. The Company grants all of its options at the fair market value of the underlying stock on the date of grant. Consequently, the Company has not recorded such expense in the periods presented.

The fair values for the options granted in the three months ended March 31, 2005 and 2004 were estimated at the date of grant using a Black-Scholes option pricing model, with the following weighted average assumptions:

	Three months ended	
	March 31,	
	2005	2004
Risk free interest rate	3.87%	2.08%
Expected volatility	22.72%	14.04%
Expected dividend rate	1.53%	1.62%
Expected life of the option (in years)	5 years	3 years

**(Information at March 31, 2005 and for the three months ended
March 31, 2005 and 2004 is unaudited)**

(Dollars and shares in thousands, except per share amounts, unless otherwise stated)

1. Significant Accounting Policies (Continued)

The following table summarizes pro forma disclosures for the three months ended March 31, 2005 and 2004, as if the Company had accounted for employee and Board of Directors stock options granted subsequent to December 31, 1994 under the fair market value method as set forth in SFAS No. 123. The option value is amortized over an assumed vesting period of three years or to the actual date of vesting, whichever comes first.

	Three months ended March 31,	
	2005	2004
Net income attributable to common stock	\$ 220,509	\$ 288,579
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(9,781)	(16,499)
Pro forma net income attributable to common stock	<u>\$ 210,728</u>	<u>\$ 272,080</u>
Basic earnings per common share	<u>\$.52</u>	<u>\$.65</u>
Pro forma basic earnings per common share	<u>\$.50</u>	<u>\$.61</u>
Diluted earnings per common share	<u>\$.49</u>	<u>\$.61</u>
Pro forma diluted earnings per common share	<u>\$.47</u>	<u>\$.57</u>

2. Allowance for Student Loan Losses

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

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(Dollars and shares in thousands, except per share amounts, unless otherwise stated)

2. Allowance for Student Loan Losses (Continued)

The following table summarizes changes in the allowance for student loan losses for both the Private Education Loan and federally insured student loan portfolios for the three months ended March 31, 2005 and 2004.

	Three months ended March 31,	
	2005	2004
Balance at beginning of period	\$ 179,664	\$ 211,709
Additions		
Provisions for student loan losses	43,144	37,793
Recoveries	4,908	2,846
Deductions		
Reductions for student loan sales and securitizations	—	(21,102)
Charge-offs	(29,987)	(27,795)
Balance at end of period	<u>\$ 197,729</u>	<u>\$ 203,451</u>

In addition to the provisions for student loan losses, provisions for losses on other Company loans totaled \$3 million and \$2 million for the three months ended March 31, 2005 and 2004, respectively.

The following table summarizes changes in the allowance for student loan losses for on-balance sheet Private Education Loans for the three months ended March 31, 2005 and 2004.

	Three months ended March 31,	
	2005	2004
(Dollars in millions)		
Allowance at beginning of period	\$ 172	\$ 166
Provision for loan losses	43	32
Charge-offs	(29)	(26)
Recoveries	5	3
Net charge-offs	<u>(24)</u>	<u>(23)</u>
Balance before securitization of Private Education Loans	191	175
Reduction for securitization of Private Education Loans	—	(21)
Allowance at end of period	<u>\$ 191</u>	<u>\$ 154</u>
Net charge-offs as a percentage of average loans in repayment (annualized)	%	%

Allowance as a percentage of the ending total loan balance	3.29	3.86
Allowance as a percentage of the ending loans in repayment	2.84%	3.56%
Allowance coverage of net charge-offs (annualized)	6.35%	6.88%
Average total loans	1.99	1.67
Ending total loans	\$ 6,266	\$ 5,146
Average loans in repayment	\$ 6,718	\$ 4,331
Ending loans in repayment	\$ 2,924	\$ 2,396
	\$ 3,005	\$ 2,241

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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March 31, 2005 and 2004 is unaudited)

(Dollars and shares in thousands, except per share amounts, unless otherwise stated)

2. Allowance for Student Loan Losses (Continued)

Delinquencies

The table below presents the Company's Private Education Loan delinquency trends as of March 31, 2005 and 2004. Delinquencies have the potential to adversely impact earnings through increased servicing and collection costs in the event the delinquent accounts charge off.

(Dollars in millions)	March 31,			
	2005		2004	
	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$ 3,733		\$ 2,039	
Loans in forbearance ⁽²⁾	222		193	
Loans in repayment and percentage of each status:				
Loans current	2,707	90.1%	2,008	89.6%
Loans delinquent 31-60 days ⁽³⁾	119	4.0	84	3.7
Loans delinquent 61-90 days	70	2.3	50	2.3
Loans delinquent greater than 90 days	109	3.6	99	4.4
Total Private Education Loans in repayment	<u>3,005</u>	<u>100.0%</u>	<u>2,241</u>	<u>100.0%</u>
Total Private Education Loans, gross	6,960		4,473	
Private Education Loan unamortized discount	(242)		(142)	
Total Private Education Loans	6,718		4,331	
Private Education Loan allowance for losses	(191)		(154)	
Private Education Loans, net	<u>\$ 6,527</u>		<u>\$ 4,177</u>	
Percentage of Private Education Loans in repayment	<u>43.2%</u>		<u>50.1%</u>	
Delinquencies as a percentage of Private Education Loans in repayment	<u>9.9%</u>		<u>10.4%</u>	

- (1) Loans for borrowers who still may be attending school or engaging in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation.
- (2) Loans for borrowers who have requested extension of grace period during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with the established loan program servicing policies and procedures.
- (3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

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SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2005 and for the three months ended
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(Dollars and shares in thousands, except per share amounts, unless otherwise stated)

3. Goodwill and Acquired Intangible Assets

Intangible assets include the following:

(Dollars in millions)	Average Amortization Period	As of March 31, 2005		
		Gross	Accumulated	Net

		<u>Amortization</u>		
Intangible assets subject to amortization:				
Customer, services, and lending relationships	12 years	\$ 239	\$ (54)	\$ 185
Tax exempt bond funding ⁽¹⁾	10 years	64	(9)	55
Acquired software and technology	7 years	80	(42)	38
Non-compete agreements	2 years	10	(8)	2
Total		393	(113)	280
Intangible assets not subject to amortization:				
Trade name and trademark	Indefinite	71	—	71
Total acquired intangible assets		<u>\$ 464</u>	<u>\$ (113)</u>	<u>\$ 351</u>

<u>(Dollars in millions)</u>	<u>Average Amortization Period</u>	<u>As of December 31, 2004</u>		
		<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Intangible assets subject to amortization:				
Customer, services, and lending relationships	12 years	\$ 239	\$ (48)	\$ 191
Tax exempt bond funding ⁽¹⁾	10 years	64	(6)	58
Acquired software and technology	7 years	80	(39)	41
Non-compete agreements	2 years	10	(7)	3
Total		393	(100)	293
Intangible assets not subject to amortization:				
Trade name and trademark	Indefinite	71	—	71
Total acquired intangible assets		<u>\$ 464</u>	<u>\$ (100)</u>	<u>\$ 364</u>

(1) In connection with the Company's 2004 acquisition of Southwest Student Services Corporation, the Company acquired certain tax exempt bonds that enable the Company to earn a 9.5 percent Special Allowance Payment ("SAP") rate on student loans funded by those bonds in indentured trusts. If the student loan is removed from the trust such that it is no longer funded by the bonds, it ceases earning the 9.5 percent SAP. A different student loan can be substituted in the trust and begin earning the 9.5 percent SAP. This feature remains as long as the bonds are outstanding.

The Company recorded amortization of \$13 million and \$7 million for the three months ended March 31, 2005 and 2004, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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(Dollars and shares in thousands, except per share amounts, unless otherwise stated)

3. Goodwill and Acquired Intangible Assets (Continued)

A summary of changes in the Company's goodwill by reportable segment is as follows:

<u>(Dollars in millions)</u>	<u>December 31, 2004</u>	<u>Acquisitions/ Adjustments</u>	<u>March 31, 2005</u>
Lending	\$440	\$(37)	\$ 403
Debt Management Operations	206	(2)	204
Corporate and Other	57	—	57
Total	<u>\$703</u>	<u>\$(39)</u>	<u>\$ 664</u>

During the first quarter of 2005, the Company finalized the purchase price allocations for certain acquisitions in 2004. Acquisitions are accounted for under the purchase method of accounting as defined in SFAS No. 141, "Business Combinations." The Company allocates the purchase price to the fair value of the acquired tangible assets, liabilities and identifiable intangible assets as of the acquisition date as determined by an independent appraiser. Goodwill associated with the Company's acquisitions is reviewed for impairment in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," addressed further in Note 2, "Significant Accounting Policies," within the Company's 2004 Annual Report on Form 10K.

In the first quarter of 2005, the Company finalized its purchase price allocation for the acquisition of Arrow Financial Services LLC and Arrow Funding LLC (collectively, "AFS"), acquired in September 2004, which resulted in an excess purchase price over the fair value of net assets acquired, or goodwill, of approximately \$109 million.

In the first quarter of 2005, the Company finalized its purchase price allocation for Southwest Student Services Corporation, acquired in October of 2004, which resulted in an excess purchase price over the fair value of net assets acquired, or goodwill, of approximately \$184 million.

4. Student Loan Securitization

Securitization Activity

The Company securitizes its student loan assets, and for transactions qualifying as sales, retains a Residual Interest, which may include reserve and other cash accounts, and servicing rights (as the Company retains the servicing responsibilities), all of which are referred to as the Company's Retained Interest in off-balance sheet securitized loans. The Residual Interest is the right to receive cash flows from the student loans and reserve accounts in excess of the amounts needed to pay servicing, derivative costs (if any), other fees, and the principal and interest on the bonds backed by the student loans. The investors and securitization trust have no recourse to the Company's other assets for the failure of the student loans to pay when due.

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4. Student Loan Securitization (Continued)

The following table summarizes the Company's securitization activity for the three months ended March 31, 2005 and 2004. Those securitizations listed as sales are off-balance sheet transactions and those listed as financings remain on-balance sheet.

	Three months ended March 31,							
	2005				2004			
	No. of Transactions	Amount Securitized	Pre-Tax Gain	Gain %	No. of Transactions	Amount Securitized	Pre-Tax Gain	Gain %
FFELP Stafford loans	2	\$ 3,530	\$ 50	1.4%	—	\$ —	\$ —	—%
Consolidation Loans	—	—	—	—	—	—	—	—
Private Education Loans	—	—	—	—	1	1,252	114	9.1
Total securitizations—sales	2	3,530	\$ 50	1.4%	1	1,252	\$ 114	9.1%
Consolidation Loans ⁽¹⁾	—	—	—	—	3	8,023	—	—
Total securitizations—financings	—	—	—	—	3	8,023	—	—
Total securitizations	2	\$ 3,530	—	—	4	\$ 9,275	—	—

⁽¹⁾ In certain Consolidation Loan securitization structures, the Company holds certain rights that can affect the remarketing of certain bonds such that these securitizations did not qualify as qualifying special purpose entities ("QSPEs"). Accordingly, they are accounted for on-balance sheet as variable interest entities ("VIEs").

The table below presents the key assumptions used in estimating the fair value of Residual Interests at the date of securitization resulting from the student loan securitization sale transactions completed during the three months ended March 31, 2005 and 2004.

	Three months ended March 31,					
	2005			2004		
	FFELP Stafford Loans	Consolidation Loans ⁽¹⁾	Private Education Loans ⁽¹⁾	FFELP Stafford Loans ⁽¹⁾	Consolidation Loans ⁽¹⁾	Private Education Loans
Prepayment speed	**	—	—	—	—	6%
Weighted-average life	4.0 yrs.	—	—	—	—	6.9 yrs.
Expected credit losses (% of principal securitized)	0%	—	—	—	—	4.73%
Residual cash flows discounted at (weighted average)	12%	—	—	—	—	12%

⁽¹⁾ No securitizations in the period, or such securitizations did not qualify for sale treatment.

** 20 percent for 2005, 15 percent for 2006 and 6 percent thereafter.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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4. Student Loan Securitization (Continued)

Retained Interest

The following table summarizes the fair value of the Company's Retained Interests along with the underlying off-balance sheet student loans that relate to those securitizations in transactions that were treated as sales.

	As of March 31, 2005		As of December 31, 2004	
	Retained Interest Fair Value ⁽³⁾	Underlying Securitized Loan Balance	Retained Interest Fair Value ⁽³⁾	Underlying Securitized Loan Balance
(Dollars in millions)				
FFELP Stafford loans	\$ 1,101	\$ 28,000	\$ 1,037	\$ 27,444
Consolidation Loans ⁽²⁾	451	7,219	585	7,393
Private Education Loans	694	6,245	694	6,309

Total⁽¹⁾\$ 2,246\$ 41,464\$ 2,316\$ 41,146

- (1) Unrealized gains (pre-tax) included in accumulated other comprehensive income related to the Retained Interests totaled \$364 million and \$445 million as of March 31, 2005 and December 31, 2004, respectively.
- (2) Includes \$266 million and \$399 million related to the fair value of the Embedded Floor Income as of March 31, 2005 and December 31, 2004, respectively. The decrease in the fair value of the Embedded Floor Income is due to rising interest rates during the quarter.
- (3) The Company recorded \$9 million and \$14 million of impairment related to the Retained Interests for the three months ended March 31, 2005 and 2004, respectively. The impairment charges are primarily the result of FFELP Stafford loans prepaying faster than projected through loan consolidation. These impairment charges are recorded as a loss and are included as a reduction to securitization revenue.

In addition to student loans in off-balance sheet trusts, the Company had \$30.9 billion and \$31.5 billion of securitized student loans outstanding (face amount) as of March 31, 2005 and December 31, 2004, respectively, in on-balance sheet securitization trusts.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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5. Common Stock

The following table summarizes the Company's common share repurchases, issuances and equity forward activity for the three months ended March 31, 2005 and 2004.

(Shares in millions)	Three months ended March 31,	
	2005	2004
Common shares repurchased:		
Equity forwards	3.1	7.9
Benefit plans ⁽¹⁾	.3	.7
Total shares repurchased	<u>3.4</u>	<u>8.6</u>
Average purchase price per share	<u>\$ 50.43</u>	<u>\$ 31.26</u>
Common shares issued	<u>1.7</u>	<u>3.8</u>
Equity forward contracts:		
Outstanding at beginning of period	42.8	43.5
New contracts	6.9	4.2
Exercises	(3.1)	(7.9)
Outstanding at end of period	<u>46.6</u>	<u>39.8</u>
Authority remaining at end of period to repurchase or enter into equity forwards	<u>28.9</u>	<u>34.2</u>

- (1) Includes shares withheld from stock option exercises and vesting of performance stock to satisfy minimum statutory tax withholding obligations and shares tendered by employees to satisfy option exercise costs.

As of March 31, 2005, the expiration dates and purchase prices for outstanding equity forward contracts were as follows:

Year of maturity (Shares in millions)	Outstanding contracts	Range of purchase prices	Average purchase price
2006	5.5	\$ 39.74 – \$50.47	\$ 49.31
2007	10.3	50.47	50.47
2008	7.9	50.47	50.47
2009	16.0	50.47	50.47
2010	6.9	48.21 – 49.58	48.92
	<u>46.6</u>		<u>\$ 50.10</u>

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SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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March 31, 2005 and 2004 is unaudited)**

5. Common Stock (Continued)

The closing price of the Company's common stock on March 31, 2005 was \$49.84.

Earnings per Share

Basic earnings per common share ("basic EPS") is calculated using the weighted average number of shares of common stock outstanding during each period. Diluted earnings per common share ("diluted EPS") reflect the potential dilutive effect of (i) additional common shares that are issuable upon exercise of outstanding stock options, deferred compensation, restricted stock units, and the outstanding commitment to issue shares under the Employee Stock Purchase Plan ("ESPP"), determined by the treasury stock method, (ii) the assumed conversion of convertible debentures, determined by the "if-converted" method, and (iii) equity forwards, determined by the reverse treasury stock method.

At March 31, 2005, the Company had \$2 billion contingently convertible debentures ("Co-Cos") outstanding that are convertible, under certain conditions, into shares of SLM common stock at an initial conversion price of \$65.98. The investors generally can only convert the debentures if the Company's common stock has appreciated for a prescribed period to 130 percent of the conversion price, which would amount to \$85.77, or the Company calls the debentures. Per EITF No. 04-8, diluted EPS for all periods presented includes the potential dilutive effect of the Company's outstanding Co-Cos for the three months ended March 31, 2005 and 2004. (See Note 1, "Significant Accounting Policies—Recently Proposed Accounting Pronouncements.")

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5. Common Stock (Continued)

The reconciliation of the numerators and denominators of the basic and diluted EPS calculations was as follows for the three months ended March 31, 2005 and 2004:

	Three months ended	
	March 31, 2005	March 31, 2004
Numerator:		
Net income attributable to common stock	\$ 220,509	\$ 288,579
Adjusted for debt expense of Co-Cos, net of taxes	8,619	4,295
Net income attributable to common stock, adjusted	<u>\$ 229,128</u>	<u>\$ 292,874</u>
Denominator:		
Weighted-average shares used to compute basic EPS	420,924	442,664
Effect of dilutive securities:		
Dilutive effect of stock options, deferred compensation, restricted stock units, ESPP, and equity forwards	11,778	9,084
Dilutive effect of Co-Cos	<u>30,312</u>	<u>30,312</u>
Dilutive potential common shares ⁽¹⁾	42,090	39,396
Weighted-average shares used to compute diluted EPS	<u>463,014</u>	<u>482,060</u>
Net earnings per share:		
Basic EPS	\$.52	\$.65
Dilutive effect of stock options, deferred compensation, restricted stock units, ESPP, and equity forwards	(.01)	(.01)
Dilutive effect of Co-Cos	<u>(.02)</u>	<u>(.03)</u>
Diluted EPS	<u>\$.49</u>	<u>\$.61</u>

⁽¹⁾ For the three months ended March 31, 2005 and 2004, securities of approximately 11 million and 33 million shares, respectively, were not included in the computation of diluted earnings per share because their inclusion would be antidilutive.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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6. Derivative Financial Instruments

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts or number of contracts of all derivative instruments at March 31, 2005 and December 31, 2004 and their impact on other comprehensive income and earnings for the three months ended March 31, 2005 and 2004. At March 31, 2005 and December 31, 2004, \$590 million and \$524 million (fair value), respectively, of available-for-sale investment securities and \$189 million and \$222 million, respectively, of cash were pledged as collateral against these derivative instruments.

	Cash Flow		Fair Value		Trading		Total	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
(Dollars in millions)								
Fair Values								
Interest rate swaps	\$ (2)	\$ 25	\$ (349)	\$ (176)	\$ (144)	\$ (84)	\$ (495)	\$ (235)
Floor/Cap contracts	—	—	—	—	(582)	(625)	(582)	(625)
Futures	—	—	—	—	(2)	(2)	(2)	(2)
Equity forwards	—	—	—	—	33	139	33	139
Cross currency interest rate swaps	—	—	1,270	1,839	—	—	1,270	1,839
Total	\$ (2)	\$ 25	\$ 921	\$ 1,663	\$ (695)	\$ (572)	\$ 224	\$ 1,116
(Dollars in billions)								
Notional Values								
Interest rate swaps	\$ 6.6	\$ 5.8	\$ 13.1	\$ 13.4	\$ 102.5	\$ 85.9	\$ 122.2	\$ 105.1
Floor/Cap contracts	—	—	—	—	47.4	41.7	47.4	41.7
Futures	.2	1.0	—	—	.7	6.5	.9	7.5
Cross currency interest rate swaps	—	—	13.9	13.7	—	—	13.9	13.7
Other ⁽¹⁾	—	—	—	—	2.0	2.0	2.0	2.0
Total	\$ 6.8	\$ 6.8	\$ 27.0	\$ 27.1	\$ 152.6	\$ 136.1	\$ 186.4	\$ 170.0
(Shares in millions)								
Contracts								
Equity forwards	—	—	—	—	46.6	42.8	46.6	42.8

(1) "Other" consists of an embedded derivative bifurcated from the convertible debenture issuance that relates primarily to certain contingent interest and conversion features of the debt. The embedded derivative has had zero fair value since inception.

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6. Derivative Financial Instruments (Continued)

	Three months ended March 31,							
	Cash Flow		Fair Value		Trading		Total	
(Dollars in millions)	2005	2004	2005	2004	2005	2004	2005	2004
Changes to accumulated other comprehensive income, net of tax								
Change in fair value to cash flow hedges	\$ (16)	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ (16)	\$ 2
Amortization of effective hedges and transition adjustment ⁽¹⁾	7	3	—	—	—	—	7	3
Change in accumulated other comprehensive income, net	<u>\$ (9)</u>	<u>\$ 5</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (9)</u>	<u>\$ 5</u>
Earnings Summary								
Amortization of closed futures contracts' gains/losses in interest expense ⁽²⁾	\$ (12)	\$ (5)	\$ —	\$ —	\$ —	\$ —	\$ (12)	\$ (5)
Losses on derivative and hedging activities—Realized ⁽³⁾	—	—	—	—	(122)	(216)	(122)	(216)
Gains (losses) on derivative and hedging activities—Unrealized	—	—	(12) ⁽⁴⁾	(2) ⁽⁴⁾	100	101	88	99
Total earnings impact	\$ (12)	\$ (5)	\$ (12)	\$ (2)	\$ (22)	\$ (115)	\$ (46)	\$ (122)

(1) The Company expects to amortize \$21 million of after-tax net losses from accumulated other comprehensive income to earnings during the next 12 months related to closed futures contracts that were hedging the forecasted issuance of debt instruments that are outstanding as of March 31, 2005.

(2) For futures contracts that qualify as SFAS No. 133 hedges where the hedged transaction occurs.

(3) Includes net settlement income/expense related to trading derivatives and realized gains and losses related to derivative dispositions.

(4) The change in the fair value of cash flow and fair value hedges represents amounts related to ineffectiveness.

7. Pension Plans

Effective July 1, 2004, the Company's qualified and supplemental pension plans (the "Pension Plans") were frozen with respect to new entrants and participants with less than five years of service. No further benefits will accrue with respect to such participants under the Pension Plans, other than interest accruals on cash balance accounts. These participants were fully vested as of June 30, 2004.

For those participants continuing to accrue benefits under the Pension Plans, benefits are credited using a cash balance formula. Under the formula, each participant has an account, for record keeping purposes only, to which credits are allocated each payroll period based on a percentage of the participant's compensation for the current pay period. The applicable percentage is determined by the participant's

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7. Pension Plans (Continued)

number of years of service with the Company. If an individual participated in the Company's prior pension plan as of September 30, 1999 and met certain age and service criteria, the participant ("grandfathered participant") will receive the greater of the benefits calculated under the prior plan, which uses a final average pay plan method, or the current plan under the cash balance formula.

Components of Net Periodic Pension Cost

Net periodic pension cost included the following components:

	Three months ended	
	March 31,	
	2005	2004
Service cost—benefits earned during the period	\$ 2,473	\$ 3,144
Interest cost on project benefit obligations	2,806	2,814
Expected return on plan assets	(4,109)	(3,842)
Net amortization and deferral	(29)	(379)
Net periodic pension cost	<u>\$ 1,141</u>	<u>\$ 1,737</u>

Employer Contributions

The Company previously disclosed in its financial statements for the year ended December 31, 2004 that it did not expect to contribute to its qualified pension plan (the "Qualified Plan") in 2005. As of March 31, 2005, the Company had made no contributions to its Qualified Plan.

8. Contingencies

The Company and various affiliates were defendants in a lawsuit brought by College Loan Corporation ("CLC") in the United States District Court for the Eastern District of Virginia alleging various breach of contract and common law tort claims in connection with CLC's consolidation loan activities. The Complaint sought compensatory damages of at least \$60 million. At trial CLC had reduced its claim for compensatory damages to \$47 million. On June 25, 2003, the jury returned a verdict in favor of the Company on all counts. CLC subsequently filed an appeal. On January 31, 2005, the United States Court of Appeals for the Fourth Circuit overturned the jury verdict on the grounds that the trial judge's pretrial rulings improperly limited CLC's proof at trial and remanded the case to the District Court for further proceedings. The Court of Appeals decision did not address the merits of the case. The Company filed a petition for rehearing or alternatively a rehearing en banc, which the Fourth Circuit denied. The United States District Court for the Eastern District of Virginia has scheduled the retrial for August 22, 2005. The plaintiffs intend to seek additional compensatory damages at the retrial for actions taken by Sallie Mae since the June 25, 2003 verdict. Plaintiffs are seeking punitive damages in addition to the compensatory damages.

The Company was named as a defendant in a putative class action lawsuit brought by three Wisconsin residents on December 20, 2001 in the Superior Court for the District of Columbia. The plaintiffs sought

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8. Contingencies (Continued)

to represent a nationwide class action on behalf of all borrowers who allegedly paid “undisclosed improper and excessive” late fees over the past three years. The plaintiffs sought damages of one thousand five hundred dollars per violation plus punitive damages and claimed that the class consisted of two million borrowers. In addition, the plaintiffs alleged that the Company charged excessive interest by capitalizing interest quarterly in violation of the promissory note. On February 27, 2003, the Superior Court granted the Company’s motion to dismiss the complaint in its entirety. On March 4, 2004, the District of Columbia Court of Appeals affirmed the Superior Court’s decision granting our motion to dismiss the complaint, but granted plaintiffs leave to re-plead the first count, which alleged violations of the D.C. Consumer Protection Procedures Act. On September 15, 2004, the plaintiffs filed an amended class action complaint. On December 27, 2004, the Superior Court granted the Company’s motion to dismiss the plaintiffs’ amended complaint. Plaintiffs have appealed the Superior Court’s December 27, 2004 dismissal order to the District of Columbia Court of Appeals. The Company believes that it will prevail on the merits of this case if it becomes necessary to further litigate this matter.

The Company continues to cooperate with the SEC concerning an informal investigation that the SEC initiated on January 14, 2004. Although there are currently no data requests outstanding and the SEC has not sought to interview any additional witnesses, discussions with the SEC to conclude this matter are ongoing. The investigation concerns certain 2003 year-end accounting entries made by employees of one of the Company’s debt collection agency subsidiaries. The Company’s Audit Committee engaged outside counsel to investigate the matter and management conducted its own investigation. These investigations by the Audit Committee and management have been completed and the amounts in question were less than \$100,000.

The Company is also subject to various claims, lawsuits and other actions that arise in the normal course of business. Most of these matters are claims by borrowers disputing the manner in which their loans have been processed or the accuracy of the Company’s reports to credit bureaus. In addition, the collections subsidiaries in the Company’s debt management operation group are occasionally named in individual plaintiff or class action lawsuits in which the plaintiffs allege that the Company has violated a federal or state law in the process of collecting their account. Management believes that these claims, lawsuits and other actions will not have a material adverse effect on its business, financial condition or results of operations.

9. Segment Reporting

The Company has two primary operating segments as defined in SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information”—the Lending and Debt Management Operations (“DMO”) segments. The Lending and DMO operating segments meet the quantitative thresholds for reportable segments identified in SFAS No. 131. Accordingly, the results of operations of the Company’s Lending and DMO segments are presented below. The Company has smaller operating segments including the Guarantor Servicing and Student Loan Servicing operating segments as well as certain other products and services provided to colleges and universities which do not meet the quantitative thresholds identified in SFAS No. 131. Therefore, the results of operations for these operating segments and the revenues and

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SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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9. Segment Reporting (Continued)

expenses associated with these other products and services are combined with corporate overhead and other corporate activities within the Corporate and Other reporting segment.

The management reporting process measures the performance of the Company’s operating segments based on the management structure of the Company as well as the methodology used by management to evaluate performance and allocate resources. Management, including the Company’s two chief operating decision makers, evaluates the performance of the Company’s operating segments based on their profitability. As discussed further below, management measures the profitability of the Company’s operating segments based on certain “core cash” measures. Accordingly, information regarding the Company’s reportable segments is provided based on this “core cash” measure. Unlike financial accounting, there is no comprehensive, authoritative guidance for management reporting. The management reporting process measures the performance of the operating segments based on the management structure of the Company and is not necessarily comparable with similar information for any other financial institution. The Company’s operating segments are defined by the products and services they offer or the types of customers they serve, and they reflect the manner in which financial information is currently evaluated by management. Intersegment revenues and expenses are netted within the appropriate financial statement line items consistent with the income statement presentation provided to management. Changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial information.

The Company’s principal operations are located in the United States, and its results of operations and long-lived assets in geographic regions outside of the United States are not significant. In the Lending segment, no individual customer accounted for more than 10 percent of its total revenue during the three months ended March 31, 2005 and 2004. United Student Aid Funds, Inc. (“USA Funds”) is the Company’s largest customer in both the DMO and Corporate and Other segments. During the three months ending March 31, 2005 and 2004, it accounted for 43 percent and 64 percent, respectively, of the aggregate revenues generated by the Company’s DMO and Corporate and Other segments. No other customers accounted for more than 10 percent of total revenues in those segments for the years mentioned.

Lending

In the Company’s Lending business segment, the Company originates and acquires both federally guaranteed student loans which are administered by ED and Private Education Loans, which are not federally guaranteed. Private Education Loans are primarily used by borrowers to supplement FFELP loans to meet the rising cost of education. The Company owns and manages student loans for over eight million borrowers totaling \$111.7 billion at March 31, 2005, of which \$99.2 billion or 89 percent are federally insured. In addition to education lending, the Company also originates mortgage and consumer loans with the intent of selling the majority of such loans. During the three months ended March 31, 2005, the Company originated \$393 million in mortgage and consumer loans and its mortgage and consumer loan portfolio totaled \$506 million at March 31, 2005, of which \$208 million pertained to mortgages in the held for sale portfolio.

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SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2005 and for the three months ended
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9. Segment Reporting (Continued)

DMO

The Company provides a wide range of accounts receivable and collections services through five operating units that comprise its DMO operating segment. These services include defaulted student loan portfolio management services, contingency collections services for student loans and other asset classes, student loan default aversion services, and accounts receivable management and collection for purchased portfolios of receivables that have been charged off by their original creditors. The Company's DMO operating segment primarily serves the student loan marketplace through a broad array of default management services on a contingency fee or other pay for performance basis to six FFELP guarantors and for campus based programs.

In addition to collecting on its own purchased receivables, the DMO operating segment purchases charged-off debt and provides receivable management and collection services for large federal agencies, credit card clients and other holders of consumer debt.

Corporate and Other

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

Financial Highlights

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

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

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(Information at March 31, 2005 and for the three months ended
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9. Segment Reporting (Continued)

Segment Results and Reconciliations to GAAP

(Dollars in millions)	Three Months Ended March 31, 2005					
	Lending	DMO	Corporate and Other	Total Core Cash Measures	Adjustments	Total GAAP
Net interest income	\$494	\$ —	\$ —	\$494	\$ (147)	\$ 347
Less: provisions for losses	55	—	—	55	(8)	47
Net interest income after provisions for losses	439	—	—	439	(139)	300
Fee income	—	85	33	118	—	118
Collections revenue	—	36	—	36	—	36
Other income	35	—	32	67	153	220
Operating expenses	116	64	69	249	13	262
Income taxes ⁽¹⁾	132	21	—	153	34	187
Minority interest in net earnings of subsidiaries	1	1	—	2	—	2
Net income	<u>\$225</u>	<u>\$ 35</u>	<u>\$ (4)</u>	<u>\$ 256</u>	<u>\$ (33)</u>	<u>\$ 223</u>

(Dollars in millions)	Three Months Ended March 31, 2004					
	Lending	DMO	Corporate and Other	Total Core Cash Measures	Adjustments	Total GAAP
Net interest income	\$433	\$ —	\$ —	\$433	\$ (111)	\$ 322
Less: provisions for losses	45	—	—	45	(5)	40
Net interest income after provisions for losses	388	—	—	388	(106)	282

losses						
Fee income	—	80	35	115	—	115
Other income	28	—	31	59	134	193
Operating expenses	104	32	66	202	7	209
Income taxes ⁽¹⁾	112	17	—	129	(39)	90
Net income	<u>\$200</u>	<u>\$31</u>	<u>\$—</u>	<u>\$231</u>	<u>\$ 60</u>	<u>\$ 291</u>

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

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(Information at March 31, 2005 and for the three months ended
March 31, 2005 and 2004 is unaudited)**

(Dollars and shares in thousands, except per share amounts, unless otherwise stated)

9. Segment Reporting (Continued)

The adjustments required to reconcile from the Company's "core cash" measures to its GAAP results of operations relate to differing treatments for securitization transactions, derivatives, Floor Income related to the Company's student loans, and certain other items that management does not consider in evaluating the Company's operating results. The following table reflects aggregate adjustments associated with these areas for the three months ended March 31, 2005, and 2004.

(Dollars in millions)	Three months ended	
	March 31,	
	2005	2004
Non-GAAP Performance Measures:		
Net impact of securitization accounting ⁽¹⁾	\$ (33)	\$ (10)
Net impact of derivative accounting ⁽²⁾	90	99
Net impact of Floor Income ⁽³⁾	(43)	(61)
Amortization of acquired intangibles ⁽⁴⁾	(13)	(7)
Net tax effect ⁽⁵⁾	34	(39)
Total non-GAAP performance measures	<u>\$ (33)</u>	<u>\$ 60</u>

- (1) Securitization: Under GAAP, certain securitization transactions are accounted for as sales of assets. Under "core cash," the Company presents all securitization transactions as long-term non-recourse financings. The upfront "gains" on sale from securitization transactions as well as ongoing "servicing and securitization revenue" presented in accordance with GAAP are excluded from the "core cash" measures and replaced by the interest income, provision for loan losses, and interest expense as they are earned or incurred on the securitization loans. The Company also excludes transactions with its off-balance sheet trusts which would be considered intercompany on a Managed Basis.
- (2) Derivative accounting: "Core cash" measures exclude the periodic unrealized gains and losses caused primarily by the one-sided mark-to-market derivative valuations prescribed by SFAS No. 133 and recognize the economic effect of these hedges, which generally results in any cash paid or received being recognized ratably as an expense or revenue over the hedged item's life. The Company also excludes the gain or loss on equity forward contracts that are required to be accounted for in accordance with SFAS No. 133 as derivatives and are marked-to-market through earnings.
- (3) Floor income: The timing and amount (if any) of Floor Income earned is uncertain and in excess of expected spreads and, therefore, the Company excludes such income when it is not economically hedged from "core cash" measures. The Company employs derivatives, primarily Floor Income Contracts and futures, to economically hedge Floor Income. These derivatives do not qualify as effective accounting hedges and therefore are marked-to-market through the "gains (losses) on derivative and hedging activities, net" line on the income statement with no offsetting mark of the economically hedged items. For "core cash" measures, the Company reverses the fair value adjustments on the Floor Income Contracts and futures economically hedging Floor Income and includes the amortization of net premiums received (net of Eurodollar futures contracts' realized gains or losses) in income.
- (4) Other items: The Company excludes amortization of acquired intangibles.
- (5) Such tax effect is based upon the Company's "core cash" effective tax rate for the year. The net tax effect results primarily from the exclusion of the permanent income tax impact of the equity forward contracts.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(Information at March 31, 2005 and for the three months ended
March 31, 2005 and 2004 is unaudited)**

(Dollars and shares in thousands, except per share amounts, unless otherwise stated)

10. JPMorgan Chase/Bank One Relationships

On March 22, 2005, the Company announced that it has extended both its JPMorgan Chase and Bank One student loan servicing and loan purchase commitments to August 31, 2010. This comprehensive agreement also provides for the dissolution, by year-end, of the joint venture between Chase and Sallie Mae that has been marketing student loans under the Chase brand since 1996, and resolves the lawsuit filed by Chase on February 17, 2005. In consideration for extending the agreement, the Company received a \$40 million payment that will be recognized over the life of the agreement.

JPMorgan Chase will continue to sell all student loans to the Company (whether made under the Chase or Bank One brand) that are originated or serviced on the Company's platforms. In addition, the agreement provides that substantially all Chase-branded education loans made for the July 1, 2005 to June 30, 2006 academic year (and future loans made to these borrowers) will be sold to the Company, including certain loans that are not originated or serviced on Sallie Mae platforms.

The Company anticipates that the agreement will have no adverse impact on school clients for the 2005-2006 loan processing season. The Company will continue to support its school customers through its comprehensive set of products and services, including its loan origination and servicing platforms, its family of lending brands and strategic lender partners.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three months ended March 31, 2005 and 2004

(Dollars in millions, except per share amounts, unless otherwise stated)

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

Some of the statements contained in this quarterly report discuss future expectations and business strategies or include other "forward-looking" information. Those statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and was derived using numerous assumptions. We undertake no obligation to publicly update or revise any forward-looking statements.

OVERVIEW

We are the largest source of funding, delivery and servicing support for education loans in the United States primarily through our participation in the FFELP. Our primary business is to originate, acquire and hold student loans, with the net interest income and gains on the sales of student loans in securitization being the primary source of our earnings. We also earn fees for pre-default and post-default receivables management services. We are now engaged in every phase of the student loan life cycle—from originating and servicing student loans to default prevention and ultimately the collection on defaulted student loans. We also provide a wide range of financial services, processing capabilities and information technology to meet the needs of educational institutions, lenders, students and their families, and guarantee agencies. SLM Corporation, more commonly known as Sallie Mae, is a holding company that operates through a number of subsidiaries and references in this report to the "Company" refer to SLM Corporation and its subsidiaries.

We have used both internal growth and strategic acquisitions to attain our leadership position in the education finance marketplace. We have the largest sales force in the student loan industry that delivers our product offerings on campuses. The core of our marketing strategy is to promote our on-campus brands, which generate student loan originations through our Preferred Channel. Loans generated through our Preferred Channel are more profitable than loans acquired through our forward purchase commitments or the spot market since they are owned earlier in the student loan's life and we generally incur lower costs on such loans. We have built brand leadership between the Sallie Mae name, the brands of our subsidiaries and those of our lender partners, such that we capture volume of three of the top five originators of FFELP loans. These sales and marketing efforts are supported by the largest and most diversified servicing capabilities in the industry, providing an unmatched array of servicing capability to financial aid offices.

In recent years we have diversified our business through the acquisition of several companies that provide default management and loan collections services, all of which are combined in our Debt Management Operations ("DMO") business segment. Initially these acquisitions were concentrated in the student loan industry, but through our acquisition of Arrow Financial Services ("AFS") in September 2004, we expanded our capabilities to include a full range of accounts receivable management services to a number of different industries. The DMO business segment has been expanding rapidly such that revenue grew 51 percent in the first quarter of 2005 over the first quarter 2004, and we now employ over 3,000 people in this segment.

In December 2004, we completed the Wind-Down of the GSE and are now a fully privatized company. We have defeased all remaining GSE debt obligations and dissolved the GSE's federal charter. The liquidity provided to the Company by the GSE has been replaced by non-GSE financing, including securitizations originated by non-GSE subsidiaries of SLM Corporation. This funding transformation was accomplished by increasing and diversifying our investor base over the last three years. We now have a number of sources of liquidity including the formation of our first asset-backed commercial paper program (\$5 billion in available borrowings) and our unsecured revolving credit facilities, which totaled \$5 billion as of March 31, 2005.

See "STUDENT LOAN MARKETING ASSOCIATION—Privatization Act—Completion of the GSE Wind-Down" for a more detailed discussion of the GSE Wind-Down.

BUSINESS SEGMENTS

We manage our business through two primary operating segments: the Lending operating segment and the DMO operating segment. These operating segments are considered reportable segments under the Financial Accounting Standards Board's ("FASB's") Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," based on quantitative thresholds applied to the Company's financial statements. In addition, we provide other complementary products and services, including guarantor and student loan servicing through smaller operating segments that do not meet such thresholds and are aggregated in the Corporate and Other operating segment for financial reporting purposes.

Since our reportable operating segments operate in distinct business environments, the discussion herein of the results of our operations is primarily presented on an operating segment basis. The Lending operating segment includes all discussion of income and related expenses associated with net interest margin, student loan spread and its components, securitization gains and the ongoing servicing and securitization income, gains and losses on derivative and hedging activities, and other fees earned on our Managed portfolio of student loans.

The DMO operating segment reflects the fees earned, collections revenue from defaulted loan portfolios, and expenses incurred to operate our DMO business. Our Corporate and Other operating segment includes our remaining fee businesses and other corporate expenses that do not pertain directly to the primary operating segments identified above.

SFAS No. 131 requires public companies to report financial and descriptive information about their reportable operating segments. The segment information that follows in this “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS” (“MD&A”) includes certain condensed financial information in accordance with generally accepted accounting principles in the United States of America (“GAAP”). In accordance with SFAS No. 131, in Note 9 to our consolidated financial statements, “Segment Reporting,” we present separate financial information about our operating segments that is used regularly by the “chief operating decision makers” in deciding how to allocate resources and in assessing the operating results of the business. The financial information included in Note 9 reflects certain non-GAAP performance measures, which we refer to as “core cash” measures. These “core cash” measures are discussed in greater detail below in “ALTERNATIVE PERFORMANCE MEASURES.”

SELECTED FINANCIAL DATA

Condensed Statements of Income

	Three months ended March 31,		Increase (decrease)	
	2005	2004	\$	%
Net interest income	\$ 347	\$ 322	\$ 25	8%
Less: provisions for losses	47	40	7	18
Net interest income after provisions for losses	300	282	18	6
Gains on student loan securitizations	50	114	(64)	(56)
Servicing and securitization revenue	143	137	6	4
Losses on derivative and hedging activities, net	(34)	(117)	83	71
Guarantor servicing fees	33	35	(2)	(6)
Debt management fees and collections revenue	121	80	41	51
Other income	61	59	2	3
Operating expenses	262	209	53	25
Income taxes	187	90	97	108
Minority interest in net earnings of subsidiaries	2	—	2	100
Net income	<u>223</u>	<u>291</u>	<u>(68)</u>	<u>(23)</u>
Preferred stock dividends	3	3	—	—
Net income attributable to common stock	<u>\$ 220</u>	<u>\$ 288</u>	<u>\$ (68)</u>	<u>(23)%</u>
Basic earnings per common share	<u>\$.52</u>	<u>\$.65</u>	<u>\$ (.13)</u>	<u>(20)%</u>
Diluted earnings per common share	<u>\$.49</u>	<u>\$.61</u>	<u>\$ (.12)</u>	<u>(20)%</u>
Dividends per common share	<u>\$.19</u>	<u>\$.17</u>	<u>\$.02</u>	<u>12%</u>

Condensed Balance Sheets

	March 31,	December 31,	Increase (decrease)	
	2005	2004	\$	%
Assets				
Federally insured student loans, net	\$ 63,379	\$ 60,561	\$ 2,818	5%
Private Education Loans, net	6,527	5,420	1,107	20
Other loans, net	1,095	1,048	47	4
Cash and investments	3,235	6,974	(3,739)	(54)
Restricted cash and investments	2,224	2,212	12	1
Retained Interest in off-balance sheet securitized loans	2,246	2,316	(70)	(3)
Goodwill and acquired intangible assets, net	1,015	1,066	(51)	(5)
Other assets	4,076	4,497	(421)	(9)
Total assets	<u>\$ 83,797</u>	<u>\$ 84,094</u>	<u>\$ (297)</u>	<u>—%</u>
Liabilities and Stockholders' Equity				
Short-term borrowings	\$ 5,516	\$ 2,207	\$ 3,309	150%
Long-term notes	72,241	75,915	(3,674)	(5)
Other liabilities	2,902	2,798	104	4
Total liabilities	<u>80,659</u>	<u>80,920</u>	<u>(261)</u>	<u>—</u>
Minority interest in subsidiaries	73	72	1	1
Stockholders' equity before treasury stock	5,269	5,129	140	3
Common stock held in treasury at cost	2,204	2,027	177	9

Total stockholders' equity	3,065	3,102	(37)	(1)
Total liabilities and stockholders' equity	<u>\$ 83,797</u>	<u>\$ 84,094</u>	<u>\$ (297)</u>	<u>—%</u>

RESULTS OF OPERATIONS

As discussed in detail above in "OVERVIEW," we have two primary business segments, Lending and DMO, plus a Corporate and Other business segment. Since these operating segments operate in distinct business environments, after a general discussion of the consolidated results of operations, the discussion that follows is primarily presented on an operating segment basis. The Lending operating segment includes all discussion of income and related expenses associated with net interest margin, student loan spread and its components, securitization gains and the ongoing servicing and securitization income, gains and losses on derivative and hedging activities, and other fees earned on our Managed portfolio of student loans.

The DMO operating segment reflects the fees earned, collections revenue, and expenses incurred to operate our DMO business. Our Corporate and Other business segment includes our ancillary fee businesses and other corporate expenses that do not pertain directly to the primary segments identified above. Unless otherwise noted, the financial information contained herein is in accordance with GAAP. We also present financial information for our reportable operating segments in Note 9 to our consolidated financial statements, "Segment Reporting," which reflects "core cash" measures. "Core cash" measures are discussed in detail below in "ALTERNATIVE PERFORMANCE MEASURES."

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CONSOLIDATED EARNINGS SUMMARY

Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004

For the three months ended March 31, 2005, our net income was \$223 million (\$.49 diluted earnings per share) versus net income of \$291 million (\$.61 diluted earnings per share) in 2004. On a pre-tax basis, first quarter of 2005 income increased by 8 percent from \$381 million in the first quarter of 2004 to \$412 million in the first quarter of 2005. The decrease in net income from 2004 to 2005 is primarily due to the increase in the effective tax rate from 23 percent in the first quarter of 2004 to 45 percent in the first quarter of 2005. Fluctuations in the effective tax rate are driven by the permanent impact of the exclusion of the unrealized gains and losses on equity forward contracts for tax purposes. Under SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," we are required to mark the equity forward contracts to market each quarter and recognize the change in their value in income. Conversely, these unrealized gains and losses are not recognized on a tax basis. In the first quarter of 2005, we recognized unrealized losses on our outstanding equity forward contracts of \$108 million versus unrealized gains of \$141 million in the first quarter of 2004.

The increase in pre-tax income from 2004 to 2005 can be attributed to several offsetting factors. Positive impacts on pre-tax income included an \$83 million reduction in losses on derivative and hedging activities, a \$41 million increase in DMO revenues and fees and an \$18 million increase in net interest income. These items were partially offset by a \$64 million decrease in the gains on student loan securitizations and a \$53 million increase in operating expenses. The reduction in losses on our derivative and hedging activities can be primarily attributed to rising interest rates that lowered the value of our outstanding Floor Income Contracts that are liabilities to us, resulting in an unrealized gain, and offset the losses on the equity forward contracts discussed above. The increase in fee income and collections revenue from our DMO segment is primarily due to collections revenue from AFS acquired in the third quarter of 2004.

The decrease in the securitization gains can primarily be attributed to a Private Education Loan transaction in 2004, which had a gain of \$114 million or 9.1 percent of assets securitized, versus gains of \$50 million or 1.4 percent in 2005 in two FFELP Stafford securitizations. Private Education Loan securitizations generally have significantly higher gains as a percentage of assets securitized. There were no Private Education Loan securitizations in the first quarter of 2005. The year-over-year increases in operating expenses can be attributed to the expenses associated with three new subsidiaries acquired in the second half of 2004: AFS, Southwest Student Services Corporation ("Southwest") and Student Loan Finance Association ("SLFA").

Our Managed student loan portfolio grew by \$19.6 billion, from \$92.1 billion at March 31, 2004 to \$111.7 billion at March 31, 2005. This growth was fueled by the acquisition of \$7.5 billion in new Managed student loans in the first three months of 2005, a 16.2 percent increase over the \$6.5 billion in the first three months of 2004. In the first three months of 2005, we originated \$6.8 billion of student loans through our Preferred Channel, an increase of 16 percent over the \$5.8 billion originated in the first three months of 2004.

LENDING BUSINESS SEGMENT

In our Lending business segment, we originate and acquire federally guaranteed student loans, which are administered by the U.S. Department of Education ("ED"), and Private Education Loans, which are not federally guaranteed. The majority of our Private Education Loans are made in conjunction with a FFELP Stafford loan and as a result are marketed through the same marketing channels as FFELP Stafford Loans. While FFELP student loans and Private Education Loans have different overall risk profiles due to the federal guarantee of the FFELP student loans, they share many of the same characteristics such as similar repayment terms, the same marketing channel and sales force, and are

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originated and serviced on the same servicing platform. Finally, where possible, the borrower receives a single bill for both the federally guaranteed and privately underwritten loans.

The following table includes the results of operations for our Lending business segment.

	Three months ended March 31,		% Increase (Decrease)
	2005	2004	2005 vs. 2004
Net interest income	\$ 347	\$ 322	8%
Less: provisions for losses	47	40	18
Net interest income after provisions for losses	300	282	6
Other income, net	296	21	1,310
Operating expenses	125	108	16

Income before income taxes and minority interest in net earnings of subsidiaries	471	195	142
Income taxes	166	73	127
Income before minority interest in net earnings of subsidiaries	305	122	150
Minority interest in net earnings of subsidiaries	1	—	100
Net income	\$ 304	\$ 122	149%

The following table includes asset information for our Lending business segment.

	March 31, 2005	December 31, 2004
Federally insured student loans, net	\$ 63,379	\$ 60,561
Private Education Loans, net	6,527	5,420
Other loans, net	1,095	1,048
Investments ⁽¹⁾	5,208	8,914
Retained Interest in off-balance sheet securitized loans	2,246	2,315
Other ⁽²⁾	4,264	4,792
Total assets	\$ 82,719	\$ 83,050

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

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

NET INTEREST INCOME

Net interest income, including interest income and interest expense, is derived primarily from our portfolio of student loans that remain on-balance sheet and to a lesser extent from other loans, cash and investments. The “Taxable Equivalent Net Interest Income” analysis below is designed to facilitate a comparison of non-taxable asset yields to taxable yields on a similar basis. Additional information regarding the return on our student loan portfolio is set forth under “Student Loans—Student Loan Spread Analysis.” Information regarding the provisions for losses is contained in Note 3 to the consolidated financial statements, “Allowance for Student Loan Losses.”

Taxable Equivalent Net Interest Income

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

	Three months ended March 31,		Increase (decrease)	
	2005	2004	\$	%
Interest income				
Student loans	\$ 829	\$ 546	\$ 283	52%
Other loans	20	18	2	11
Cash and investments	62	43	19	44
Taxable equivalent adjustment	1	3	(2)	(67)
Total taxable equivalent interest income	912	610	302	50
Interest expense	564	285	279	98
Taxable equivalent net interest income	<u>\$ 348</u>	<u>\$ 325</u>	<u>\$ 23</u>	<u>7%</u>

Average Balance Sheets

The following table reflects the rates earned on interest earning assets and paid on interest bearing liabilities for the three months ended March 31, 2005 and 2004. This table reflects the net interest margin for the entire Company on a consolidated basis. It is included in the Lending segment discussion because that segment includes substantially all interest earning assets and interest bearing liabilities.

	Three months ended March 31,			
	2005		2004	
	Balance	Rate	Balance	Rate
Average Assets				
Federally insured student loans	\$ 61,395	4.62%	\$ 47,746	3.95%
Private Education Loans	6,266	8.39	5,146	5.99
Other loans	1,097	7.66	1,062	7.36
Cash and investments	7,756	3.26	9,025	2.04
Total interest earning assets	76,514	4.83%	62,979	3.90%
Non-interest earning assets	6,385		6,046	
Total assets	<u>\$ 82,899</u>		<u>\$ 69,025</u>	
Average Liabilities and Stockholders' Equity				
Short-term borrowings	\$ 3,458	3.54%	\$ 18,829	1.81%
Long-term notes	73,258	2.96	44,169	1.83
Total interest bearing liabilities	76,716	2.98%	62,998	1.82%
Non-interest bearing liabilities	3,225		3,487	
Stockholders' equity	2,958		2,540	

Total liabilities and stockholders' equity	<u>\$ 82,899</u>	<u>\$ 69,025</u>
Net interest margin	<u>1.84%</u>	<u>2.08%</u>

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Rate/Volume Analysis

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

	Taxable equivalent increase (decrease)	Increase (decrease) attributable to change in	
		Rate	Volume
Three months ended March 31, 2005 vs. three months ended March 31, 2004			
Taxable equivalent interest income	\$ 302	\$ 163	\$ 139
Interest expense	<u>279</u>	<u>218</u>	<u>61</u>
Taxable equivalent net interest income	<u>\$ 23</u>	<u>\$ (55)</u>	<u>\$ 78</u>

The decrease in the net interest margin in the three months ended March 31, 2005 versus the three months ended March 31, 2004 was primarily due to the decrease in Floor Income and other student loan spread related items as discussed under "Student Loans—Student Loan Spread Analysis—On-Balance Sheet." The negative effect of the reduced Floor Income was partially offset by a decrease in lower yielding short-term investments which were being built up during 2004 as additional liquidity in anticipation of the GSE Wind-Down.

Student Loans

For both federally insured student loans and Private Education Loans, we account for premiums paid, discounts received and certain origination costs incurred on the origination and acquisition of student loans in accordance with SFAS No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases." The unamortized portion of the premiums and discounts is included in the carrying value of the student loan on the consolidated balance sheet. We recognize income on our student loan portfolio based on the expected yield of the student loan after giving effect to the amortization of purchase premiums and the accretion of student loan discounts, as well as interest rate reductions and rebates expected to be earned through borrower benefit programs. Discounts on Private Education Loans are deferred and accreted to income over the lives of the student loans. In the table below, this accretion of discounts is netted with the amortization of the premiums.

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Student Loan Spread Analysis—On-Balance Sheet

The following table analyzes the reported earnings from student loans both on-balance sheet and those off-balance sheet in securitization trusts. For student loans off-balance sheet, we will continue to earn securitization and servicing fee revenues over the life of the securitized loan portfolios. The off-balance sheet information is discussed in more detail in "LIQUIDITY AND CAPITAL RESOURCES—Securitization Activities—Servicing and Securitization Revenue" where we analyze the on-going servicing revenue and Residual Interest earned on the securitized portfolios of student loans. For an analysis of our student loan spread for the entire portfolio of Managed student loans on a similar basis to the on-balance sheet analysis, see "Student Loan Spread Analysis—Managed Basis."

	Three months ended March 31,	
	2005	2004
On-Balance Sheet		
Student loan yield, before Floor Income	5.54%	4.14%
Floor Income	.40	.95
Consolidation Loan Rebate Fees	(.66)	(.54)
Offset Fees	—	(.06)
Borrower benefits	(.17)	(.16)
Premium and discount amortization	(.15)	(.18)
Student loan net yield	<u>4.96</u>	<u>4.15</u>
Student loan cost of funds	<u>(2.94)</u>	<u>(1.61)</u>
Student loan spread	<u>2.02%</u>	<u>2.54%</u>
Off-Balance Sheet		
Servicing and securitization revenue, before Floor Income	1.34%	1.12%
Floor Income, net of Floor Income previously recognized in gain on sale calculation	<u>.04</u>	<u>.33</u>
Servicing and securitization revenue	<u>1.38%</u>	<u>1.45%</u>
Average Balances		
On-balance sheet student loans	\$ 67,661	\$ 52,892
Off-balance sheet student loans	<u>41,892</u>	<u>37,786</u>
Managed student loans	<u>\$ 109,553</u>	<u>\$ 90,678</u>

Discussion of On-Balance Sheet Student Loan Spread

The primary driver of fluctuations in our on-balance sheet student loan spread is the level of gross Floor Income (Floor Income earned before payments on Floor Income Contracts) earned in the period. For the three months ended March 31, 2005 and March 31, 2004, we earned gross Floor Income of \$66

million (40 basis points) and \$126 million (95 basis points), respectively. The reduction in gross Floor Income is primarily due to the increase in short-term interest rates. We believe that we have economically hedged most of the Floor Income through the sale of Floor Income Contracts, under which we receive an upfront fee and agree to pay the counterparty the Floor Income earned on a notional amount of student loans. These contracts do not qualify for accounting hedge treatment, and as a result the payments on the Floor Income Contracts are not included in student loan interest income and are therefore excluded from net interest income and the student loan spread. The Floor Income Contract payments are instead included on the income statement with "gains (losses) on derivative and hedging activities, net." Payments on Floor Income Contracts associated with on-balance sheet student loans for the three months ended March 31, 2005 and March 31, 2004 totaled \$60 million (36 basis points) and \$109 million (82 basis points), respectively.

In addition to Floor Income Contracts, we also extensively use basis swaps to manage our basis risk associated with interest rate sensitive assets and liabilities. These swaps generally do not qualify as accounting hedges and are likewise required to be accounted for in the "gains (losses) on derivative and hedging activities, net" line on the income statement. As a result, they are not considered in the calculation of the cost of funds in the above table.

Discussion of the Quarter-over-Quarter Fluctuations on the On-Balance Sheet Student Loan Spread in Addition to Floor Income Effects Discussed Above

Excluding the effect of Floor Income discussed separately above, the first quarter of 2005 student loan spread increased by 3 basis points versus the year-ago quarter. The increase is primarily due to lower premium amortization caused by an increase in the first quarter of 2004 estimate of the average life of the loan portfolio to reflect the shift of the portfolio to Consolidation Loans. The positive impact of this change was partially offset by the higher Consolidation Loan rebate fees as Consolidation Loans continue to be a higher percentage of the on-balance sheet portfolio.

Student Loan Spread Analysis—Managed Basis Non-GAAP

The following table analyzes the earnings from our portfolio of Managed student loans on a "core cash" basis (see "ALTERNATIVE PERFORMANCE MEASURES"). This analysis includes both on-balance sheet and off-balance sheet loans in securitization trusts and derivatives economically hedging these line items and excludes unhedged Floor Income while including the amortization of upfront payments on Floor Income Contracts.

	Three months ended March 31,	
	2005	2004
Managed Basis student loan yield	5.63%	4.16%
Consolidation Loan Rebate Fees	(.48)	(.40)
Offset Fees	—	(.03)
Borrower benefits	(.10)	(.09)
Premium and discount amortization	(.17)	(.09)
Managed Basis student loan net yield	4.88	3.55
Managed Basis student loan cost of funds	(3.08)	(1.64)
Managed Basis student loan spread	1.80%	1.91%
Average Balances		
On-balance sheet student loans	\$ 67,661	\$ 52,892
Off-balance sheet student loans	41,892	37,786
Managed student loans	\$ 109,553	\$ 90,678

Discussion of Managed Basis Student Loan Spread

The year-over-year decrease in the Managed student loan spread is primarily due to a first quarter of 2004 increase in the terms for amortizing premiums and discounts related to our trust portfolios and Private Education Loans. This change in estimate reduced first quarter of 2004 premium amortization expense by 7 basis points. Also, the Managed student loan spread continued to be negatively impacted by the shift of the portfolio from FFELP Stafford to Consolidation Loans. Consolidation Loans have lower spreads than other FFELP loans due to the 105 basis point Consolidation Loan Rebate Fee, and to a lesser extent, higher borrower benefits expense and higher costs of funds. These negative effects are partially offset by the higher SAP spread earned on Consolidation Loans and lower student loan premium amortization due to their extended term. As long as interest rates remain at historically low levels and

absent a program change in the next HEA reauthorization, we expect Consolidation Loans to be actively marketed by the student loan industry and remain an attractive refinancing option for borrowers, resulting in Consolidation Loans representing an increasing percentage of our federally guaranteed student loan portfolio.

The first quarter 2005 Managed student loan spread benefited from the increase in the average balance of Managed Private Education Loans as a percentage of the average Managed student loan portfolio from 10 percent in the first quarter 2004 to 11 percent in the first quarter 2005. Private Education Loans are subject to credit risk and therefore earn higher spreads which averaged 4.63 percent in the first quarter of 2005 for the Managed Private Education Loan portfolio versus a spread of 1.43 percent for the Managed guaranteed student loan portfolio.

On-Balance Sheet Floor Income

For on-balance sheet student loans, gross Floor Income is included in student loan income. The following table summarizes the components of Floor Income from on-balance sheet student loans, net of payments under Floor Income Contracts, for the three months ended March 31, 2005 and 2004.

	Three months ended March 31,					
	2005			2004		
	Fixed borrower rate	Variable borrower rate	Total	Fixed borrower rate	Variable borrower rate	Total
Floor Income:						

Gross Floor Income	\$ 66	\$ —	\$ 66	\$ 124	\$ 2	\$ 126
Payments on Floor Income Contracts	(60)	—	(60)	(109)	—	(109)
Net Floor Income	\$ 6	\$ —	\$ 6	\$ 15	\$ 2	\$ 17
Net Floor Income in basis points	<u>4</u>	<u>—</u>	<u>4</u>	<u>11</u>	<u>2</u>	<u>13</u>

The decrease in Floor Income for the three months ended March 31, 2005 versus the year-ago period is due to higher interest rates and a higher percentage of Floor Income eligible student loans economically hedged through Floor Income Contracts.

As discussed in more detail under "LIQUIDITY AND CAPITAL RESOURCES—Securitization Activities," when we securitize a portfolio of student loans, we estimate the future Fixed Rate Embedded Floor Income earned on off-balance sheet student loans using a discounted cash flow option pricing model and recognize the fair value of such cash flows in the initial gain on sale and subsequent valuations of the Residual Interest. Variable Rate Embedded Floor Income is recognized as earned in servicing and securitization revenue.

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Student Loan Floor Income Contracts

The following table analyzes the ability of the FFELP student loans in our Managed student loan portfolio to earn Floor Income after March 31, 2005 and 2004.

(Dollars in billions)	March 31, 2005			March 31, 2004		
	Fixed borrower rate	Variable borrower rate	Total	Fixed borrower rate	Variable borrower rate	Total
Student loans eligible to earn Floor Income:						
On-balance sheet student loans	\$ 43.3	\$ 13.1	\$ 56.4	\$ 28.4	\$ 14.8	\$ 43.2
Off-balance sheet student loans	7.2	25.3	32.5	7.9	21.8	29.7
Managed student loans eligible to earn Floor Income	50.5	38.4	88.9	36.3	36.6	72.9
Less: Economically hedged Floor Income contracts	(26.0)	—	(26.0)	(15.9)	—	(15.9)
Net Managed student loans eligible to earn Floor Income	<u>\$ 24.5</u>	<u>\$ 38.4</u>	<u>\$ 62.9</u>	<u>\$ 20.4</u>	<u>\$ 36.6</u>	<u>\$ 57.0</u>
Net Managed student loans earning Floor Income	<u>\$ 2.5</u>	<u>\$ —</u>	<u>\$ 2.5</u>	<u>\$ 15.0</u>	<u>\$ 32.1</u>	<u>\$ 47.1</u>

The following table shows the average Managed balance of Consolidation Loans whose Fixed Rate Floor Income is economically hedged through Floor Income Contracts for the period April 1, 2005 to March 31, 2010. These loans are both on and off-balance sheet and the related hedges do not qualify as effective SFAS No. 133 hedges.

(Dollars in billions)	2005	2006	2007	2008	2009	2010
Managed Basis:						
Average balance of economically hedged Consolidation Loans	<u>\$ 26</u>	<u>\$ 25</u>	<u>\$ 16</u>	<u>\$ 15</u>	<u>\$ 10</u>	<u>\$ 2</u>

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Activity in the Allowance for Private Education Loan Losses

The provision for student loan losses represents the periodic expense of maintaining an allowance sufficient to absorb losses, net of recoveries, inherent in the portfolio of Private Education Loans.

The following table summarizes changes in the allowance for Private Education Loan losses for the three months ended March 31, 2005 and 2004.

	Activity in Allowance for Private Education Loan Losses					
	On-Balance Sheet		Off-Balance Sheet		Managed Basis	
	Three months ended March 31,		Three months ended March 31,		Three months ended March 31,	
	2005	2004	2005	2004	2005	2004
Allowance at beginning of period	\$ 172	\$ 166	\$ 143	\$ 93	\$ 315	\$ 259
Provision for loan losses	43	32	8	5	51	37
Charge-offs	(29)	(26)	(1)	—	(30)	(26)
Recoveries	5	3	—	(1)	5	2
Net charge-offs	<u>(24)</u>	<u>(23)</u>	<u>(1)</u>	<u>(1)</u>	<u>(25)</u>	<u>(24)</u>
Balance before securitization of Private Education Loans	191	175	150	97	341	272
Reduction for securitization of Private Education Loans	—	(21)	—	21	—	—
Allowance at end of period	<u>\$ 191</u>	<u>\$ 154</u>	<u>\$ 150</u>	<u>\$ 118</u>	<u>\$ 341</u>	<u>\$ 272</u>
Net charge-offs as a percentage of average loans in repayment (annualized)	3.29%	3.86%	.16%	.09%	1.61%	2.11%

Allowance as a percentage of the ending total loan balance	2.84%	3.56%	2.44%	2.33%	2.65%	2.90%
Allowance as a percentage of ending loans in repayment	6.35%	6.88%	4.43%	5.17%	5.33%	6.02%
Average coverage of net charge-offs (annualized)	1.99	1.67	28.27	60.00	3.36	2.89
Average total loans	\$ 6,266	\$ 5,146	\$ 6,147	\$ 3,997	\$ 12,413	\$ 9,142
Ending total loans	\$ 6,718	\$ 4,331	\$ 6,141	\$ 5,077	\$ 12,859	\$ 9,408
Average loans in repayment	\$ 2,924	\$ 2,396	\$ 3,368	\$ 2,079	\$ 6,292	\$ 4,475
Ending loans in repayment	\$ 3,005	\$ 2,241	\$ 3,384	\$ 2,288	\$ 6,389	\$ 4,529

The increase in the provision for Managed Private Education Loan losses for the first quarter of 2005 versus the same period in the prior year is due to the increase in the number of borrowers transitioning from school and updated default assumptions.

The decrease in charge-offs as a percentage of average loans in repayment and the increase in recoveries in the first quarter of 2005 versus the year-ago quarter on a Managed Basis can primarily be attributed to the enhanced pre-default and post-default collection efforts of our debt management operations. The year-over-year decrease in the Managed Private Education Loan allowance as a percentage of loans in repayment can be attributed to the changing mix of the portfolio and updates in our allowance assumptions since the first quarter of 2004.

On-Balance Sheet versus Managed Presentation

All Private Education Loans are initially acquired on-balance sheet. When we securitize Private Education Loans, we reduce the on-balance sheet allowance for amounts previously provided for in the

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allowance and then provide for these loans in the Managed presentation only as they are no longer legally owned by the Company.

When Private Education Loans in securitized trusts become 180 days delinquent, we typically exercise our contingent call option to repurchase these loans at par value out of the trust and record a loss for the difference in the par value paid and the fair market value of the loan at the time of purchase. If these loans reach the 212-day delinquency, a charge-off for the remaining balance of the loan is triggered. On a Managed Basis, the losses recorded under GAAP at the time of repurchase of delinquent Private Education Loans are considered charge-offs when the delinquent Private Education Loans reach the 212-day charge-off date. These charge-offs are shown in the off-balance sheet section in the above table.

The off-balance sheet allowance is increasing as more loans are securitized but is lower than the on-balance sheet percentage when measured as a percentage of ending loans in repayment because of the different mix of loans on-balance sheet and off-balance sheet. Certain loan types with higher expected default rates, such as career training, have not yet been securitized. Additionally, a larger percentage of the off-balance sheet loan borrowers are still in-school status and not required to make payments on their loans. Once the borrower leaves school, the allowance requirements increase to reflect the increased risk of loss as loans enter repayment.

Delinquencies

The table below presents our Private Education Loan delinquency trends as of March 31, 2005 and 2004. Delinquencies have the potential to adversely impact earnings through increased servicing and collection costs in the event the delinquent accounts charge off.

	On-Balance Sheet Private Education Loan Delinquencies			
	March 31, 2005		March 31, 2004	
	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$ 3,733		\$ 2,039	
Loans in forbearance ⁽²⁾	222		193	
Loans in repayment and percentage of each status:				
Loans current	2,707	90.1%	2,008	89.6%
Loans delinquent 31-60 days ⁽³⁾	119	4.0	84	3.7
Loans delinquent 61-90 days	70	2.3	50	2.3
Loans delinquent greater than 90 days	109	3.6	99	4.4
Total Private Education Loans in repayment	<u>3,005</u>	<u>100%</u>	<u>2,241</u>	<u>100%</u>
Total Private Education Loans, gross	6,960		4,473	
Private Education Loan unamortized discount	(242)		(142)	
Total Private Education Loans	6,718		4,331	
Private Education Loan allowance for losses	(191)		(154)	
Private Education Loans, net	<u>\$ 6,527</u>		<u>\$ 4,177</u>	
Percentage of Private Education Loans in repayment	<u>43.2%</u>		<u>50.1%</u>	
Delinquencies as a percentage of Private Education Loans in repayment	<u>9.9%</u>		<u>10.4%</u>	

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	Off-Balance Sheet Private Education Loan Delinquencies			
	March 31, 2005		March 31, 2004	
	Balance	%	Balance	%

Loans in-school/grace/deferment ⁽¹⁾	\$ 2,458		\$ 2,451	
Loans in forbearance ⁽²⁾	403		420	
Loans in repayment and percentage of each status:				
Loans current	3,207	94.8%	2,180	95.3%
Loans delinquent 31-60 days ⁽³⁾	86	2.5	46	2.0
Loans delinquent 61-90 days	40	1.2	34	1.5
Loans delinquent greater than 90 days	51	1.5	28	1.2
Total Private Education Loans in repayment	3,384	100%	2,288	100%
Total Private Education Loans, gross	6,245		5,159	
Private Education Loan unamortized discount	(104)		(82)	
Total Private Education Loans	6,141		5,077	
Private Education Loan allowance for losses	(150)		(118)	
Private Education Loans, net	\$ 5,991		\$ 4,959	
Percentage of Private Education Loans in repayment	54.2%		44.4%	
Delinquencies as a percentage of Private Education Loans in repayment	5.2%		4.7%	

	Managed Private Education Loan Delinquencies			
	March 31, 2005		March 31, 2004	
	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$ 6,191		\$ 4,490	
Loans in forbearance ⁽²⁾	625		613	
Loans in repayment and percentage of each status:				
Loans current	5,914	92.6%	4,188	92.5%
Loans delinquent 31-60 days ⁽³⁾	205	3.2	130	2.9
Loans delinquent 61-90 days	110	1.7	84	1.8
Loans delinquent greater than 90 days	160	2.5	127	2.8
Total Private Education Loans in repayment	6,389	100%	4,529	100%
Total Private Education Loans, gross	13,205		9,632	
Private Education Loan unamortized discount	(346)		(224)	
Total Private Education Loans	12,859		9,408	
Private Education Loan allowance for losses	(341)		(272)	
Private Education Loans, net	\$ 12,518		\$ 9,136	
Percentage of Private Education Loans in repayment	48.4%		47.0%	
Delinquencies as a percentage of Private Education Loans in repayment	7.4%		7.5%	

- (1) Loans for borrowers who still may be attending school or engaging in other permitted educational activities and are not yet required to make payments on the loans, e.g., residency periods for medical students or a grace period for bar exam preparation.
- (2) Loans for borrowers who have requested extension of grace period during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with the established loan program servicing policies and procedures.
- (3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

The percentage of loans delinquent greater than 90 days improved in the first quarter of 2005 versus the year-ago period. This improvement is primarily due to the enhanced pre-default collection efforts.

Forbearance—Managed Basis Private Education Loans

Private Education Loans are made to parent and student borrowers by our lender partners in accordance with our underwriting policies. These loans generally supplement federally guaranteed student loans, which are subject to federal lending caps. Private Education Loans are not guaranteed or insured against any loss of principal or interest. Traditional student borrowers use the proceeds of these loans to obtain higher education, which increases the likelihood of obtaining employment at higher income levels than would be available without the additional education. As a result, the borrowers' repayment capability improves between the time the loan is made and the time they enter the post-education work force. We generally allow the loan repayment period on traditional Private Education Loans, except those generated by our SLM Financial subsidiary, to begin six to nine months after the student leaves school. This provides the borrower time to obtain a job to service his or her debt. For borrowers that need more time or experience other hardships, we permit additional delays in payment or partial payments (both referred to as forbearances) when we believe additional time will improve the borrower's ability to repay the loan. Our policy does not grant any reduction in the repayment obligation (principal or interest) but does allow the borrower to stop or reduce monthly payments for an agreed period of time.

Forbearance is used most heavily immediately after the loan enters repayment. As indicated in the tables below showing the composition and status of the Managed Private Education Loan portfolio by number of months aged from the first date of repayment, the percentage of loans in forbearance decreases the longer the loans have been in repayment. At March 31, 2005, loans in forbearance as a percentage of loans in repayment and forbearance is 11.9 percent for loans that have been in repayment one to twenty-four months. The percentage drops to 3.5 percent for loans that have been in repayment more than 48 months. Approximately 76 percent of the Company's loans in forbearance have been in repayment less than 24 months. These borrowers are essentially extending their grace period as they transition to the workforce. Forbearance continues to be a positive collection tool for the Private Education Loans as we believe it can provide the borrower with sufficient time to obtain employment and income to support his or her obligation. We consider the potential impact of forbearance in the determination of the loan loss reserves.

The tables below show the composition and status of the Managed Private Education Loan portfolio by number of months aged from the first date of repayment.

March 31, 2005	Months since entering repayment				Total
	1 to 24 months	25 to 48 months	More than 48 months	After Mar. 31, 2005 ⁽¹⁾	
Loans in-school/grace/deferment	\$ —	\$ —	\$ —	\$ 6,191	\$ 6,191
Loans in forbearance	473	106	46	—	625
Loans in repayment—current	3,263	1,457	1,194	—	5,914
Loans in repayment—delinquent 31-60 days	109	57	39	—	205
Loans in repayment—delinquent 61-90 days	63	29	18	—	110
Loans in repayment—delinquent greater than 90 days	83	50	27	—	160
Total	<u>\$ 3,991</u>	<u>\$ 1,699</u>	<u>\$ 1,324</u>	<u>\$ 6,191</u>	<u>\$ 13,205</u>
Unamortized discount					(346)
Allowance for loan losses					(341)
Total Managed Private Education Loans, net					<u>\$ 12,518</u>
Loans in forbearance as a percentage of loans in repayment and forbearance	<u>11.9%</u>	<u>6.2%</u>	<u>3.5%</u>	<u>—%</u>	<u>8.9%</u>

March 31, 2004	Months since entering repayment				Total
	1 to 24 months	25 to 48 months	More than 48 months	After Mar. 31, 2004 ⁽¹⁾	
Loans in-school/grace/deferment	\$ —	\$ —	\$ —	\$ 4,490	\$ 4,490
Loans in forbearance	475	104	34	—	613
Loans in repayment—current	2,495	1,104	589	—	4,188
Loans in repayment—delinquent 31-60 days	72	38	20	—	130
Loans in repayment—delinquent 61-90 days	47	22	15	—	84
Loans in repayment—delinquent greater than 90 days	64	35	28	—	127
Total	<u>\$ 3,153</u>	<u>\$ 1,303</u>	<u>\$ 686</u>	<u>\$ 4,490</u>	<u>\$ 9,632</u>
Unamortized discount					(224)
Allowance for loan losses					(272)
Total Managed Private Education Loans, net					<u>\$ 9,136</u>
Loans in forbearance as a percentage of loans in repayment and forbearance	<u>15.1%</u>	<u>8.0%</u>	<u>5.0%</u>	<u>—%</u>	<u>11.9%</u>

(1) Includes all loans in-school/grace/deferment.

Additionally, as indicated in the table below which breaks down the Managed Private Education Loans in forbearance by the cumulative number of months the borrower has used as of the dates indicated, 9 percent of borrowers currently in forbearance have deferred their loan repayment more than 24 months.

Cumulative number of months borrower has used forbearance	2005		2004	
	Forbearance Balance	% of Total	Forbearance Balance	% of Total
Less than 13 months	\$ 440	70%	\$ 416	68%
13 to 24 months	129	21	140	23
25 to 36 months	36	6	32	5
More than 36 months	20	3	25	4
Total	<u>\$ 625</u>	<u>100%</u>	<u>\$ 613</u>	<u>100%</u>

Loans in forbearance status decreased from 11.9 percent of loans in repayment and forbearance status at March 31, 2004 to 8.9 percent of loans in repayment and forbearance status at March 31, 2005. The decrease in the percentages of loans in forbearance status versus the prior year is primarily due to enhanced default prevention and collection efforts.

Other Income, Net

The following table summarizes the components of other income, net, for our Lending business segment for the three months ended March 31, 2005 and 2004.

	Three months ended March 31,	
	2005	2004
Gains on student loan securitizations	\$ 50	\$ 114
Servicing and securitization revenue	143	137
Gains (losses) on derivative and hedging activities, net	74	(258)
Other income	29	28

Gains on Student Loan Securitizations and Servicing and Securitization Revenue

Gains on sales of student loans to securitization trusts and servicing and securitization revenue, the ongoing revenue from securitized loan pools, are discussed in detail in "LIQUIDITY AND CAPITAL RESOURCES—Securitization Activities."

Gains (losses) on derivative and hedging activities, net

See "ALTERNATIVE PERFORMANCE MEASURES—Derivative Accounting."

Other Income

	Three months ended March 31,	
	2005	2004
Late fees	\$ 21	\$ 21
Gains on sales of mortgages and other loan fees	4	5
Other	4	2
Total other income	<u>\$ 29</u>	<u>\$ 28</u>

Gains on sales of mortgages and other loan fees decreased by \$1 million from 2004 to 2005. The decrease was primarily due to higher interest rates causing a slowdown in mortgage refinancings.

Student Loan Acquisitions

In the first quarter of 2005, 75 percent of our Managed student loan acquisitions were originated through our Preferred Channel. The following tables summarize the components of our student loan acquisition activity for the three months ended March 31, 2005 and 2004.

	March 31, 2005		
	FFELP	Private	Total
Preferred Channel	\$ 4,311	\$ 1,334	\$ 5,645
Other commitment clients	86	—	86
Spot purchases	419	—	419
Consolidations from third parties	913	—	913
Acquisitions from off-balance sheet securitized trusts, primarily consolidations	1,827	—	1,827
Capitalized interest, premiums and discounts	340	(6)	334
Total on-balance sheet student loan acquisitions	7,896	1,328	9,224
Consolidations to SLM Corporation from off-balance sheet securitized trusts	(1,827)	—	(1,827)
Capitalized interest and other—off-balance sheet securitized trusts	109	43	152
Total Managed student loan acquisitions	<u>\$ 6,178</u>	<u>\$ 1,371</u>	<u>\$ 7,549</u>

	March 31, 2004		
	FFELP	Private	Total
Preferred Channel	\$ 3,821	\$ 1,065	\$ 4,886
Other commitment clients	72	—	72
Spot purchases	584	1	585
Consolidations from third parties	509	—	509
Acquisitions from off-balance sheet securitized trusts, primarily consolidations	1,274	—	1,274
Capitalized interest, premiums and discounts	282	(22)	260
Total on-balance sheet student loan acquisitions	6,542	1,044	7,586
Consolidations to SLM Corporation from off-balance sheet securitized trusts	(1,274)	—	(1,274)
Capitalized interest and other—off-balance sheet securitized trusts	154	28	182
Total Managed student loan acquisitions	<u>\$ 5,422</u>	<u>\$ 1,072</u>	<u>\$ 6,494</u>

Preferred Channel Originations

In the first quarter of 2005, we originated \$6.8 billion in student loan volume through our Preferred Channel, a 16 percent increase over the \$5.8 billion originated in 2004. In the first quarter of 2005, we grew the Sallie Mae brand Preferred Channel Originations by 26 percent and our own brands now constitute 34 percent of our Preferred Channel Originations, up from 32 percent in 2004. The pipeline of loans that we currently service and are committed to purchase was \$7.9 billion and \$7.3 billion at March 31, 2005 and 2004, respectively. The following tables further break down our Preferred Channel Originations by type of loan and source.

	ended March 31,	
	2005	2004
Preferred Channel Originations—Type of Loan		
Stafford	\$ 4,175	\$ 3,732
PLUS	960	825
Total FFELP	5,135	4,557
Private	1,627	1,287
Total	<u>\$ 6,762</u>	<u>\$ 5,844</u>
Preferred Channel Originations—Source		
Sallie Mae brands	\$ 2,318	\$ 1,847
Lender partners	4,444	3,997
	<u>\$ 6,762</u>	<u>\$ 5,844</u>

The following table summarizes the activity in our Managed portfolio of student loans for the three months ended March 31, 2005 and 2004.

	Three months ended March 31,	
	2005	2004
Beginning balance	\$ 107,438	\$ 88,789
Acquisitions, including capitalized interest	7,549	6,494
Repayments, claims, and other	(2,659)	(2,389)
Charge-offs to reserves and securitization trusts	(31)	(30)
Loan sales	(15)	(191)
Loans consolidated from SLM Corporation	(583)	(524)
Ending balance	<u>\$ 111,699</u>	<u>\$ 92,149</u>

Operating Expenses

The following table summarizes the components of operating expenses for our Lending business segment for the three months ended March 31, 2005 and 2004.

	Three months ended March 31,	
	2005	2004
Operating expenses	\$ 116	\$ 104
Amortization of acquired intangible assets	9	4
Total operating expenses	<u>\$ 125</u>	<u>\$ 108</u>

Operating expenses include costs incurred to service our Managed student loan portfolio and acquire student loans, as well as other general and administrative expenses and the amortization of acquired

intangible assets. Increases in the amortization of acquired intangible assets are primarily due to the acquisition of Southwest Student Services Corporation in October 2004.

DEBT MANAGEMENT OPERATIONS (“DMO”) BUSINESS SEGMENT

The following table includes the results of operations and selected balance sheet information for our DMO business segment.

	Three months ended March 31,		% Increase (Decrease) 2005 vs. 2004
	2005	2004	
Fee income	\$ 85	\$ 80	6%
Collections revenue	36	—	100
Operating expenses	66	34	94
Income before income taxes and minority interest in net earnings of subsidiaries	55	46	20
Income taxes	21	17	24
Income before minority interest in net earnings of subsidiaries	34	29	17
Minority interest in net earnings of subsidiaries	1	—	100
Net income	<u>\$ 33</u>	<u>\$ 29</u>	<u>14%</u>

Fee Income and Collections Revenue

Contingency fee income increased \$5 million or 6 percent to \$85 million for the three months ended March 31, 2005, over the three months ended March 31, 2004. The growth in our contingency fee business is due primarily to fees earned from default collection services provided to guarantee agencies and ED by our Pioneer Credit Recovery, Inc. and General Revenue Corporation subsidiaries. The growth in default collections was offset by a decrease in portfolio management fees caused by a reduction in the inventory of loans being serviced for USA Funds.

The \$36 million of collections revenue was generated from the purchased portfolios of AFS, a company we acquired in September 2004. During the three months ended March 31, 2005, AFS acquired charged-off consumer receivables portfolios with an aggregate face amount of \$972 million at a cost of \$25 million.

Revenues from USA Funds represented 38 percent and 69 percent, respectively, of total DMO revenue for the three months ended March 31, 2005 and 2004. We expect the percentage of revenue generated from services provided to USA Funds to decrease considerably in 2005 due primarily to the impact of

our acquisition of AFS and the inclusion of the revenues generated by AFS's purchased receivables business.

Operating Expenses

The following table summarizes the components of operating expenses for our DMO business segment for the three months ended March 31, 2005 and 2004.

	Three months ended March 31,	
	2005	2004
Operating expenses	\$ 64	\$ 32
Amortization of acquired intangible assets	2	2
Total operating expenses	\$ 66	\$ 34

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Operating expenses increased by \$32 million, or 100 percent, to \$64 million for the three months ended March 31, 2005, primarily due to the inclusion of AFS operating expenses. The increase in DMO contingency fee expenses is consistent with the growth in revenue and accounts serviced, as a high percentage of DMO expenses are variable, contributing to our stable margins.

At March 31, 2005 and December 31, 2004, the DMO business segment had total assets of \$574 million and \$519 million, respectively.

CORPORATE AND OTHER BUSINESS SEGMENT

At March 31, 2005 and December 31, 2004, the Corporate and Other business segment had total assets of \$504 million and \$524 million, respectively.

The following table includes the results of operations for our Corporate and Other business segment.

	Three months ended March 31,		% Increase (Decrease) 2005 vs. 2004
	2005	2004	
Fee income	\$ 33	\$ 35	(6)%
Other income	(76)	172	(144)
Operating expenses	71	67	6
Loss before income taxes	(114)	140	(181)
Income taxes	—	—	—
Net loss	\$ (114)	\$ 140	(181)%

Fee and Other Income

The following table summarizes the components of fee and other income for our Corporate and Other business segment for the three months ended March 31, 2005 and 2004.

	Three months ended March 31,	
	2005	2004
Guarantor servicing fees	\$ 33	\$ 35
Loan servicing fees	14	13
Gains (losses) on derivative and hedging activities, net	(108)	141
Other income	18	18
Total fee and other income	\$ (43)	\$ 207

USA Funds, the nation's largest guarantee agency, accounted for 87 percent and 90 percent, respectively, of guarantor servicing fees for the three months ended March 31, 2005 and 2004. Also, 10 percent of revenues included in other income were earned from USA Funds for the three months ended March 31, 2005 and 2004.

The decrease in guarantor servicing fees is primarily due to the legislative reduction in issuance fees per loan from 65 basis points to 40 basis points.

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Operating Expenses

The following table summarizes the components of operating expenses for our Corporate and Other business segment for the three months ended March 31, 2005 and 2004.

	Three months ended March 31,	
	2005	2004
Operating expenses	\$ 69	\$ 66
Amortization of acquired intangible assets	2	1
Total operating expenses	\$ 71	\$ 67

FEDERAL AND STATE TAXES

The Company is subject to federal and state income taxes. Our effective tax rate for the three months ended March 31, 2005 and 2004 was 45 percent and 23 percent, respectively. The effective tax rate reflects the permanent impact of the exclusion of the gains or losses on equity forward contracts recognized under SFAS No. 150.

ALTERNATIVE PERFORMANCE MEASURES

In accordance with the Rules and Regulations of the Securities and Exchange Commission (“SEC”), we prepare financial statements in accordance with GAAP. In addition to evaluating the Company’s GAAP-based financial information, management, credit rating agencies, lenders and analysts also evaluate the Company on certain non-GAAP performance measures that we refer to as “core cash” measures. While “core cash” measures are not a substitute for reported results under GAAP, we rely on “core cash” measures in operating our business because we believe they provide additional information regarding the operational and performance indicators that are most closely assessed by management.

Our pro forma “core cash” measures are the primary financial performance measures used by management to evaluate performance and to allocate resources. Accordingly, financial information is reported to management on a “core cash” basis by reportable segment. In Note 9 to our consolidated financial statements, “Segment Reporting,” we provide a consolidated statement of income by reportable segment on a “core cash” basis, as these are the measures used regularly by our “chief operating decision makers.” Our “core cash” measures are used in developing our financial plans and tracking results, and also in establishing corporate performance targets and determining incentive compensation. Management believes this information provides additional insight into the financial performance of the Company’s core business activities. Our “core cash” measures are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. “Core cash” measures reflect only current period adjustments to GAAP as described below. Accordingly, the Company’s “core cash” measures presentation does not represent another comprehensive basis of accounting.

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For the three months ended March 31, 2005 and 2004, the pre-tax effects of these non-GAAP performance measures were as follows:

	Three months ended March 31,	
	2005	2004
Non-GAAP Performance Measures:		
Net impact of securitization accounting	\$ 33	\$ 10
Net impact of derivative accounting	(90)	(99)
Net impact of Floor Income	43	61
Amortization of acquired intangibles	13	7
Total non-GAAP performance measures	<u>\$ (1)</u>	<u>\$ (21)</u>

The following presents a more detailed discussion of each line item in the above table that represents the differences between GAAP and “core cash” measures.

1) Securitization: Under GAAP, certain securitization transactions are accounted for as sales of assets. Under “core cash,” we present all securitization transactions as long-term non-recourse financings. The upfront “gains” on sale from securitization transactions as well as ongoing “servicing and securitization revenue” presented in accordance with GAAP are excluded from the “core cash” measures and replaced by the interest income, provision for loan losses, and interest expense as they are earned or incurred on the securitization loans. We also exclude transactions with our off-balance sheet trusts which would be considered intercompany on a Managed Basis.

The following table summarizes the securitization adjustments for the three months ended March 31, 2005 and 2004.

	Three months ended March 31,	
	2005	2004
“Core cash” securitization adjustments:		
Net interest income on securitized loans, after provision for losses	\$ 220	\$ 261
Gains on student loan securitizations	(50)	(114)
Servicing and securitization revenue	(143)	(137)
Intercompany transactions with off-balance sheet trusts	6	—
Total “core cash” securitization adjustments	<u>\$ 33</u>	<u>\$ 10</u>

2) Derivative Accounting: “Core cash” measures exclude the periodic unrealized gains and losses caused primarily by the one-sided mark-to-market derivative valuations prescribed by SFAS No. 133 and recognize the economic effect of these hedges, which generally results in any cash paid or received being recognized ratably as an expense or revenue over the hedged item’s life. We also exclude the gain or loss on equity forward contracts that are required to be accounted for in accordance with SFAS No. 133 as derivatives and are marked-to-market through earnings.

SFAS No. 133 requires that changes in the fair value of derivative instruments be recognized currently in earnings unless specific hedge accounting criteria, as specified by SFAS No. 133, are met. We believe that our derivatives are effective economic hedges, and as such, are a critical element of our interest rate risk management strategy. However, some of our derivatives, primarily Floor Income Contracts, certain Eurodollar futures contracts, certain basis swaps and equity forward contracts (discussed in detail below), do not qualify for “hedge treatment” as defined by SFAS No. 133, and the stand-alone derivative must be marked-to-market in the income statement with no consideration for the corresponding change in fair

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value of the hedged item. “Gains (losses) on derivative and hedging activities, net” are primarily caused by interest rate volatility, changing credit spreads and change in our stock prices during the period and the volume and term of derivatives not receiving hedge treatment.

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

Basis swaps are used to convert the floating rate debt from one interest rate index to another to better match the interest rate characteristics of the assets financed by that debt. We primarily use basis swaps to change the index of our fixed rate and LIBOR-based debt to better match the cash flows of our student loan assets that are primarily indexed to a commercial paper, Prime or Treasury bill index. SFAS No. 133 requires that the change in the cash flows of the hedge effectively offset both the change in the cash flows of the asset and the change in the cash flows of the liability. Our basis swaps hedge variable interest rate risk, however they do not meet this effectiveness test because student loans can earn at either a variable or a fixed interest rate depending on market interest rates. We also have basis swaps that do not meet the SFAS No. 133 effectiveness test that economically hedge off-balance sheet instruments. As a result, these swaps are recorded at fair value with subsequent changes in value reflected in the income statement.

Generally, a decrease in current interest rates and the respective forward interest rate curves results in an unrealized loss related to our written Floor Income Contracts. We will experience unrealized gains/losses related to our basis swaps, if the two underlying indices (and related forward curve) do not move in parallel.

Under SFAS No. 150, equity forward contracts that allow a net settlement option either in cash or the Company's stock are required to be accounted for in accordance with SFAS No. 133 as derivatives. As a result, we account for our equity forward contracts as derivatives in accordance with SFAS No. 133 and mark them to market through earnings. They do not qualify as effective SFAS No. 133 hedges as a requirement to achieve hedge accounting is the hedged item must impact net income, and the settlement of these contracts through the purchase of our own stock only affects equity and has no impact on net income.

The table below quantifies the adjustments for derivative accounting under SFAS No. 133 on our net income for the three months ended March 31, 2005 and 2004 when compared with the accounting principles employed in all years prior to the SFAS No. 133 implementation.

	Three months ended March 31,	
	2005	2004
SFAS No. 133 income statement items:		
Losses on derivative and hedging activities, net, included in other income ⁽¹⁾	\$ 34	\$ 117
Less: Realized losses on derivative and hedging activities, net ⁽¹⁾	(122)	(216)
Unrealized gains on derivative and hedging activities, net	(88)	(99)
Other pre-SFAS No. 133 accounting adjustments	(2)	—
Total net impact of SFAS No. 133 derivative accounting	<u>\$ (90)</u>	<u>\$ (99)</u>

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

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

SFAS No. 133 requires net settlement income/expense on derivatives and realized gains/losses related to derivative dispositions (collectively referred to as "realized gains (losses) on derivative and hedging activities") that do not qualify as hedges under SFAS No. 133 to be recorded in a separate income statement line item below net interest income. The table below summarizes the realized losses on derivative and hedging activities, and where they are reclassified to on a "core cash" basis for the three months ended March 31, 2005 and 2004.

	Three months ended March 31,	
	2005	2004
Reclassification of realized losses on derivative and hedging activities:		
Net settlement expense on Floor Income Contracts reclassified to net interest income	\$ (88)	\$ (167)
Net settlement expense on interest rate swaps reclassified to net interest income	(29)	(1)
Net realized losses on closed Eurodollar futures contracts and terminated derivative contracts reclassified to other income	(5)	(48)
Total reclassifications of realized losses on derivative and hedging activities	<u>(122)</u>	<u>(216)</u>
Add: Unrealized gains on derivative and hedging activities, net ⁽¹⁾	88	99
Losses on derivative and hedging activities, net	<u>\$ (34)</u>	<u>\$ (117)</u>

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

	Three months ended March 31,	
	2005	2004
Floor Income Contracts	\$ 268	\$ (71)
Equity forward contracts	(108)	141
Basis swaps	(60)	(2)
Other	(12)	31

3) Floor Income: The timing and amount (if any) of Floor Income earned is uncertain and in excess of expected spreads and, therefore, we exclude such income when it is not economically hedged primarily with Floor Income Contracts from “core cash” measures. We employ derivatives, primarily Floor Income Contracts and futures, to economically hedge Floor Income. As discussed above under “Derivative Accounting,” these derivatives do not qualify as effective accounting hedges and therefore are marked-to-market through the “gains (losses) on derivative and hedging activities, net” line on the income statement with no offsetting mark of the economically hedged items. For “core cash” measures, we reverse the fair value adjustments on the Floor Income Contracts and futures economically hedging Floor Income and include the amortization of net premiums received (net of Eurodollar futures contracts’ realized gains or losses) in income. The following table summarizes the Floor Income adjustments for the three months ended March 31, 2005 and 2004.

	Three months ended March 31,	
	2005	2004
“Core cash” Floor Income adjustments:		
Floor Income earned on Managed loans, net of payments on Floor Income Contracts	\$ (11)	\$ (34)
Amortization of net premiums on Floor Income Contracts and futures in net interest income	54	45
Net losses related to closed Eurodollar futures contracts economically hedging Floor Income	—	50
Total “core cash” Floor Income adjustments	<u>\$ 43</u>	<u>\$ 61</u>

4) Other Items: We exclude amortization of acquired intangibles.

LIQUIDITY AND CAPITAL RESOURCES

Our DMO and Corporate and Other business segments are not capital intensive businesses and as such only an immaterial amount of debt and equity capital is included in these segments. Therefore, the following liquidity and capital resource discussion is concentrated on our Lending business segment.

We depend on the debt capital markets to support our business plan. We have developed deep and diverse funding sources to ensure continued access to funding now that the GSE has been dissolved. Our main source of funding is student loan securitizations and in the first quarter of 2005, we securitized \$3.5 billion in student loans in two transactions versus \$9.3 billion in four transactions in the first quarter of 2004. Our securitizations backed by FFELP loans are unique securities in the asset-backed class as they are backed by student loans with an explicit guarantee on 100 percent of principal and interest. This guarantee is subject to service compliance. The 2005 quarterly securitization volume better reflects the amount of funding required going forward, as the first quarter of 2004 reflects additional funding to refinance outstanding GSE debt obligations in addition to ongoing financing needs of the business. Securitizations now comprise 66 percent of our financing, versus 60 percent at March 31, 2004.

The following tables present the ending and average balances and average interest rates of our Managed borrowings for the three months ended March 31, 2005 and 2004. The average interest rates include derivatives that are economically hedging the underlying debt, but do not qualify for hedge accounting treatment under SFAS No. 133. (See “ALTERNATIVE PERFORMANCE MEASURES—Reclassification of Realized Gains (Losses) on Derivative and Hedging Activities.”)

	Three months ended March 31,					
	2005			2004		
	Ending Balance		Total Managed Basis	Ending Balance		Total Managed Basis
	Short Term	Long Term		Short Term	Long Term	
GSE borrowings (unsecured)	\$ —	\$ —	\$ —	\$ 14,196	\$ 1,919	\$ 16,115
SLM Corp borrowings (unsecured)	5,129	31,380	36,509	1,805	23,705	25,510
Indentured trusts (on-balance sheet)	387	4,400	4,787	134	924	1,058
Securitizations (on-balance sheet)	—	35,432	35,432	—	24,256	24,256
Securitizations (off-balance sheet)	—	44,554	44,554	—	39,532	39,532
Total	<u>\$ 5,516</u>	<u>\$ 115,766</u>	<u>\$ 121,282</u>	<u>\$ 16,135</u>	<u>\$ 90,336</u>	<u>\$ 106,471</u>

	Three months ended March 31,			
	2005		2004	
	Average Balance	Average Rate	Average Balance	Average Rate
GSE borrowings (unsecured)	\$ —	—%	\$ 19,797	2.01%
SLM Corp borrowings (unsecured)	34,461	3.30	22,932	1.75
Indentured trusts (on-balance sheet)	6,887	2.81	1,158	2.44
Securitizations (on-balance sheet)	35,368	2.93	19,111	1.44
Securitizations (off-balance sheet)	44,227	3.12	39,399	1.63

Unsecured On-Balance Sheet Financing Activities

The following table presents the senior unsecured credit ratings on our debt from major rating agencies.

	<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>
Short-term unsecured debt	A-1	P-1	F-1+
Long-term unsecured debt	A	A2	A+

The table below presents our unsecured on-balance sheet funding by funding source for the three months ended March 31, 2005 and 2004.

	<u>Debt Issued for the Three Months Ended March 31,</u>		<u>Outstanding at March 31,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Commercial paper	\$ 4,482	\$ —	\$ 1,650	\$ —
Convertible debentures	—	—	1,989	1,984
Retail notes	333	482	3,166	1,558
Foreign currency denominated ⁽¹⁾	143	1,976	4,923	2,574
Extendible notes	—	249	4,247	1,997
Global notes (Institutional)	1,184	2,623	17,903	13,455
Medium-term notes (Institutional)	—	—	2,631	3,942
Total	<u>\$ 6,142</u>	<u>\$ 5,330</u>	<u>\$ 36,509</u>	<u>\$ 25,510</u>

(1) All foreign currency denominated notes are swapped back to U.S. dollars.

Contingently Convertible Debentures

In 2003, we issued approximately \$2 billion Contingently Convertible Debentures (“Co-Cos”). The CoCos are convertible, under certain conditions, into shares of SLM common stock at an initial conversion price of \$65.98. The investors generally can only convert the debentures if the Company’s common stock has appreciated for a prescribed period to 130 percent of the conversion price, which would amount to \$85.77, or if we call the debentures.

In December 2004, the Company adopted Emerging Issues Task Force (“EITF”) Issue No. 04-8, “The Effect of Contingently Convertible Debt on Diluted Earnings per Share,” which requires the shares underlying the Co-Cos to be included in diluted earnings per share (“diluted EPS”) computations regardless of whether the market price trigger or the conversion price has been met, using the “if-converted” accounting method, while the after-tax interest expense of the Co-Cos is added back to earnings. Diluted EPS amounts disclosed prior to December 2004 have been retroactively restated to give effect to the application of EITF No. 04-8 as it relates to the Company’s \$2 billion in Co-Cos issued in May 2003.

The following table provides the historical effect of our Co-Cos on our common stock equivalents (“CSEs”) and after-tax interest expense in connection with the retroactive implementation of EITF No. 04-8 for the 2005 and 2004 quarters:

<u>(in thousands)</u>	<u>Three months ended March 31, 2005</u>	<u>Year ended December 31, 2004</u>	<u>December 31, 2004</u>	<u>Three months ended</u>		
				<u>September 30, 2004</u>	<u>June 30, 2004</u>	<u>March 31, 2004</u>
CSE impact of Co-Cos (shares)	30,312	30,312	30,312	30,312	30,312	30,312
Co-Cos after-tax interest expense	\$ 8,619	\$ 21,405	\$ 7,125	\$ 5,622	\$ 4,364	\$ 4,294

The table below outlines the effect of the Co-Cos on the numerators and denominators for the diluted EPS calculations for the three months ended March 31, 2005 and 2004:

<u>(In thousands, except per share amounts)</u>	<u>Three months ended</u>	
	<u>March 31, 2005</u>	<u>March 31, 2004</u>
Numerator:		
Net income attributable to common stock	\$ 220,509	\$ 288,579
Adjusted for debt expense of Co-Cos, net of taxes	8,619	4,295
Net income attributable to common stock, adjusted	<u>\$ 229,128</u>	<u>\$ 292,874</u>
Denominator:		
Average common and common equivalent shares outstanding, before the dilutive effect of Co-Cos	432,702	451,748
Dilutive effect of Co-Cos	<u>30,312</u>	<u>30,312</u>
Average common and common equivalent shares outstanding used to compute diluted EPS	<u>463,014</u>	<u>482,060</u>
Net earnings per share:		
Diluted EPS, before the impact of Co-Cos	\$.51	\$.64

Dilutive effect of Co-Cos	(.02)	(.03)
Diluted EPS	\$.49	\$.61

The effect of the adoption of EITF No. 04-8 was to decrease diluted EPS. The net effect of the Co-Cos on diluted EPS will vary with the period to period changes in net income of the Company.

Securitization Activities

Securitization Program

The following table summarizes our securitization activity for the three months ended March 31, 2005 and 2004. Those securitizations listed as sales are off-balance sheet transactions and those listed as financings remain on-balance sheet.

	2005				2004			
	No. of Transactions	Amount Securitized	Pre-Tax Gain	Gain %	No. of Transactions	Amount Securitized	Pre-Tax Gain	Gain %
FFELP Stafford loans	2	\$ 3,530	\$ 50	1.4%	—	\$ —	\$ —	—%
Consolidation Loans	—	—	—	—	—	—	—	—
Private Education Loans	—	—	—	—	1	1,252	114	9.1
Total securitizations—sales	2	3,530	\$ 50	1.4%	1	1,252	\$ 114	9.1%
Consolidation Loans	—	—	—	—	3	8,023	—	—
Total securitizations—financings	—	—	—	—	3	8,023	—	—
Total securitizations	2	\$ 3,530	—	—	4	\$ 9,275	—	—

Liquidity Risk

With the dissolution of the GSE, our long-term funding, credit spread and liquidity exposure to the corporate and asset-backed capital markets has increased significantly. A major disruption in the fixed income capital markets that limits our ability to raise funds or significantly increases the cost of those funds could have a material impact on our ability to acquire student loans, or on our results of operations. Going

forward, securitizations will continue to be the primary source of long-term financing. Our securitizations are structured such that we do not provide any material level of financial, credit or liquidity support to any of the trusts. Our exposure is limited to the recovery of the Retained Interest asset on the balance sheet for off-balance sheet securitizations. While all of our Retained Interests are subject to some prepayment risk, Retained Interests from our FFELP Stafford securitizations have significant prepayment risk primarily from Consolidation Loans that could materially impair their value.

Retained Interest in Off-Balance Sheet Securitized Loans

The following table summarizes the fair value of our Retained Interests along with the underlying student loans that relate to those securitizations that were treated as sales.

	As of March 31, 2005		As of December 31, 2004	
	Retained Interest Fair Value	Underlying Securitized Loan Balance	Retained Interest Fair Value	Underlying Securitized Loan Balance
FFELP Stafford loans	\$ 1,101	\$ 28,000	\$ 1,037	\$ 27,444
Consolidation Loans ⁽²⁾	451	7,219	585	7,393
Private Education Loans	694	6,245	694	6,309
Total ⁽¹⁾	\$ 2,246	\$ 41,464	\$ 2,316	\$ 41,146

(1) Unrealized gains (pre-tax) included in accumulated other comprehensive income related to the Retained Interests totaled \$364 million and \$445 million as of March 31, 2005 and December 31, 2004, respectively.

(2) Includes \$266 million and \$399 million related to the fair value of the Embedded Floor Income as of March 31, 2005 and December 31, 2004, respectively. The decrease in the fair value of the Embedded Floor Income is due to rising interest rates during the quarter.

Servicing and Securitization Revenue

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

The following table summarizes the components of servicing and securitization revenue for the quarters ended March 31, 2005, and 2004.

	Three months ended March 31,	
	2005	2004
Servicing revenue	\$ 85	\$ 76
Securitization revenue, before Embedded Floor Income and impairment	63	44

Servicing and securitization revenue, before Embedded Floor Income and impairment	148	120
Embedded Floor Income	26	78
Less: Floor Income previously recognized in gain calculation	(22)	(47)
Net Embedded Floor Income	4	31
Total servicing and securitization revenue before impairment	152	151
Retained Interest impairment	(9)	(14)
Total servicing and securitization revenue	<u>\$ 143</u>	<u>\$ 137</u>
Average off-balance sheet student loans	<u>\$ 41,892</u>	<u>\$ 37,786</u>
Average balance of Retained Interest	<u>\$ 2,319</u>	<u>\$ 2,442</u>
Servicing and securitization revenue as a percentage of the average balance of off-balance sheet student loans (annualized)	<u>1.38%</u>	<u>1.45%</u>

Fluctuations in servicing and securitization revenue are generally driven by the amount of and the difference in the timing of Floor Income recognition on off-balance sheet student loans, as well as the impact of Consolidation Loan activity on FFELP Stafford student loan securitizations. When FFELP Stafford loans in a securitization trust consolidate, they are a prepayment to the trust and as a result shorten the life of the trust. We use a Constant Prepayment Rate (“CPR”) assumption to estimate the effect of trust prepayments from loan consolidation and other factors on the life of the trust. When consolidation activity is higher than forecasted, the Residual Interest asset can be impaired and the yield used to recognize subsequent income from the trust is negatively impacted. For the three months ended March 31, 2005 and 2004, we recorded impairments to the Retained Interests of \$9 million and \$14 million, respectively. These impairment charges were primarily the result of FFELP Stafford loans prepaying faster than projected through loan consolidation. The impairments are recorded as a loss and are included as a reduction in securitization revenue. The majority of the consolidations bring the loans back on-balance sheet so we retain the value of the asset on-balance sheet versus in the trust.

Interest Rate Risk Management

Asset and Liability Funding Gap

The tables below present our assets and liabilities (funding) arranged by underlying indices as of March 31, 2005. In the following GAAP presentation, the funding gap only includes derivatives that qualify as effective SFAS No. 133 hedges (those derivatives which are reflected in net interest margin, as opposed to in the gains (losses) on derivative and hedging activities). The difference between the asset and the funding is the funding gap, which represents our exposure to interest rate risk in the form of basis risk and repricing risk, which is the risk that the different indices may reset at different frequencies or may not move in the same direction or at the same magnitude.

Management analyzes interest rate risk on a Managed Basis, which consists of both on-balance sheet and off-balance sheet assets and liabilities and includes all derivatives that are economically hedging our debt whether they qualify as effective hedges under SFAS No. 133 or not. Accordingly, we are also

presenting the asset and liability funding gap on a Managed basis in the table that follows the GAAP presentation.

GAAP Basis

<u>Index</u> <u>(Dollars in billions)</u>	<u>Frequency of Variable Resets</u>	<u>Assets</u>	<u>Funding⁽¹⁾</u>	<u>Funding Gap</u>
3 month Commercial paper	daily	\$ 48.3	\$ —	\$ 48.3
3 month Treasury bill	weekly	10.4	.3	10.1
Prime	annual	1.1	—	1.1
Prime	quarterly	2.0	—	2.0
Prime	monthly	3.4	—	3.4
PLUS Index	annual	2.6	2.0	.6
3-month LIBOR	daily	—	—	—
3-month LIBOR	quarterly	1.8	57.1	(55.3)
1-month LIBOR	monthly	—	2.0	(2.0)
CMT/CPI index	monthly/quarterly	—	1.6	(1.6)
Non Discreet reset ⁽²⁾	monthly	—	7.9	(7.9)
Non Discreet reset ⁽³⁾	daily/weekly	2.9	1.6	1.3
Fixed Rate ⁽⁴⁾		<u>11.3</u>	<u>11.3</u>	<u>—</u>
Total		<u>\$ 83.8</u>	<u>\$ 83.8</u>	<u>\$ —</u>

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

(2) Consists of asset-backed commercial paper and auction rate securities, which are discount note type instruments that generally roll over monthly.

(3) Includes restricted and non-restricted cash equivalents and other overnight type instruments including commercial paper program.

(4) Includes receivables/payables, other assets (including retained interest), other liabilities and stockholders’ equity.

The funding gaps in the above table are primarily interest rate mismatches in short term indices between our assets and liabilities. We address this issue primarily through the use of basis swaps that convert quarterly 3-month LIBOR to other indices that are more correlated to our asset indices. These basis swaps generally do not qualify as effective hedges under SFAS No. 133 and as a result are not included in our interest margin and are therefore excluded from the GAAP presentation.

Managed Basis

Index (Dollars in billions)	Frequency of Variable Resets	Assets	Funding ⁽⁵⁾	Funding Gap
3 month Commercial paper	daily	\$ 68.4	\$ 16.4	\$ 52.0
3 month Treasury bill	weekly	23.7	20.9	2.8
Prime	annual	1.1	—	1.1
Prime	quarterly	7.4	2.5	4.9
Prime	monthly	3.4	1.3	2.1
PLUS Index	annual	5.2	5.0	.2
3-month LIBOR	daily	—	46.7	(46.7)
3-month LIBOR	quarterly	1.6	12.3	(10.7)
1-month LIBOR	monthly	—	2.0	(2.0)
Non Discreet reset ⁽⁶⁾	monthly	—	8.2	(8.2)
Non Discreet reset ⁽⁷⁾	daily/weekly	6.3	1.6	4.7
Fixed Rate ⁽⁸⁾		9.2	9.4	(.2)
Total		<u>\$ 126.3</u>	<u>\$ 126.3</u>	<u>\$ —</u>

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

(6) Consists of asset-backed commercial paper and auction rate securities, which are discount note type instruments that generally roll over monthly.

(7) Includes restricted and non-restricted cash equivalents and other overnight type instruments including commercial paper program.

(8) Includes receivables/payables, other assets, other liabilities and stockholders' equity.

To the extent possible we generally fund our assets with debt (in combination with derivatives) that has the same underlying index (index type and index reset frequency). When it is more economical, we also fund our assets with debt that has a different index and/or reset frequency than the asset, but only in instances where we believe there is a high degree of correlation between the interest rate movement of the two indices. For example, we use daily reset 3-month LIBOR to fund a large portion of our daily reset 3-month commercial paper indexed assets. In addition, we use quarterly reset 3-month LIBOR to fund a portion of our quarterly reset Prime rate indexed Private Education Loans. We also use our monthly non discreet reset funding (asset-backed commercial paper program and auction rate securities) to fund various asset types. In using different index types and different index reset frequencies to fund our assets, we are exposed to interest rate risk in the form of basis risk and repricing risk, which is the risk that the different indices that may reset at different frequencies will not move in the same direction or at the same magnitude. We believe that this risk is low as all of these indices are short-term with rate movements that are highly correlated over a long period of time. We use interest rate swaps and other derivatives to achieve our risk management objectives.

When compared with the GAAP presentation the Managed basis presentation includes all of our off-balance sheet assets and funding, and also includes basis swaps that primarily convert quarterly 3-month LIBOR to other indices that are more correlated to our asset indices.

Interest Rate Gap Analysis

In the table below, the Company's variable rate assets and liabilities are categorized by reset date of the underlying index. Fixed rate assets and liabilities are categorized based on their maturity dates. An interest rate gap is the difference between volumes of assets and volumes of liabilities maturing or repricing during specific future time intervals. The following gap analysis reflects rate-sensitive positions at March 31, 2005 and is not necessarily reflective of positions that existed throughout the period.

	Interest Rate Sensitivity Period					
	3 months or less	3 months to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	Over 5 years
Assets						
Student loans	\$ 65,340	\$ 3,319	\$ 651	\$ 529	\$ 64	\$ 3
Other loans	267	46	78	13	19	672
Cash and investments, including restricted	3,424	51	81	269	1,156	478
Other assets	2,532	101	202	297	563	3,642
Total assets	<u>71,563</u>	<u>3,517</u>	<u>1,012</u>	<u>1,108</u>	<u>1,802</u>	<u>4,795</u>
Liabilities and Stockholders' Equity						
Short-term borrowings	4,627	500	389	—	—	—
Long-term notes	50,988	200	225	800	7,335	12,693
Other liabilities	891	—	—	—	—	2,011
Minority interest in subsidiaries	—	—	—	—	—	73
Stockholders' equity	—	—	—	—	—	3,065
Total liabilities and stockholders' equity	<u>56,506</u>	<u>700</u>	<u>614</u>	<u>800</u>	<u>7,335</u>	<u>17,842</u>
Period gap before adjustments	15,057	2,817	398	308	(5,533)	(13,047)

Adjustments for Derivatives and Other Financial Instruments						
Interest rate swaps	(11,479)	(5,160)	(408)	25	4,450	12,572
Impact of securitized student loans	(2,939)	2,939	—	—	—	—
Total derivatives and other financial instruments	(14,418)	(2,221)	(408)	25	4,450	12,572
Period gap	\$ 639	\$ 596	\$ (10)	\$ 333	\$ (1,083)	\$ (475)
Cumulative gap	\$ 639	\$ 1,235	\$ 1,225	\$ 1,558	\$ 475	\$ —
Ratio of interest-sensitive assets to interest-sensitive liabilities	124.1%	488.0%	131.9%	101.4%	16.9%	9.0%
Ratio of cumulative gap to total assets	.8%	1.5%	1.5%	1.9%	.6%	—%

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Weighted Average Life

The following table reflects the weighted average life for our Managed earning assets and liabilities at March 31, 2005.

(Averages in years)	On-Balance Sheet	Off-Balance Sheet	Managed
Earning assets			
Student loans	8.8	4.4	8.3
Other loans	7.1	—	7.1
Cash and investments	1.5	—	1.5
Total earning assets	<u>8.3</u>	<u>4.4</u>	<u>8.0</u>
Borrowings			
Short-term borrowings	.5	—	.5
Long-term borrowings	7.5	4.4	6.3
Total borrowings	<u>7.0</u>	<u>4.4</u>	<u>6.0</u>

In the above table, Treasury receipts and variable rate asset-backed securities, although generally liquid in nature, extend the weighted average remaining term to maturity of cash and investments to 1.5 years. Long-term debt issuances likely to be called have been categorized according to their call dates rather than their maturity dates. Long-term debt issuances which are puttable by the investor are categorized according to their put dates rather than their maturity dates.

COMMON STOCK

The following table summarizes our common share repurchases, issuances and equity forward activity for the three months ended March 31, 2005 and 2004.

(Shares in millions)	Three months ended	
	March 31, 2005	2004
Common shares repurchased:		
Equity forwards	3.1	7.9
Benefit plans ⁽¹⁾	.3	.7
Total shares repurchased	<u>3.4</u>	<u>8.6</u>
Average purchase price per share	<u>\$ 50.43</u>	<u>\$ 31.26</u>
Common shares issued	<u>1.7</u>	<u>3.8</u>
Equity forward contracts:		
Outstanding at beginning of period	42.8	43.5
New contracts	6.9	4.2
Exercises	(3.1)	(7.9)
Outstanding at end of period	<u>46.6</u>	<u>39.8</u>
Authority remaining at end of period to repurchase or enter into equity forwards	<u>28.9</u>	<u>34.2</u>

(1) Includes shares withheld from stock option exercises and vesting of performance stock to satisfy minimum statutory tax withholding obligations and shares tendered by employees to satisfy option exercise costs.

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As of March 31, 2005, the expiration dates and purchase prices for outstanding equity forward contracts were as follows:

Year of maturity (Shares in millions)	Outstanding contracts	Range of purchase prices	Average purchase price
2006	5.5	\$ 39.74 – \$50.47	\$ 49.31
2007	10.3	50.47	50.47
2008	7.9	50.47	50.47

2009	16.0	50.47	50.47
2010	6.9	48.21 – 49.58	48.92
	<u>46.6</u>		<u>\$ 50.10</u>

The closing price of the Company's common stock on March 31, 2005 was \$49.84. We have remaining authority to enter into additional share repurchases and equity forward contracts for 28.9 million shares.

STUDENT LOAN MARKETING ASSOCIATION

Privatization Act—Completion of the GSE Wind-Down

Under the Privatization Act, the GSE was required to wind down its operations and dissolve on or before September 30, 2008. On December 29, 2004, we completed the Wind-Down of the GSE by defeasing the remaining debt obligations of the GSE and dissolving the GSE's federal charter.

Specifically, the GSE, SLM Corporation and the Federal Reserve Bank of New York, both in its capacity as trustee and as fiscal agent for the GSE's remaining obligations, entered into a Master Defeasance Trust Agreement as of December 29, 2004 that established a special and irrevocable trust, which was fully collateralized by direct, noncallable obligations of the United States. On December 29, 2004, the United States Department of the Treasury determined that such obligations were sufficient, without consideration of any significant reinvestment of interest, to pay the principal of and the interest on the GSE's remaining obligations. The Wind-Down was completed upon the issuance of that determination and the GSE's separate existence terminated.

RECENT DEVELOPMENTS

Bank One/JPMorgan Chase Relationships

On March 22, 2005, the Company announced that it has extended both its JPMorgan Chase and Bank One student loan servicing and loan purchase commitments to August 31, 2010. This comprehensive agreement also provides for the dissolution, by year-end, of the joint venture between Chase and Sallie Mae that has been marketing student loans under the Chase brand since 1996, and resolves the lawsuit filed by Chase on February 17, 2005. In consideration for extending the agreement, the Company received a \$40 million payment that will be recognized over the life of the agreement.

JPMorgan Chase will continue to sell all student loans to the Company (whether made under the Chase or Bank One brand) that are originated or serviced on the Company's platforms. In addition, the agreement provides that substantially all Chase-branded education loans made for the July 1, 2005 to June 30, 2006 academic year (and future loans made to these borrowers) will be sold to the Company, including certain loans that are not originated or serviced on Sallie Mae platforms.

The Company anticipates that the agreement will have no adverse impact on school clients for the 2005-2006 loan processing season. The Company will continue to support its school customers through its comprehensive set of products and services, including its loan origination and servicing platforms, its family of lending brands and strategic lender partners.

Fiscal Year 2006 Budget

On April 28, 2005, the Congress agreed upon a budget for fiscal 2006, which includes directives to the education committees in the House and Senate to produce legislation reducing entitlement spending within their respective jurisdictions. The legislation must meet five-year savings targets, \$12.6 billion from the House Education and Workforce Committee and \$13.6 billion from the Senate Health, Education, Labor, and Pensions Committee. Although the resolution did not specify the programs that were to be cut, we believe that some of the savings will come from the Federal student loan programs. The education committees have few entitlement programs from which to achieve these reductions. The wide-spread assumption is that the savings will be split between the student loan programs and reform of the Pensions Benefit Guaranty Corporation. The committees are required to report legislation achieving these reductions by September 16, 2005, which will be included with other committees' recommendations in one omnibus, deficit reduction bill. Some of the options that the committees might consider to achieve these reductions could include additional fees, reduction of yields, rebate of floor income and other measures that could adversely affect the company's results of operations.

OTHER RELATED EVENTS AND INFORMATION

Reauthorization and Budget Proposals

Congress reauthorizes the HEA every five years. The HEA was originally scheduled to expire on September 30, 2003, but by its terms was automatically extended to September 30, 2004. Last year, Congress passed legislation extending the Act to September 30, 2005. We expect that Congress will pass a reauthorization bill no earlier than the second half of 2005. On February 2, 2005, Rep. John Boehner, Chairman of the U.S. House of Representatives, Committee on Education and the Workforce, reintroduced H.R. 507 (which was reintroduced on February 8, 2005 as H.R. 609 to correct a technical drafting error), legislation to reauthorize the HEA. This proposal is identical to Chairman Boehner's reauthorization proposal from 2004. Its provisions include:

- requiring lenders to return to the federal government Floor Income in excess of 50 basis points per loan;
- gradually reducing origination fees to one percent on student loans in both the FFELP and FDLP programs;
- increasing loan limits for first-year and second-year students from \$2,625 to \$3,500 and from \$3,500 to \$4,500, respectively, without increasing the aggregate undergraduate borrowing limits;
- increasing graduate unsubsidized annual borrowing limits from \$10,000 to \$12,000;
- preserving the current variable interest rate formula on Stafford and Unsubsidized Stafford loans beyond July 1, 2006;
- changing the current fixed consolidation loan interest rates to variable rates;
- repealing the single holder rule (under the existing rule, if a borrower has multiple student loans that are held by a single lender, a new lender cannot make a consolidation loan unless the single holder declines to offer the borrower a consolidation loan or unless the single holder declines to offer to the borrower a consolidation loan with income-sensitive repayment terms);
- requiring student loan lenders to report to all national credit bureaus; and
- repealing the 9.5 percent SAP rate payable on certain student loans funded with tax exempt bonds.

including loan limit increases, a change to a variable rate formula for borrower interest rates on the Stafford and Consolidation loans, partial repeal of the 9.5 percent SAP rates and repeal of the single holder rule. However, the Administration also proposes to reduce the amount of loan principal and accrued interest insured against default from 98 to 95 percent for new loans originated after the effective date of the legislation. Industry participants, like Sallie Mae, that have been designated by ED as Exceptional Performers would have their reinsurance reduced from 100 percent to 97 percent under the proposals, although the Secretary of Education would have the authority under the proposal to set reinsurance at 98 percent for Exceptional Performers who meet certain criteria. The Administration's 2006 budget proposal would also impose a 25 basis point annual loan holder fee on the outstanding balance of non-consolidation loans for loans originated on or after July 1, 2006. This proposal is intended to offset the Floor Income that FFELP lenders may realize in certain declining interest rate environments. Most significantly, the Administration proposes to allow borrowers to reconsolidate on multiple occasions subject to a one percent borrower origination fee on reconsolidation and increase the current one-time lender fee on new Consolidation Loans from 50 basis points to one percent.

In addition, the Administration proposes to reduce incrementally through 2010 the amount guaranty agencies may retain from collections on defaulted loans from 23 percent to 16 percent. The proposed budget would also reduce, for new loans, the reinsurance provided by ED to guaranty agencies from 95 percent to 92 percent. Finally, the Administration proposes to eliminate the Perkins Loan program.

To date, no reauthorization proposals have been introduced in the Senate. Consistent with prior reauthorizations, we expect that there will be competing proposals in both houses of Congress to reform federal financial aid programs, including the FFELP.

While we expect the Administration's budget proposals will undergo significant review by Congress, it is unclear whether they will be introduced as part of the upcoming reauthorization or in other legislation. If certain proposals were adopted, including the 25 basis point fee and the reconsolidation proposals, the Company's financial condition and results of operations could be materially adversely affected and the refinancing risk in its Managed Consolidation Loan portfolio would increase significantly.

There are also a number of proposed bills related to the federal student loan programs, such as the Student Aid Reward Act, which would provide schools additional funds for student aid if the schools use the FDLP, that, if enacted in their current form, could have a materially adverse affect on the Company's results of operations.

Legislative Update

Taxpayer-Teacher Protection Act of 2004

On October 30, 2004 President Bush signed the Taxpayer-Teacher Protection Act of 2004 (the "October 30 Act"), a new law that amends the HEA. The October 30 Act restricts the situations in which lenders are entitled to a minimum yield of 9.5 percent in connection with loans made from the proceeds of certain tax-exempt bonds. Specifically, ED will no longer guarantee a minimum yield of 9.5 percent for a loan financed with qualifying tax-exempt bonds if (1) the underlying bond matures, is retired, is defeased or is refunded or (2) if the loan is refinanced with funds obtained from certain bonds or is sold or transferred to another holder. The October 30 Act, which is effective for a 15-month period, is expected to be permanently extended as part of the reauthorization of the HEA. Management expects that the October 30 Act will have no impact on the Company's earnings or operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity Analysis

The effect of short-term movements in interest rates on our results of operations and financial position has been limited through our interest rate risk management. The following tables summarize the effect on earnings for the three months ended March 31, 2005 and 2004 and the effect on fair values at March 31, 2005 and December 31, 2004, 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.

	Three months ended March 31, 2005				Three months ended March 31, 2004			
	Interest Rates:				Interest Rates:			
	Change from increase of 100 basis points		Change from increase of 300 basis points		Change from increase of 100 basis points		Change from increase of 300 basis points	
(Dollars in millions, except per share amounts)	\$	%	\$	%	\$	%	\$	%
Effect on Earnings								
Increase/(decrease) in pre-tax net income before unrealized gains (losses) on derivative and hedging activities	\$ 7	2%	\$ 18	6%	\$ (2)	(1)%	\$ 27	9%
Unrealized gains (losses) on derivative and hedging activities	291	330	527	597	382	383	844	847
Increase in net income before taxes	\$ 298	72%	\$ 545	132%	\$ 380	100%	\$ 871	229%
Increase in diluted earnings per share	\$.419	85%	\$.774	158%	\$.511	84%	\$ 1.176	194%

	At March 31, 2005				
	Interest Rates:				
	Change from increase of 100 basis points		Change from increase of 300 basis points		
(Dollars in millions)	Fair Value	\$	%	\$	%
Effect on Fair Values					

Assets					
Student loans	\$ 71,429	\$ (249)	—%	\$ (461)	(1)%
Other earning assets	6,597	(72)	(1)	(207)	(3)
Other assets	7,336	(553)	(8)	(959)	(13)
Total assets	<u>\$ 85,362</u>	<u>\$ (874)</u>	<u>(1)%</u>	<u>\$ (1,627)</u>	<u>(2)%</u>
Liabilities					
Interest bearing liabilities	\$ 77,918	\$ (1,183)	(2)%	\$ (3,278)	(4)%
Other liabilities	2,902	366	13	1,714	59
Total liabilities	<u>\$ 80,820</u>	<u>\$ (817)</u>	<u>(1)%</u>	<u>\$ (1,564)</u>	<u>(2)%</u>

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(Dollars in millions)	At December 31, 2004					
	Fair Value	Interest Rates:				
		Change from increase of 100 basis points		Change from increase of 300 basis points		
Effect on Fair Values		\$	%	\$	%	
Assets						
Student loans	\$ 67,431	\$ (315)	—%	\$ (636)	(1)%	
Other earning assets	10,285	(120)	(1)	(333)	(3)	
Other assets	7,878	(652)	(8)	(1,154)	(15)	
Total assets	<u>\$ 85,594</u>	<u>\$ (1,087)</u>	<u>(1)%</u>	<u>\$ (2,123)</u>	<u>(2)%</u>	
Liabilities						
Interest bearing liabilities	\$ 78,295	\$ (1,202)	(2)%	\$ (3,356)	(4)%	
Other liabilities	2,798	276	10	1,503	54	
Total liabilities	<u>\$ 81,093</u>	<u>\$ (926)</u>	<u>(1)%</u>	<u>\$ (1,853)</u>	<u>(2)%</u>	

A primary objective in our funding is to minimize our sensitivity to changing interest rates by generally funding our floating rate student loan portfolio with floating rate debt. However, as discussed under “LENDING BUSINESS SEGMENT—Student Loans—Floor Income,” in the current low interest rate environment, 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.

During the three months ended March 31, 2005 and 2004, certain FFELP student loans were earning Floor Income and we locked in a portion of that Floor Income through the use of futures and Floor Income Contracts. The result of these hedging transactions was to convert a portion of the fixed rate nature of student loans to variable rate, and to fix the relative spread between the student loan asset rate and the variable rate liability.

In the above table under the scenario where interest rates increase 100 and 300 basis points, the increase in pre-tax net income before the unrealized gains (losses) on derivative and hedging activities for the three months ended March 31, 2005 is primarily due to the impact of (i) our off-balance sheet hedged Consolidation Loan securitizations and the related Embedded Floor Income recognized as part of the gain on sale, which results in no change in the Embedded Floor Income as a result of the increase in rates but does result in a decrease in payments on the written Floor contracts and (ii) our unhedged on-balance sheet loans not currently having significant Floor Income due to the recent increase in interest rates, which results in these loans being more variable rate in nature.

The decrease in pre-tax net income for the three months ended March 31, 2004 before the unrealized gains (losses) on derivative and hedging activities reflects lower Floor Income on the unhedged portion of our student loan portfolio. Under the scenario where interest rates increase 300 basis points, the change in pre-tax net income before the unrealized gains (losses) on derivative and hedging activities is due to the additional spread earned on loans hedged with futures and swaps and the greater proportion of loans earning at a floating rate under a 300 basis point increase in rates.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer, Executive Vice President, Finance and Executive Vice President, Accounting and Risk Management, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities

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Exchange Act of 1934, as amended (the “Exchange Act”) as of March 31, 2005. Based on this evaluation, our Chief Executive Officer, Executive Vice President, Finance and Executive Vice President, Accounting and Risk Management, concluded that, as of March 31, 2005, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (b) accumulated and communicated to our management, including our Chief Executive Officer, Executive Vice President, Finance and Executive Vice President, Accounting and Risk Management, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) occurred during the fiscal quarter ended March 31, 2005 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

The Company and various affiliates were defendants in a lawsuit brought by College Loan Corporation (“CLC”) in the United States District Court for the Eastern District of Virginia alleging various breach of contract and common law tort claims in connection with CLC’s consolidation loan activities. The Complaint sought compensatory damages of at least \$60 million. At trial CLC had reduced its claim for compensatory damages to \$47 million. On June 25, 2003, the jury returned a verdict in favor of the Company on all counts. CLC subsequently filed an appeal. On January 31, 2005, the United States Court of Appeals for the Fourth Circuit overturned the jury verdict on the grounds that the trial judge’s pretrial rulings improperly limited CLC’s proof at trial and remanded the case to the District Court for further proceedings. The Court of Appeals decision did not address the merits of the case. The Company filed a petition for rehearing or alternatively a rehearing en banc, which the Fourth Circuit denied. The United States District Court for the Eastern District of Virginia has scheduled the retrial for August 22, 2005. The plaintiffs intend to seek additional compensatory damages at the retrial for actions taken by Sallie Mae since the June 25, 2003 verdict. Plaintiffs are seeking punitive damages in addition to the compensatory damages.

The Company was named as a defendant in a putative class action lawsuit brought by three Wisconsin residents on December 20, 2001 in the Superior Court for the District of Columbia. The plaintiffs sought to represent a nationwide class action on behalf of all borrowers who allegedly paid “undisclosed improper and excessive” late fees over the past three years. The plaintiffs sought damages of one thousand five hundred dollars per violation plus punitive damages and claimed that the class consisted of two million borrowers. In addition, the plaintiffs alleged that the Company charged excessive interest by capitalizing interest quarterly in violation of the promissory note. On February 27, 2003, the Superior Court granted the Company’s motion to dismiss the complaint in its entirety. On March 4, 2004, the District of Columbia Court of Appeals affirmed the Superior Court’s decision granting our motion to dismiss the complaint, but granted plaintiffs leave to re-plead the first count, which alleged violations of the D.C. Consumer Protection Procedures Act. On September 15, 2004, the plaintiffs filed an amended class action complaint. On December 27, 2004, the Superior Court granted the Company’s motion to dismiss the plaintiffs’ amended complaint. Plaintiffs have appealed the Superior Court’s December 27, 2004 dismissal order to the District of Columbia Court of Appeals. The Company believes that it will prevail on the merits of this case if it becomes necessary to further litigate this matter.

The Company continues to cooperate with the SEC concerning an informal investigation that the SEC initiated on January 14, 2004. Although there are currently no data requests outstanding and the SEC has not sought to interview any additional witnesses, discussions with the SEC to conclude this matter are ongoing. The investigation concerns certain 2003 year-end accounting entries made by employees of one of the Company’s debt collection agency subsidiaries. The Company’s Audit Committee engaged outside counsel to investigate the matter and management conducted its own investigation. These investigations by the Audit Committee and management have been completed and the amounts in question were less than \$100,000.

We are also subject to various claims, lawsuits and other actions that arise in the normal course of business. Most of these matters are claims by borrowers disputing the manner in which their loans have been processed or the accuracy of our reports to credit bureaus. In addition, the collections subsidiaries in the our debt management operation group are occasionally named in individual plaintiff or class action lawsuits in which the plaintiffs allege that we have violated a federal or state law in the process of collecting their account. Management believes that these claims, lawsuits and other actions will not have a material adverse effect on its business, financial condition or results of operations.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

The following table summarizes the Company’s common share repurchases during the first quarter of 2005 pursuant to the stock repurchase program first authorized in September 1997 by the Board of Directors. Since the inception of the program, which has no expiration date, the Board of Directors has authorized the purchase of up to 308 million shares as of March 31, 2005.

(Common shares in millions)	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
Period:				
January 1 – January 31, 2005	3.2	\$ 50.52	3.2	35.8
February 1 – February 28, 2005	.1	48.01	.1	32.9
March 1 – March 31, 2005	.1	49.71	.1	28.9
Total first quarter	<u>3.4</u>	<u>\$ 50.43</u>	<u>3.4</u>	

(1) The total number of shares purchased includes: i) shares purchased under the stock repurchase program discussed above, and ii) shares purchased in connection with the exercise of stock options and vesting of performance stock to satisfy minimum statutory tax withholding obligations and shares tendered by employees to satisfy option exercise costs (which combined totaled .2 million shares for the first quarter of 2005).

(2) Reduced by outstanding equity forward contracts.

Item 3. Defaults Upon Senior Securities

Nothing to report.

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

Nothing to report.

Item 5. Other Information

Nothing to report.

BY-LAWS
OF
SLM CORPORATION
(HEREINAFTER CALLED THE "CORPORATION")

ARTICLE I — OFFICES

Section 1. Registered Office. The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. Offices. The principal office of the Corporation shall be located in the city and jurisdiction as the Board of Directors may, from time to time, determine. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II — MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place within the continental United States, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors or, in the case of a special meeting called pursuant to Section 3 of this Article at the request in writing of the holders of at least one-third of the capital stock of the Corporation issued and outstanding and entitled to vote at an election of directors, as shall be designated by such stockholders or their representative, and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The annual meetings of stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meetings the stockholders shall elect by a plurality vote a Board of Directors, and transact such other business as may properly be brought before the meeting. Notice of the annual meeting, stating the place, date and hour of the meeting, shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 3. Special Meetings. Unless otherwise prescribed by law or by the Certificate of Incorporation, special meetings of stockholders, for any purpose or purposes, shall be called by the Secretary (i) at the direction of either (x) the Chairman or (y) the Chief Executive Officer, if the Chief Executive Officer is a member of the Board of Directors, or (ii) at the request in writing of either (x) a majority of the Board of Directors or (y) the holders of at least one-third of the capital stock of the Corporation issued and outstanding and entitled to vote at an election of directors. Any such request shall state the purpose or purposes of the proposed meeting. Notice

of a special meeting, stating the place, date and hour of the meeting and purpose or purposes for which the meeting is called, shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 4. Quorum. Except as otherwise provided by law or by the Certificate of Incorporation, at all meetings of the stockholders, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

Section 5. Voting. Unless otherwise required by law, the Certificate of Incorporation or these By-Laws, any question brought before any meeting of stockholders shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat. Each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder, 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 of directors to be voted for, or for any two or more of them as such holder sees fit. Such votes may be cast in person or by proxy, but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 6. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the principal office of the Corporation. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

Section 7. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 6 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 8. Meeting Business. No business shall be brought before any meeting of stockholders unless it has been properly brought before the meeting in accordance with the procedures set forth in these By-Laws; provided, however, that nothing in this Section shall be deemed to preclude discussion by any stockholder of any business properly brought before such meeting.

To be properly brought before an annual meeting, such business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (c) otherwise brought before the annual meeting by any stockholder of the Corporation who is a stockholder of record on the date of the giving of the notice provided for in Section 2 of this Article and on the record date for the determination of stockholders entitled to vote at the such annual meeting. To be properly brought before an annual meeting, such business also must be a proper subject for action by stockholders, provided that the law of Delaware shall govern whether such business is a proper subject for action by stockholders.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than thirty (30) nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which notice of the date of such annual meeting was mailed. When a date is set for the determination of the timeliness of a stockholder's notice, such date shall apply to any adjournment of such meeting. To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and record address such stockholder, (c) the number of shares of the Corporation which are owned (beneficially or of record) by such stockholder, (d) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business, and (e) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting. This provision shall not prevent the consideration and approval or disapproval at the annual meeting of the reports of officers and committees, but in connection with such reports no new business shall be acted upon at such annual meeting unless brought before the meeting in accordance with the procedures set forth in this Section.

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The business conducted at any special meeting of stockholders shall be limited to the purposes stated in the notice of such special meeting.

The Chairman shall determine the order of business and the procedure at any stockholder meeting, including such regulation of the manner of voting and the conduct of discussion as seem to the Chairman in order and not inconsistent with these By-Laws. If the Chairman determines that business was not properly brought before the meeting in accordance with these By-Laws, the Chairman shall so declare and such business shall not be conducted.

Section 9. Board Nominations. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors at any annual meeting of stockholders. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (b) by any stockholder of the Corporation who is a stockholder of record on the date of the giving of the notice provided for in Section 2 of this Article II and on the record date for the determination of stockholders entitled to vote at such annual meeting.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, the stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than thirty (30) nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which notice of the date of such annual meeting was mailed. When a date is set for the determination of the timeliness of a stockholder's notice, such date shall apply to any adjournment of such meeting. To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom such stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person and the purported basis for such person's eligibility to serve on the Board of Directors, if elected, (iii) the number of shares of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required by law to be disclosed in a proxy statement or in other filings required to be made in connection with solicitations of proxies for election of directors, including information required pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the number of shares of the Corporation which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required by law to be disclosed in a proxy statement or in other filings required to be made in connection with solicitations of proxies for election of

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directors, including information required pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

If the Chairman determines that a nomination was not properly brought before the meeting in accordance with these By-Laws, the Chairman shall so declare and such defective nomination shall be disregarded.

ARTICLE III — DIRECTORS

Section 1. Number of Directors. Subject to the provisions of the Corporation's Certificate of Incorporation, the number of directors of the Corporation shall be fixed from time to time by a majority vote of the directors then in office.

Section 2. Election of Directors. Except as provided in Section 3 of this Article, directors shall be elected by a plurality of the votes cast at annual meetings of stockholders, and each director so elected shall hold office until the succeeding annual meeting (or special meeting in lieu thereof) and until his successor is duly elected and qualified, or until his earlier resignation or removal. Any director may resign at any time upon notice to the Corporation. Such resignation shall take effect at the time specified therein or, if the time be not specified, upon the receipt thereof and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Directors need not be stockholders of the Corporation.

Section 3. Vacancies. Any vacancy on the Board of Directors resulting from an increase in the number of directors or otherwise, may be filled by a majority vote of the directors then in office, even if the directors in office constitute fewer than a quorum.

Section 4. Duties and Powers. The business of the Corporation shall be managed by or under the direction of the Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 5. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors shall be called by the Secretary (i) at the direction of (x) the Chairman or (y) the Chief Executive Officer, if the Chief Executive Officer is a member of the Board of Directors, or (ii) at the written request of a majority of the entire Board of Directors. Notice of a meeting of the Board of Directors, stating the place, date and hour of the meeting, shall be given to each director either by mail not less than forty-eight (48) hours before the date of such meeting, or by telephone, telegram, facsimile transmission or any other lawful means not less than twenty-four (24) hours before the date of such meeting. A waiver of such notice by any director or directors, in writing, signed by the

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person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed the equivalent of such notice.

Section 6. Quorum. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these By-Laws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 7. Actions of Board. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all of the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings, setting forth the action so taken, are filed with the minutes of proceedings of the Board of Directors or committee.

Section 8. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or of any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 8 shall constitute presence in person at such meeting.

Section 9. Committees. The Board of Directors shall adopt resolutions establishing the following committees: (i) Executive, (ii) Audit, (iii) Nominations and Governance and (iv) Compensation and Personnel. In addition, the Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more additional committees. Each committee shall consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 10. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum or a fixed number of shares of the Corporation's stock or other compensation for attendance at each meeting of the Board of Directors and/or as compensation for service as director. No such

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payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 11. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting

of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 12. Qualification of Directors. Notwithstanding any other provision of these By-Laws, (i) the Board of Directors shall consist of a majority of Independent directors, (ii) the Executive Committee of the Board of Directors shall consist of a majority of Independent directors, and (iii) the Audit, Nominations and Governance and Compensation and Personnel Committees of the Board of Directors shall consist solely of Independent directors. For purposes hereof, a director will not generally be considered Independent if he or she: (a) is currently an employee of the Corporation, or within the past three years has been an employee of the Corporation; (b) has a personal services contract with the Corporation, in any amount; (c) is an employee or owner of a firm that is one of the Corporation's paid advisors or consultants, regardless of the amount of such business relationship; (d) is a current partner or employee of a firm that is the Corporation's independent accountant or internal auditor; (e) has an immediate family member who is a current partner of a firm that is the Corporation's independent accountant or internal auditor or is a current employee of the firm and participates in the firm's audit, assurance or tax compliance practice (but not tax planning); or (f) is employed by a business that directly competes against the Corporation. In addition to the standards above, a director will not be considered Independent if within the preceding three years: (a) the director or an immediate family member of the director has received more than \$100,000 per year in direct compensation from the Corporation (other than director fees); (b) the director or an immediate family member was a partner or employee of the Corporation's independent accountant or internal auditor or personally worked on the Corporation audit within that time; (c) a current executive officer of the Corporation was on the compensation committee of a company during the same time the company employed the director or an immediate family member of the director

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as an officer; (d) another company that does business with the Corporation had annual revenues derived from that business relationship of more than (i) \$1,000,000 or (ii) 2 percent of that company's annual revenues, whichever is greater, and the director is currently an employee of that company or the director's immediate family member is currently an executive officer of that company; (e) a charitable organization, foundation or university received in any one year from the Corporation, in the form of charitable contributions, grants or endowments, more than the greater of (i) \$1,000,000 or (ii) 2 percent of the organization's total annual receipts and the director or his or her spouse currently serves as an employee of the organization. In addition, Audit Committee members may not accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation (other than director fees). For purposes of determining independence, an "immediate family member" is defined as a director's spouse, parents, children, sibling, mothers and fathers-in-law, sons and daughters-in-law, brother and sisters-in-law, and anyone (other than domestic employees) who share the director's home.

ARTICLE IV — OFFICERS

Section 1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a Chief Executive Officer, a General Counsel, a Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose a President and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-Laws. The officers of the Corporation need not be stockholders of the Corporation, need such officers be directors of the Corporation.

Section 2. Election. The Board of Directors at its first meeting held after each annual meeting of stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. The Chief Executive Officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors; any other officer may be removed at any time by the Chief Executive Officer after consultation with the Board of Directors or any appropriate Committee thereof. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chief Executive Officer or the General Counsel or such other authorized officer of the Corporation, and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed

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if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chairman of the Board of Directors. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

Section 5. Chief Executive Officer. The Chief Executive Officer shall, subject to the control of the Board of Directors and the Chairman of the Board of Directors, have general supervision of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall execute all bonds, mortgages, contracts and other instruments necessary for the conduct of the business of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these By-Laws, the Board of Directors or the Chief Executive Officer. In the absence or disability of the Chairman of the Board of Directors, the Chief Executive Officer shall preside at all meetings of the stockholders and the Board of Directors. The Chief Executive Officer

shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

Section 6. President and Vice Presidents. At the request of the Chief Executive Officer or in his absence, or in the event of his inability or refusal to act, a President or a Vice President as designated by the Board of Directors shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer. Each President and Vice President shall perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer from time to time may prescribe.

Section 7. General Counsel. The General Counsel shall (a) be the principal consulting officer of the Corporation for all legal matters; (b) be responsible for and direct all counsel, attorneys, employees and agents in the performance of all legal duties and services for and on behalf of the Corporation; (c) perform such other duties and have such other powers as are ordinarily incident to the office of the General Counsel; and (d) perform such other duties as from time to time may be assigned to him by the Chief Executive Officer or by the Board of Directors.

Section 8. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties, when required, for the committees of the Board of Directors. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or Chief Executive Officer, under whose supervision he shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the Chief

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Executive Officer may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 9. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 10. Assistant Secretaries. Except as may be otherwise provided in these By-Laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 11. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 12. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the

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Corporation the power to choose such other officers and to prescribe their respective duties and powers.

Section 13. Employee Conduct. No officer or employee shall engage, directly or indirectly, in any personal business transaction or private arrangement for personal profit which accrues from or is based upon his official position or authority or upon confidential information which he gains by reason of such position or authority, and each officer and employee shall reasonably restrict his personal business affairs so as to avoid conflicts of interest with his official duties. No officer or employee shall divulge confidential information to any unauthorized person, or release any such information in advance of authorization for its release, nor shall he accept, directly or indirectly, any valuable gift, favor or service from any person with whom he transacts business on behalf of the Corporation.

Section 14. Outside or Private Employment. No officer or employee shall have any outside or private employment or affiliation with any firm or organization incompatible with his concurrent employment by the Corporation, nor shall he accept or perform any outside or private employment which the Chief Executive Officer of the Corporation determines will interfere with the efficient performance of his official duties.

ARTICLE V — STOCK

Section 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman of the Board of Directors, the Chief Executive Officer or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation.

Section 2. Signatures. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-Laws. Transfers of stock shall be made on the books of the

Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be canceled before a new certificate shall be issued.

Section 5. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE VI — NOTICES

Section 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice may also be given personally or by facsimile, telegram, telex, cable, or any other lawful means.

Section 2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VII — GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or

for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Acquisition of Common Stock by the Corporation. Unless approved by holders of a majority of the outstanding 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 one person or "group" (as defined in Section 13(d) of the Securities Exchange Act of 1934) of one percent or more of the shares of Common Stock then outstanding, in one or a series of related transactions, at a price in excess of the prevailing market price of such stock, other than pursuant to a tender offer made to all holders of Common Stock or to all holders of less than 100 shares of Common Stock.

Section 3. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 4. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 5. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE VIII — INDEMNIFICATION

Section 1. Power to Indemnify in Actions, Suits or Proceedings other than those by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director or officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

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Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director or officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iii) by the stockholders. To the extent, however, that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to him by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 4 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the

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circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be.

Section 5. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director or officer may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because he has met the applicable standards of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 5 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 6. Expenses Payable in Advance. Expenses incurred by a director or officer in defending or investigating a threatened or pending action, suit or proceeding may be paid by the Corporation, upon the determination by the Board of Directors, in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article VIII, provided the Corporation approves in advance counsel selected by the director or officer (which approval shall not be unreasonably withheld).

Section 7. Non-exclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation or any By-Law, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in his official capacity and as to action in another

capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 1 and 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Sections 1 or 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware, or otherwise.

Section 8. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in any such

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capacity, or arising out of his status as such, whether or not the Corporation would have the power or the obligation to indemnify him against such liability under the provisions of this Article VIII.

Section 9. Certain Definitions. For purposes of this Article VIII, references to “the Corporation” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this Article VIII.

Section 10. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by the Corporation pursuant to this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 11. Limitation on Indemnification. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 5 hereof), the Corporation shall not be obligated to indemnify any director or officer in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 12. Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

ARTICLE IX — AMENDMENTS

Section 1. Amendments. These By-Laws of the Corporation may be altered, amended, changed, added to or repealed in whole or in part, or new By-Laws may be adopted, by the stockholders or the Board of Directors, provided, however, that notice of such alteration,

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amendment, repeal or adoption of new By-Laws is provided before the date on which the meeting of stockholders at which such shall become effective or be voted on, as the case may be. For purposes of this Article IX, filing such alteration, amendment, repeal or new By-Laws with the Securities and Exchange Commission and/or the principal securities exchange on which the common stock of the Corporation is traded shall be deemed to provide notice thereof. All such amendments must be approved by either the holders of a majority of the outstanding capital stock of the Corporation entitled to vote thereon or by a majority of the entire Board of Directors.

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Confidential Materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

SETTLEMENT AGREEMENT AND RELEASE

THIS Settlement Agreement and Release (“Settlement Agreement”), dated as of July 30, 2004, by and among (i) Education One Group, Inc. (“EOG”), (ii) Sallie Mae, Inc., (iii) Secondary Market Services, LLC (“SMS”), (iv) SLM Education Credit Finance Corporation (“ECFC”) (collectively, “Sallie Mae” or the “Sallie Mae Parties”), (v) Bank One, National Association (“Bank One”), (vi) solely with respect to the provisions of Section 5, the final sentence of Section 6.A, the final sentence of Section 7.G, and Section 11 hereof, JPMorgan Chase & Co. (“JPMorgan”), (vii) Banc One Education Finance Corp, (viii) solely with respect to the provisions of Section 5 and Section 11, the Student Loan Marketing Association, and (ix) solely with respect to the provisions of Section 5 and Section 11, SLM Corporation.

WHEREAS, Bank One and EOG entered into that certain Marketing and Liquidity Services Agreement effective as of December 31, 1999 (as amended, the “Marketing Agreement”) and that certain Asset Purchase Agreement effective as of December 31, 1999 (the “Asset Purchase Agreement”);

WHEREAS, JPMorgan and EOG are parties to that certain License Agreement effective as of December 31, 1999 (the “License Agreement”) and that certain Employee Lease Agreement effective as of December 31, 1999 (the “Employee Lease Agreement”);

WHEREAS, the Marketing Agreement, the Asset Purchase Agreement, the License Agreement, and the Employee Lease Agreement are sometimes referred to herein as the “Material Agreements”;

WHEREAS, ECFC, Sallie Mae, Inc., and Bank One are parties to that certain Amended and Restated ExportSS® Agreement dated as of January 1, 2000 (as amended, the “ExportSS Agreement”);

WHEREAS, Bank One and J.P. Morgan Trust Company, N.A. (“Trustee”), acting as trustee and agent for SMS, are parties to a Loan Purchase Agreement dated as of October 1, 1999 (as amended, the “USA LPA”);

WHEREAS, Bank One and Trustee are parties to a Commitment for FFELP Loan Sale Transactions dated as of October 1, 1999 (as amended, the “Commitment”);

WHEREAS, Bank One provided notice on July 1, 2004 to EOG of Bank One’s election to terminate the Material Agreements pursuant to Section 3.4(I)(ii)(d) of the Marketing Agreement;

WHEREAS, Bank One remitted the maximum termination fee provided by Section 3.4(I)(ii)(d) of the Marketing Agreement, \$14,000,000, to EOG by wire transfer on July 9, 2004, with reservation of the right to recover such portion thereof that exceeded the termination fee based upon the actual Number of Applications for the Contract Year Immediately Prior to Termination;

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WHEREAS, EOG has placed the \$14,000,000 payment into an escrow account;

WHEREAS, EOG has asserted that the termination is ineffective and that the Marketing Agreement remains in full force and effect and Bank One maintains that the termination is effective and that the Marketing Agreement is terminated;

WHEREAS, on July 1, 2004, EOG invoked the dispute resolution process specified in Section 12.1 of the Marketing Agreement, and the Parties have attempted to resolve their disputes;

WHEREAS, having engaged in the dispute resolution process, the Parties wish to resolve all disputes concerning the termination of the Material Agreements, and without any admission of liability by EOG or Bank One.

NOW THEREFORE, in consideration of the above premises, and the mutual promises and covenants contained herein, the receipt and sufficiency of which is hereby acknowledged by execution of this Settlement Agreement, the Parties agree as follows:

1. Definitions.

A. “EOG Related Persons” means the Sallie Mae Parties and their predecessors, successors, assigns, and their respective past or present parent corporations, subsidiaries, affiliates, holding companies, divisions, offices, unincorporated business units, partners, insurers, officers, directors, shareholders, managers, employees, agents, servants, representatives, officials, attorneys, associates, and trustees.

B. “Bank One Related Persons” means Bank One and its predecessors, successors, assigns, and their respective past or present parent corporations, subsidiaries, affiliates, holding companies, divisions, branches, offices, unincorporated business units, partners, insurers, officers, directors, shareholders, managers, employees (including without limitation any EOG Employee who accepted an offer of employment from Bank One subsequent to July 1, 2004), agents, servants, representatives, officials, attorneys, associates, and trustees.

C. “EOG Employees” means individuals employed by EOG as of July 1, 2004.

D. “Settlement Agreement” means this Settlement Agreement and Release.

E. “Parties” means the signatories hereto.

F. “Sallie Mae Parties” has the meaning set forth in the preamble to this Settlement Agreement.

G. "Academic Year" means a 12-month period commencing July 1 of a calendar year and ending June 30 of the immediately succeeding calendar year.

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H. "Act" means the Higher Education Act of 1965, as amended.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the applicable agreements.

2. Termination of Material Agreements.

A. The Sallie Mae Parties hereby withdraw their objection to and irrevocably consent to (i) Bank One's termination of the Material Agreements effective as of July 1, 2004 pursuant to Section 3.4(I)(ii)(d) of the Marketing Agreement, and (ii) Bank One's soliciting, hiring and employing EOG Employees pursuant to Section 3.4(III) of the Marketing Agreement.

B. The Sallie Mae Parties hereby acknowledge that Bank One remitted to EOG the maximum termination fee provided by Section 3.4(I)(ii)(d) of the Marketing Agreement, \$14,000,000.00, to EOG by wire transfer on July 9, 2004, with reservation of the right to recover such portion thereof that exceeded the termination fee based upon the actual Number of Applications for the Contract Year Immediately Prior to Termination.

C. Bank One hereby acknowledges that EOG is entitled to the termination fee in the amount of \$14,000,000.00 that was remitted to EOG by Bank One on July 9, 2004 and placed by EOG in an escrow account pending resolution of the disputes between the Parties. The Sallie Mae Parties and Bank One hereby acknowledge that the \$14,000,000.00 termination fee is the full termination fee to which EOG is entitled under the Marketing Agreement, pursuant to and within the meaning of Section 3.4(I)(ii)(d) and Section 3.5 of the Marketing Agreement.

D. Pursuant to Section 9.11 of the Marketing Agreement, Bank One will not be obligated to pay EOG the Marketing Fees, Liquidity Fees or the Standby Commitment Fees with respect to any FFELP Loans that were or will be initially disbursed after July 1, 2004, the termination date of the Marketing Agreement.

3. Cooperation in Transition of Employment.

The EOG Related Persons shall (i) immediately withdraw any and all offers or counteroffers regarding employment extended to any EOG Employee since July 1, 2004, except for offers or counteroffers made to the following EOG employees: [**] (the "Excluded Employees"); and (ii) hereafter refrain from making any offers or counteroffers of employment to any EOG Employee, except for the Excluded Employees, from the date of this Settlement Agreement and for a period ending 44 days after the date each EOG Employee commences employment with Bank One. EOG hereby irrevocably and completely waives any right to receive, and irrevocably and completely releases any EOG Employee from the requirement to provide, any notice from any EOG Employee of intent to leave the employ of EOG, and agrees that any EOG Employee who has accepted or who hereafter accepts an offer of employment extended by Bank One may immediately resign from EOG and commence work at Bank One on such date as such EOG Employee and Bank One shall agree; provided, that the Parties hereby agree that the final date that any such EOG

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Employees will be employed by EOG will be August 6, 2004. The EOG Related Persons shall cooperate with the transition of the EOG employees to Bank One in accordance with Section 3.4(III) of the Marketing Agreement. Bank One hereby agrees to promptly inform Sallie Mae of any EOG Employee who, subsequent to the date of this Agreement, rejects a Bank One offer of employment that is pending as of the date hereof and such employee shall be deemed an Excluded Employee for purposes of this Section 3; provided, however, that the EOG Related Persons have complied with the provisions of this Section 3 herein with respect to such EOG Employee.

4. Asset Transfers.

A. The Sallie Mae Parties shall use all commercially reasonable efforts to promptly, but no more than fourteen (14) days after the execution of this Settlement Agreement, transfer to Bank One or Banc One Education Finance Corp. in accordance with Section 3.4(III) of the Marketing Agreement, to the extent owned, leased, or licensed by the Sallie Mae Parties (and subject to the restrictions on assignment contained within any such license or lease agreement), all property listed on Schedule 2 hereto (the "Transferred Property"). Bank One agrees that within ten (10) days after receipt of all of the Transferred Property, it shall pay to EOG \$[**] for the property listed on Schedule 2 hereto. The Sallie Mae Parties further agree: (i) that for a period of 44 days from the date of execution of this Settlement Agreement and upon written request to the Sallie Mae Parties in accordance with the notice provisions of Section 29 hereof, they will use all commercially reasonable efforts to transfer to Bank One or Banc One Education Finance Corp., for appropriate compensation, in accordance with Section 3.4(III) of the Marketing Agreement, to the extent owned, leased, or licensed by the Sallie Mae Parties (and subject to the restrictions on assignment contained within any such license or lease agreement), any other intangible property, software (excluding software that is also being used by the Sallie Mae Parties other than EOG), data, or documents not identified on Schedule 2 hereto that includes Bank Data, Bank Customer Data, or Bank Student Loan Customer Data, that had been utilized by the EOG Employees; provided, that EOG's Company Data or other Confidential Information of the Sallie Mae Parties will be removed prior to transfer. Any such additional property so identified by Bank One in accordance with the preceding sentence shall be deemed part of the Transferred Property and the Parties agree to amend Schedule 2 to this Settlement Agreement accordingly. The Sallie Mae Parties further agree: (i) to deliver to Bank One or Banc One Education Finance Corp. an assignment and bill of sale in the form of Schedule 8 hereto (and subject to the restrictions on assignment contained within any such license or lease agreement), reflecting the sale, conveyance, assignment, transfer and delivery of the Transferred Property and the assignment of contracts related to such Transferred Property; and (ii) in return for payment by Bank One or Banc One Education Finance Corp. of the following sums, to perform the following services for the time periods enumerated:

(a) to continue to operate and maintain from the date hereof, substantially as it has prior to the date hereof, the websites known as www.studentloanet.com and www.educationone.com, for a period not to exceed sixty (60) days from the date on which the Transferred Property identified in items number 4 and 5 on Schedule 2 hereto has been transferred to Bank One or Banc One Education Finance Corp., in return for payment of \$[**] per month (or any part thereof) for each such website, with the first

month's payment being due within five (5) business days following execution of this Settlement Agreement;

(b) to continue to operate and maintain from the date hereof, substantially as it has prior to the date hereof, the Voice Response Unit ("VRU") and toll-free 1-800 telephone numbers utilized in connection with such VRU, that are used in the conduct of EOG's Business, for a period not to exceed sixty (60) days from August 6, 2004, in return for payment of (i) \$[**] per month (or any part thereof) for the VRU, with the first month's payment being due within five (5) business days following execution of this Settlement Agreement, and (ii) the actual costs incurred by the Sallie Mae Parties for continuing such toll-free 1-800 telephone numbers beyond August 6, 2004;

(c) to continue to operate and maintain from the date hereof, substantially as it has prior to the date hereof, the telephone voice mail system used in the conduct of EOG's Business, for a period not to exceed sixty (60) days from August 6, 2004, in return for payment in the amount of \$[**] per month (or any part thereof) for each EOG Employee who accepts employment with Bank One or Banc One Education Finance Corp., with the first month's payment being due within five (5) business days following execution of this Settlement Agreement; and

(d) to give each EOG Employee who accepts employment with Bank One or Banc One Education Finance Corp. the ability to have an automatic reply with a business-appropriate message sent to the sender of each e-mail that is addressed to such EOG Employee, for a period not to exceed sixty (60) days from August 6, 2004, for no charge, for each EOG Employee who accepts employment with Bank One or Banc One Education Finance Corp.

B. Sallie Mae, Inc. and its successors and assigns agree that so long as Bank One is selling loans to any of the Sallie Mae Parties pursuant to the ExportSS Agreement or the USA LPA, as modified by this Settlement Agreement, they will continue in a commercially reasonable manner to provide into Bank One's EFIS system whatever information regarding the Bank One loans that the Sallie Mae Parties were providing into the EFIS system prior to July 1, 2004.

C. The Sallie Mae Parties shall use all commercially reasonable efforts to promptly, but no more than fourteen (14) days after the execution of this Settlement Agreement, return to Bank One all Bank Data, Bank Customer Data, and Bank Student Loan Customer Data pursuant to Section 8.7 of the Marketing Agreement and all Bank One Confidential Information as well as any materials containing such Confidential Information pursuant to Section 9 of the Amended and Restated Confidentiality Agreement. Bank One, in turn, agrees to use all commercially reasonable efforts to promptly, but no more than fourteen (14) days after execution of this Settlement Agreement, require all EOG employees who become employees of Bank One to return to EOG all Company Data. The Sallie Mae Parties further covenant and agree that all back-up copies of all Bank Data, Bank Customer Data, and Bank Student Loan Customer Data will be destroyed in accordance with Sallie Mae's normal backup destruction procedures, and that prior to such destruction, the Sallie Mae Parties will not use the Bank Data, Bank Customer Data, and Bank Student Loan Customer Data for any purpose whatsoever.

D. The Sallie Mae Parties shall use all commercially reasonable efforts to promptly, but no more than fourteen (14) days after the execution of this Settlement Agreement, deliver to Bank One (or destroy) all Templates and Marketing Materials in their possession or control upon which the Licensed Marks appear, pursuant to Section 9(d) of the License Agreement; provided, that nothing in this Section 4 shall be interpreted as requiring the Sallie Mae Parties to return or destroy their general marketing material upon which Bank One may be listed, if such material was not produced solely for use by EOG.

5. Releases.

A. The EOG Related Persons, and each of them, hereby irrevocably and unconditionally release and discharge, to the fullest extent permissible under applicable law, the Bank One Related Persons from, and covenant not to assert against the Bank One Related Persons in any forum, any and all claims, counterclaims, demands, actions, causes of action, debts, liabilities, damages, costs, fees, expenses, rights, duties, obligations, liens, petitions, suits, losses, controversies, executions, offsets and sums, of any kind or nature, whether direct or indirect, liquidated or unliquidated, contingent or actual, in law or equity, known or unknown, suspected or unsuspected, in contract or tort, or of whatever type or nature, from the beginning of time to the day and date of this Settlement Agreement, regarding, arising out of, related to, resulting from or in connection with (i) Bank One's termination of the Material Agreements; (ii) the soliciting, hiring or employment of any EOG Employee by the Bank One Related Persons; or (iii) any of the Bank One Related Persons' actions taken in connection with (i) and (ii) above (collectively, the "EOG Released Claims").

B. The Bank One Related Persons hereby irrevocably and unconditionally release and discharge, to the fullest extent permissible under applicable law, the EOG Related Persons from, and covenant not to assert against the EOG Related Persons in any forum, any claims, counterclaims, demands, actions, causes of action, debts, liabilities, damages, costs, fees, expenses, rights, duties, obligations, liens, petitions, suits, losses, controversies, executions, offsets and sums, of any kind or nature, whether direct or indirect, liquidated or unliquidated, contingent or actual, in law or equity, known or unknown, suspected or unsuspected, in contract or tort, or of whatever type or nature, from the beginning of time to the day and date of this Settlement Agreement, regarding, arising out of, related to, resulting from or in connection with any of the EOG Related Persons' actions prior to the date hereof (i) relating to Bank One's exercise of termination rights of the Material Agreements set forth in Section 3.4(I)(ii)(d) of the Marketing Agreement; (ii) in opposition to Bank One's exercise of solicitation and hiring rights set forth in Section 3.4(III) of the Marketing Agreement; (iii) relating to the solicitation for employment by EOG Related Persons of the EOG employees; and (iv) any of the EOG Related Persons' actions taken in connection with (i), (ii), and (iii) above (collectively the "Bank One Released Claims").

C. With respect to the releases provided herein, each of the Parties warrants and represents with respect to the EOG Released Claims, the EOG USA LPA Released Claims (defined below) and the Bank One Released Claims, as the case may be (collectively, the "Released Claims"), that:

1. It has not heretofore assigned or transferred to any person any of the Released Claims and agrees to indemnify, defend, and hold harmless, the other and the other's Related Persons, from any Released Claims asserted by any person based upon any such actual or purported

assignment or transfer;

2. No person has any lien, claim or interest in any of the Released Claims;
3. It will not assign, subrogate or transfer to any person any of the Released Claims;
4. It will not commence or prosecute, or induce any other person to commence or prosecute, any of the Released Claims;
5. It is fully authorized to enter into and be bound by the terms of this Settlement Agreement, and that it is the legal and equitable owner and holder of all Released Claims; and
6. The person signing this Settlement Agreement on its behalf has the authority to do so and to make the promises and releases contained herein and to enter into the agreements set forth herein on behalf of such Party.

D. The releases herein shall in no way affect the right of any party hereto to seek enforcement of the terms of this Settlement Agreement.

6. ExportSS Agreement.

The ExportSS Agreement is hereby amended as of July 1, 2004 as follows:

A. The Commitment Period under the ExportSS® Agreement, including without limitation the Amendment of January 1, 2002 relating to MBA LOAN Private Loans and LAWLOAN Private Loans (but subject to the modifications set forth in Section 6 hereof), is hereby extended to August 31, 2008. ECFC will have the right to designate the name of the purchaser of all loans sold under the ExportSS Agreement, which shall be a subsidiary of SLM Corporation or an affiliate of one of the Sallie Mae Parties. Pursuant to Section 22 of the ExportSS Agreement, Bank One intends to assign the ExportSS Agreement to Banc One Education Finance Corp., and Banc One Education Finance Corp. intends to assume such obligations. If such assignment occurs, Bank One shall also assign, and Banc One Education Finance Corp. shall assume, the loan sale obligations of Bank One under the ExportSS Agreement, as modified by this Settlement Agreement, with respect to loans made by Banc One Education Finance Corp. Upon the effective date of such assignment, the rights and obligations of Bank One under the ExportSS Agreement shall only apply to Banc One Education Finance Corp. and not to Bank One. Nothing in this Section 6.A shall be deemed a release of any obligations of Bank One under the ExportSS Agreement with respect to any Education Loans made by Bank One (i) prior to the effective date of such assignment or (ii) after the effective date

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of such assignment (unless, with respect to this clause (ii) only, Bank One merges into JPMorgan Chase Bank, in which event this clause 6.A(ii) shall not apply with respect to Education Loans made after the effective date of such merger). Bank One and JPMorgan further agree that through the period ending August 31, 2008 they will not use the Bank One or Banc One names in connection with making or marketing Education Loans other than through Bank One, Banc One Education Finance Corp., or any other Bank One affiliate that was a Bank One affiliate prior to July 1, 2004 (and if they do make or market Education Loans through such Bank One affiliate, they will cause such Bank One affiliate to assume the loan sale obligations of Bank One under the ExportSS Agreement, as modified by this Settlement Agreement, with respect to loans made by such Bank One affiliate).

B. Notwithstanding anything in the ExportSS Agreement to the contrary, Loans made by Bank One under the Act that are serviced by Great Lakes Education Loan Services, Inc. or its predecessors, affiliates, or successors ("GLELSI") that are guaranteed for the 2004-2005 Academic Year will continue to be sold under the terms of the ExportSS Agreement, as amended by this Section 6 herein. Loans made by Bank One under the Act that are serviced by GLELSI that are guaranteed for the 2005-2006 and subsequent Academic Years during the Commitment Period under the ExportSS Agreement that are (1) Serial Loans or (2) made to borrowers in connection with attendance at the schools listed on Schedule 3 hereof will remain subject to sale under the terms set forth in the ExportSS Agreement as amended by this Section 6 hereof. For purposes of clarity, effective as of the date hereof, the schools listed on Schedule 3 hereto shall not be deemed to be Custom Deal Loan schools (but nothing in this Section 6.B shall be interpreted as preventing such schools from becoming Custom Deal Loan schools in the future). The obligations set forth in Section 6.B(2) hereof shall not be applicable to any school listed on Schedule 3 hereof if an EOG Related Person provides Custom Deal Loans (as defined in Section 6 herein) to such school and Bank One is not on the preferred lender list at such school originating such Custom Deal Loans at such school, but this exclusion shall only apply with respect to loans made after the date Bank One is removed from such preferred lender list.

C. Except as otherwise provided in Section 6.B, Section 7.E(2), and Section 7.E(3) below, the obligations under Section 9 (Future Required Sales) of the ExportSS Agreement and Section 10 – (Sales to Third Parties) of the ExportSS Agreement do not include: (1) any Loans made by Bank One under the Act or (2) any non-FFELP loans made by Bank One that are not a Private Loan as defined in the ExportSS Agreement, which, with respect to (1) and/or (2) above, are processed by or through Sallie Mae's OpenNet File Management System or its successor file management system and that are not otherwise also originated, processed and/or serviced by SLM Corporation, Sallie Mae, or any of their subsidiaries or affiliates on their respective originations and/or servicing platforms.

D. Notwithstanding the definition of Purchase Price under the ExportSS Agreement, the Purchase Price under the ExportSS Agreement for the Commitment Period, as amended by this Settlement Agreement, and for all Loans and Serial Loans required to be sold after the termination or expiration of the Commitment Period, is as follows:

- (1) for Eligible FFELP Loans (except for Custom Deal Loans described below), (a) 100.00% of the aggregate Principal Balance of such Eligible FFELP

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Loans; plus (b) 100.00% of the accrued interest that is payable by the Borrowers; plus (c) solely for Loans that are sold within the time frames set forth in Section 9 (Future Required Sales), a premium equal to [**]% of the aggregate Principal Balance of such Loans; and

- (2) for Custom Deal Loans that are FFELP Loans (other than Custom Deal Loans made in connection with attendance at the schools listed in Schedule 1 hereto), (a) 100.00% of the aggregate Principal Balance of such Loans; plus (b) 100.00% of the accrued interest that is payable by the Borrowers; plus (c) solely for Loans that are sold within the time frames set forth in Section 9 (Future Required Sales), a premium equal to [**]% of the aggregate Principal Balance of such Loans; and
- (3) for Custom Deal Loans that are FFELP Loans made in connection with attendance at schools listed in Schedule 1 hereto, (a) 100.00% of the aggregate Principal Balance of such Loans; plus (b) 100.00% of the accrued interest that is payable by the Borrowers; plus (c) solely for Loans that are sold within the time frames set forth in Section 9 (Future Required Sales), a premium equal to [**]% of the aggregate Principal Balance of such Loans. This revised pricing will apply with respect to all such Loans made to Borrowers at the schools listed in Schedule 1 hereto, and to Loans made to Borrowers at other Indiana University campuses, if such Borrowers receive substantially identical benefits as described in the letter dated January 28, 2004, to Jennifer Foutty of Indiana University, a copy of which is attached hereto as Schedule 7 (the "Indiana Custom Deal"), including Serial Loans originated after the expiration of such Indiana Custom Deal if such Serial Loans are provided substantially identical benefits as the benefits that were provided in the Indiana Custom Deal. Sallie Mae, Inc. agrees to provide prompt written notice to Bank One detailing any change(s) to the benefits provided in the Indiana Custom Deal; and
- (4) for FFELP Loans that have passed the required sales dates set forth in Section 9 (Future Required Sales), and the reason for such fact is not due to the fault of an EOG Related Person, the applicable EOG Related Person may, if it so chooses, purchase any such Loans that are not more than 60 days delinquent in the payment of principal and interest as of the date of sale under the terms of the ExportSS Agreement, at the applicable Purchase Price set forth in the ExportSS Agreement, as amended in Section 6 hereof; and
- (5) for FFELP Loans being purchased that were made to finance attendance at an educational institution for which the Institutional Default Rate equals or exceeds 25%, (a) 100.00% of the aggregate Principal Balance of such Loans; plus (b) 100.00% of the accrued interest that is payable by the Borrowers, minus a servicing charge of \$8.00 for each Account containing such a Loan.

E. Custom Deal Loans will include Loans made under the Act that are (i) MBALoans, LAWLOANS, and MEDLOANS, (ii) loans made in connection with attendance at the schools listed in Schedule 1 hereto (subject to the last two sentences of Section 6.D(3) above), and (iii) loans made in connection with attendance at such other schools with respect to which Sallie Mae has agreed to provide custom loan terms, which shall mean changes to its standard Signature Education Loan, MBALoan private loan, LAWLOANS private loan, or MEDLOANS private loan interest rates, terms, or credit criteria, changes to standard FFELP borrower benefits, and/or Opportunity Loans, and such custom loan terms (as described in Section 6.E(iii) immediately above) are set forth in a letter of understanding executed by an EOG Related Person and such applicable schools ("Custom Deal"), provided that Bank One and such EOG Related Person have agreed to Bank One's participation in the Custom Deal at such school (collectively, "Custom Deal Loans"), it being understood that neither party is under any obligation to agree to such participation in a Custom Deal at any such school.

F. Bank One agrees that, notwithstanding any other provision of this Settlement Agreement, it shall, during the term of the ExportSS Agreement, only offer to make Signature Loans, MBA LOAN Private Loans, LAWLOAN Private Loans and/or Opportunity Loans at a particular school during a given Academic Year if it also agrees to sell all non-Serial FFELP loans it makes at such particular school during the same Academic Year to ECFC or its designee on the sales timing set forth in Section 9 (Future Required Sales) of the ExportSS Agreement and for the Purchase Price as defined in Section 6.D hereof. The sale of Serial FFELP Loans that Bank One makes at such particular school will be governed by the ExportSS Agreement, as amended by this Settlement Agreement. Additionally, the Parties agree that all FFELP Loans that are MBALoans or LAWLOANS will be originated, serviced, and purchased on the terms set forth in the ExportSS Agreement, as amended by this Settlement Agreement (with the pricing as set forth in Section 6.D above).

G. The Definition of Growth FFELP Volume in, and Attachment J to, the ExportSS Agreement are hereby deleted in their entirety.

H. During the Commitment Period of the ExportSS Agreement and with respect to all Serial Loans required to be sold under the ExportSS Agreement after the expiration or termination of the ExportSS Agreement, as amended by this Settlement Agreement, Bank One shall remain a Lender under the MEDLOANS loan program offered by EOG Related Persons and the Association of American Medical Colleges pursuant to the Agreement between the applicable EOG Related Persons and the Association of American Medical Colleges; provided, that, if an EOG Related Person offers a MEDLOANS loan program to a particular school that meets the definition of Custom Deal Loans under Section 6.E(iii) above, Bank One and the applicable EOG Related Persons must both agree to Bank One's participation in the Custom Deal at such school, it being understood that neither party is under any obligation to agree to such participation in a Custom Deal at such school.

I. Section 21 of the ExportSS Agreement is hereby amended by adding the following provision: "Bank One will give Sallie Mae 60 days' written notice if Sallie Mae breaches any of its obligations in this Agreement. If Sallie Mae does not cure the breach by the end of the 60 days, Bank One may terminate the Agreement in whole or part."

J. The limitation on indirect, consequential or exemplary damages provided for in Section 7 of the ExportSS Agreement shall also be applicable to Bank One.

K. The fees set forth in Attachment A and Attachment A-1 of the ExportSS Agreement applicable as of the date hereof shall not be increased during the Commitment Period, or for all Loans and Serial Loans required to be sold after the termination or expiration of the ExportSS Agreement.

7. USA LPA and Commitment.

The USA LPA and Commitment are hereby amended as of July 1, 2004 as follows:

A. Notwithstanding the termination of the Marketing Agreement, the purchase price for Loans payable under the USA LPA remains unchanged, unless and until Bank One exercises its rights to terminate the USA LPA, and then the price will be as set forth in Section 7.E(2) below. In accordance with Section II.H of the USA LPA, if Bank One exercises its right to terminate the USA LPA and remits to Sallie Mae the termination fee set forth in the USA LPA (discussed below), beginning on the date of termination of the USA LPA, the premium to be paid with respect to Loans and Serial Loans sold to Sallie Mae under the USA LPA shall be 1.00%, which percentage shall be deemed the weighted average of the premiums applicable to Loans purchased during the Term.

B. Bank One will be entitled to all Net Earnings and Bank One will be responsible for payment of the 50 basis point Department of Education lender fee with respect to all Loans first disbursed on or after July 1, 2004. Bank One and Sallie Mae agree to work together to perform the necessary accounting and payment reconciliations to effectuate the intent of this provision. SMS will have the right to designate the name of the purchaser of all loans sold under the USA LPA.

C. The Minimum Premium obligations under Section III.D of the USA LPA are hereby deleted.

D. Bank One shall have the right to terminate the USA LPA under Section IX.G(b) by providing written notice of its election to terminate the USA LPA on or prior to October 1, 2004 and remitting within 10 days after providing such notice a termination fee calculated pursuant to Section IX.G(b) of the USA LPA. Sallie Mae hereby represents and agrees that the termination fee under Section IX.G(b) is \$9,000,000.00. For purposes of clarification, upon termination of the USA LPA, the provision of Section IX.G(b) of the USA LPA following the words "provided, however" shall have no further force or effect.

E. If Bank One provides notice of its election to terminate the USA LPA on or prior to October 1, 2004 and remits within 10 days after providing such notice the termination fee, then the USA LPA shall be terminated effective on the date of payment of the termination fee, and then:

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(1) The EOG Related Persons' sole and exclusive remedy with respect to such termination of the USA LPA shall be the receipt of such termination fee. The EOG Related Persons, and each of them, may not oppose, challenge, contest or seek any form of recourse or relief against the Bank One Related Persons, and the EOG Related Persons, and each of them, hereby irrevocably and unconditionally release and discharge, to the fullest extent permissible under applicable law, the Bank One Related Persons from, and covenant not to assert against the Bank One Related Persons in any forum, any and all claims, counterclaims, demands, actions, causes of action, debts, liabilities, damages, costs, fees, expenses, rights, duties, obligations, liens, petitions, suits, losses, controversies, executions, offsets and sums, of any kind or nature, whether direct or indirect, liquidated or unliquidated, contingent or actual, in law or equity, known or unknown, suspected or unsuspected, in contract or tort, or of whatever type or nature, regarding, arising out of, related to, resulting from or in connection with (i) Bank One's termination of the USA LPA, or (ii) any of the Bank One Related Persons' actions taken in connection therewith (collectively the "EOG USA LPA Released Claims").

(2) All Loans that are guaranteed for the 2004-2005 Academic Year that Bank One would otherwise, in the absence of such termination, be required to sell to SMS under the USA LPA, will instead be sold to ECFC or its affiliate (or other designee) pursuant to the provisions of the USA LPA, as modified by this Settlement Agreement, but at the sales timing set forth in the ExportSS Agreement and for the weighted average premium set forth in Section 7.A. above.

(3) Serial Loans that are required to be sold under the post termination provisions of the USA LPA will continue to be sold to ECFC (or its designee) at the weighted average premium set forth in Section 7.A above and at the sales timing set forth in the ExportSS Agreement.

F. The origination and servicing fees charged by Sallie Mae, Inc. or its successors or assigns under the USA Group Master Agreement for Loans under the Federal Family Education Loan Program, dated October 1, 1999, as of the date hereof shall not be increased prior to the termination of the USA LPA, or for all Loans and Serial Loans required to be sold after the termination or expiration of the USA LPA.

G. Bank One intends to assign the USA LPA to Banc One Education Finance Corp., and Banc One Education Finance Corp. intends to assume such obligations. If such assignment occurs, Bank One shall also assign, and Banc One Education Finance Corp. shall assume, the loan sale obligations of Bank One under the USA LPA, as modified by this Settlement Agreement, with respect to loans made by Banc One Education Finance Corp. Upon the effective date of such assignment, the rights and obligations of Bank One under the USA LPA shall only apply to Banc One Education Finance Corp. and not to Bank One. Nothing in this Section 7.G shall be deemed a release of any obligations of Bank One under the USA LPA with respect to any Education Loans made by Bank One (i) prior to the effective date of such assignment or (ii) after the effective date of such assignment (unless, with respect to this clause (ii) only, Bank One merges into JPMorgan Chase Bank, in which event this clause 7.G(ii) shall not apply with respect to Education Loans made after the effective date of such merger). Bank

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One and JPMorgan further agree that through the period ending August 31, 2008 they will not use the Bank One or Banc One names in connection with making or marketing Education Loans other than through Bank One, Banc One Education Finance Corp., or any other Bank One affiliate that was a Bank One affiliate prior to July 1, 2004 (and if they do make or market Education Loans through such Bank One affiliate, they will cause such Bank One affiliate to assume the loan sale obligations of Bank One under the USA LPA, as modified by this Settlement Agreement, with respect to loans made by such Bank One affiliate).

8. Education One Loans.

A. With respect to Education One Loans, as defined in the Marketing Agreement, that are first disbursed on or prior to December 31, 2004, Bank One will continue to remit to EOG its share of the Compensation in accordance with the terms of Section 9.4 of the Marketing Agreement, notwithstanding the termination of the Marketing Agreement. Bank One agrees not to change the sales timing or terms of sale with respect to such Education One Loans without EOG's prior written consent. Bank One's actual and direct costs (including expenses, such as marketing costs and origination costs) incurred and associated with the marketing of the Education One Loans that are first disbursed on or prior to December 31, 2004 ("Reimbursable Expenses")

will be reimbursed to Bank One within 30 days of Sallie Mae's receipt of an invoice detailing the Reimbursable Expenses. Bank One shall have the right to offset against the Compensation owed to EOG set forth in this Section 8.A. above any Reimbursable Expenses owed to Bank One.

B. Bank One will use all commercially reasonable efforts to continue to market Education One Loans in substantially the same manner as was set forth in EOG's marketing plan for the 2004-2005 Academic Year (as annexed in Schedule 5 hereto), but solely as it relates to the sourcing of loans with a first disbursement on or prior to December 31, 2004. Through December 31, 2004, Bank One will, subject to the terms thereof, maintain in full force and effect all agreements between Bank One and any other parties relating to the marketing of Education One Loans, for the purpose of enhancing the aggregate principal balance of Education One Loans that are first disbursed prior to December 31, 2004. Through December 31, 2004, Bank One will provide monthly disbursement reports to Sallie Mae in a form and format identical to the reports provided by EOG to the applicable EOG Related Person prior to July 1, 2004 (as annexed in Schedule 6 hereto). Effective as of July 1, 2004, but solely to the extent identified on Schedule 4 hereto (to which true and correct copies of the respective agreements relating to the Education One Marketing Obligations, as defined below, are annexed), EOG will, to the extent permitted under such agreements, assign to Bank One, and Bank One will assume the obligations of EOG under, all marketing agreements executed by EOG relating to the Education One Loans ("Education One Marketing Obligations"), including without limitation all agreements relating to direct mail campaigns. Notwithstanding the foregoing, Bank One shall not assume, and shall have no liability for, any and all obligations and liabilities arising under or related to the Education One Marketing Obligations that arise or have arisen before, on or after the date hereof relating to acts or omissions occurring or services performed prior to July 1, 2004. Nothing herein or in any such assignment agreements shall preclude the EOG Related Persons from entering into marketing relationships with the counterparties to any EOG marketing agreements.

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C. With respect to Education One Loans that are first disbursed on or after January 1, 2005, any and all of Sallie Mae's rights under the Marketing Agreement, including without limitation any and all rights under the Second Amendment to Marketing and Liquidity Services Agreement, dated April 30, 2001, shall be of no force and effect.

9. EOG Employees' Travel and Entertainment Expenditures.

Within thirty (30) days following receipt of an invoice from EOG and acceptable supporting documentation, Bank One will reimburse EOG for reasonable out of pocket travel and entertainment expenses of EOG Employees, except for the Excluded Employees, incurred on or after July 1, 2004 through August 6, 2004, that exceed an aggregate amount of \$[**]. In no event shall such reimbursement obligation exceed \$[**].

10. Confidentiality.

Each Party agrees and covenants that it will take all reasonable steps to ensure, preserve, and protect the confidentiality of (i) the pricing set forth in this Settlement Agreement, and (ii) the list of Great Lakes schools referenced on Schedule 3 to this Settlement Agreement, which the Parties agree are confidential and shall not be disclosed or revealed by them, except as specified below:

- A. By Bank One to Bank One Related Persons, their accountants, attorneys, auditors, tax return preparers, and/or regulators, or as otherwise required in connection with disclosure obligations under the securities laws; and to EOG or EOG Related Persons;
- B. By EOG to EOG Related Persons, and its or their tax return preparers, accountants, auditors, attorneys, and/or regulators, or as otherwise required in connection with disclosure obligations under the securities laws; and to Bank One or Bank One Related Persons;
- C. To any third parties as may be mutually agreed in writing by the Parties; and
- D. To the extent required by law, subpoena or other judicial process, provided that prior to complying therewith the Party receiving such subpoena or process advises (to the extent legally permissible) the other Party and the court or issuer thereof of this confidentiality provision and makes reasonable, diligent effort to protect the contents of this Settlement Agreement from disclosure.

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11. Chase Agreements.

The Parties acknowledge and agree that this Settlement Agreement is in no way intended to negate, modify or alter in any way the provisions of, or the rights and obligations of the parties under: (1) Section 8(b) of the Omnibus Agreement effective September 9, 1996, among The Chase Manhattan Corporation, The Chase Manhattan Bank, Student Loan Marketing Association, Education First Finance LLC and Education First Marketing LLC (or their respective successors) (the "Omnibus Agreement"); (2) Section 13.2 of the Limited Liability Company Agreement of Chase Education First LLC (previously known as Education First Marketing LLC) effective September 9, 1996, between TCB Education First Corporation and Student Loan Marketing Association (or their respective successors) (the "Marketing LLC Agreement"); or (3) Section 13.2 of the Limited Liability Company Agreement of Education First Finance LLC effective September 9, 1996, between TCB Education First Corporation and Student Loan Marketing Association (or their respective successors) (the "Finance LLC Agreement") (collectively such agreements referred to herein below as the "Chase Agreements"). The EOG Related Persons further acknowledge and agree that (i) the acquisition of Bank One Corporation by JP Morgan Chase & Co. and the conduct of the sales and marketing and other education lending business activities of Bank One, Banc One Education Finance Corp. or any other Bank One affiliate that was a Bank One affiliate prior to July 1, 2004, are subject to and fall within the scope of the "provided however" clause contained in each of Section 13.2(a) of the Marketing LLC Agreement, Section 13.2(a) of the Finance LLC Agreement, and Section 8(b) of the Omnibus Agreement; and (ii) Bank One, Banc One Education Finance Corp. or any other Bank One affiliate that was a Bank One affiliate prior to July 1, 2004, performing sales and marketing and other education lending business activities, constitute a "Person" as to which the "Applicable Restrictions", as such terms are defined within the "provided however" clause contained within each of the aforementioned Sections of the Chase Agreements, do not apply, so long as all such Persons comply with the restrictions set forth in subsections (x), (y) and (z) in the "provided however" clause contained in each of Section 13.2(a) of the Marketing LLC Agreement, Section 13.2(a) of the Finance LLC Agreement, and Section 8(b) of the Omnibus Agreement.

12. Counterparts.

This Settlement Agreement may be executed in one or more counterparts, but in such event, each counterpart shall constitute an original and all of such counterparts shall together constitute one instrument. Accordingly, this Settlement Agreement shall become binding, notwithstanding the execution of separate originals, one by each of the Parties hereto. Signatures hereto exchanged by facsimile shall be binding for all purposes.

13. Entire Agreement.

This Settlement Agreement, together with the schedules attached hereto and incorporated herein by this reference, constitute the entire agreement between the Parties relating to the subject matter hereof and supercedes all prior agreements or understandings, written and oral, related to the settlement of the matters addressed herein. Except for statements expressly set forth in this Settlement Agreement, no Party has made any statement or representation to any

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other Party regarding a fact relied upon by the other Party in entering into this Settlement Agreement, and no Party has relied upon any statement, representation, or promise of any other Party, or of any representative or attorney for any other Party, in executing this Settlement Agreement or in making the settlement provided for in this Settlement Agreement. None of the Parties shall be bound by any agreements, undertakings, warranties, understandings, or representations with respect to the subject matter of this Settlement Agreement other than as expressly provided herein or as modified in writing, signed in advance by the Party to be bound thereby.

14. Governing Law.

This Settlement Agreement shall be subject to, governed by, and construed and enforced pursuant to the laws of the State of Indiana, without regard to its principles of conflict of laws.

15. Severability.

The Parties agree that if any court or tribunal of competent jurisdiction determines that any provision of this Settlement Agreement is illegal, invalid or unenforceable, such illegal, invalid or unenforceable provision shall be severed from this Settlement Agreement and the remainder of this Settlement Agreement shall not be affected thereby and shall remain in full force and effect.

16. Binding Effect.

This Settlement Agreement shall be binding upon and inure to the benefit of the Parties and their successors, assigns and transferees.

17. Costs and Expenses.

The Parties shall bear their own costs and attorneys' fees incurred in connection with the preparation, execution and effectuation of this Settlement Agreement, including, without limitation, the cost of preparing and executing this Settlement Agreement.

18. Enforcement.

If any action at law or in equity is brought to enforce or interpret the provisions of this Settlement Agreement, then the prevailing Party shall be entitled to recover reasonable attorneys' fees from the other Party, which fees may be set by the Court in the trial of such action or may be enforced in a separate action brought for such purpose, and which fees shall be in addition to any other relief which may be awarded.

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19. Interpretation.

The Parties agree that each and every provision of this Settlement Agreement shall be deemed to have been simultaneously drafted by all Parties, and no laws or rules relating to the interpretation of contracts against the drafter of any particular clause should be applied to the interpretation or enforcement of this Settlement Agreement.

20. No Waiver.

No breach of any provision hereof can be waived unless in writing signed by the party against whom such waiver is sought to be enforced. Waiver of any one breach of any provisions hereof shall not be deemed to be a waiver of any other breach of the same or other provisions hereof. This Settlement Agreement may be amended only in writing by the parties-in-interest at the time of the modification. If any provision of this Settlement Agreement is held to be invalid or unenforceable for any reason, the remaining provisions will continue in full force without being impaired or invalidated in any way. The Parties agree to replace any invalid provision with a valid provision that most closely approximates the intent and economic effect of the invalid provision.

21. Captions.

Paragraph titles or captions contained herein are inserted as a matter of convenience and for reference, and in no way define, limit, extend or describe the scope of this Settlement Agreement or any provision thereof.

22. No Admission.

The Parties agree and acknowledge that this Settlement Agreement is the result of a compromise of doubtful and disputed claims and this Settlement Agreement and the negotiations therefor shall never at any time for any purpose be construed as an admission by any Party of any liability or responsibility to another, or to be an admission or concession as to the merits of any claim asserted by any Party. Nothing herein shall in any way limit the use of this Settlement Agreement as evidence in a proceeding to enforce any or all of the terms hereof.

23. Representation by Counsel.

Each Party to this Settlement Agreement has been represented by counsel in preparing and negotiating this Settlement Agreement.

24. Adequacy of Consideration.

Each Party hereto acknowledges the adequacy and sufficiency of the consideration for this Settlement Agreement, including without limitation, the payment of the termination fee pursuant to the Marketing Agreement or the USA LPA, the mutual releases and the mutual covenants and promises contained herein, and each Party waives any right to contest the

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enforcement or validity of this Settlement Agreement based on any claim or defense of lack of consideration.

25. No Rescission.

Each Party agrees that this Settlement Agreement shall be binding and that each Party waives, to the fullest extent permissible under law, any right to seek to rescind this Settlement Agreement for any reason.

26. Conflicts.

In the event of a conflict or inconsistency between this Settlement Agreement and any of the agreements referenced herein, this Settlement Agreement shall control.

27. Venue.

Any lawsuit brought under, concerning or in connection with this Settlement Agreement shall only be brought in the Circuit or Superior Court of Hamilton County, Indiana, or the United States District Court for the Southern District of Indiana, Indianapolis division, which courts shall have exclusive jurisdiction with respect to any and all proceedings brought under, concerning or in connection with this Settlement Agreement. The Parties agree that jurisdiction and venue in such courts is appropriate and irrevocably consent to the exercise of personal jurisdiction by such courts with respect to such matters. The Parties further consent to service at their principal places of business.

28. Further Assurances.

The Parties shall execute and deliver such further documents and shall take such further actions as may be necessary and reasonably required to effect the provisions of this Settlement Agreement.

29. Notices.

All notices, requests, approvals, consents and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given: (i) if delivered personally, then on the date received; (ii) if delivered by facsimile, then on the date received, but if received after the close of business on such day, then on the next business day; (iii) if delivered by overnight courier, then on the next business day after deposit with the courier service absent persuasive evidence of the failure of delivery thereof on such date and then on the day of delivery indicated by such evidence; and (iv) if sent by certified mail with postage prepaid and return of receipt requested, then five (5) days after such mailing. Any such notice shall be sent as follows:

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if to Bank One Related Persons: Bank One, National Association
900 Stewart Avenue
6th Floor
Garden City, NY 11530
Attn: Jeffrey Levine
 Senior Vice President
Tel: 516-745-4564
Fax: 516-745-4528

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with a copy (which shall not constitute notice) to: Bank One, National Association
900 Stewart Avenue
6th Floor
Garden City, NY 11530
Attn: Michael J. Getzler
 Vice President & Assistant General Counsel
Tel: 516-745-3223
Fax: 516-745-4528

if to the EOG Related
Persons:

Sallie Mae, Inc.
11100 USA Parkway
Fishers, IN 46038
Attn: June McCormack
Executive Vice President, Servicing & Sales Marketing
Tel: 317-578-6818
Fax: 317-578-6501

with a copy (which shall
not constitute notice) to:

If prior to after August 20, 2004:
Sallie Mae, Inc.
11600 Sallie Mae Drive
Reston, VA 20193
Attn: Robert S. Lavet
Senior Vice President and Deputy General Counsel
Tel: 703-810-5016
Fax: 703-810-3023

with a copy (which shall
not constitute notice) to:

If on or after August 20, 2004:
Sallie Mae, Inc.
12061 Bluemont Way
Reston, VA 20190
Attn: Robert S. Lavet
Senior Vice President and Deputy General Counsel
Tel: 703-984-5016
Fax: 703-984-6587

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IN WITNESS WHEREOF, the Parties through each of their duly authorized representatives have hereto set their hands to be effective as of the 1st day of July, 2004.

BANK ONE, NATIONAL ASSOCIATION

By: /s/ Michael Getzler
Name: Michael Getzler
Title: Vice President

EDUCATION ONE GROUP, INC.

By: /s/ Mary Eure
Name: Mary Eure
Title: Secretary

**BANC ONE EDUCATION FINANCE
CORP.**

By: /s/ Michael Getzler
Name: Michael Getzler
Title: Vice President

**JPMORGAN CHASE & CO. (solely with respect to the
provisions of Section 5, the final sentence of Section 6.A, the
final sentence of Section 7.G, and Section 11 hereof)**

By: /s/ Susan Webb
Name: Susan Webb
Title: EVP

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SALLIE MAE, INC.

By: /s/ Robert Lavet
Name: Robert Lavet
Title: SVP & Deputy General Counsel

**SLM EDUCATION CREDIT FINANCE
CORPORATION**

By: Sallie Mae, Inc., Authorized Agent
By: /s/ Robert Lavet
Name: Robert Lavet
Title: SVP & Deputy General Counsel

By: Sallie Mae, Inc., Authorized Agent

By: /s/ Robert Lavet

Name: Robert Lavet

Title: SVP & Deputy General Counsel

By: /s/ James A. Alexander

Name: James A. Alexander

Title: Chief Financial Officer

**STUDENT LOAN MARKETING ASSOCIATION (solely with respect to the provisions of
Section 5 and Section 11 hereof)**

**SLM CORPORATION (solely with respect to
the provisions of Section 5 and Section 11 hereof)**

By: /s/ Michael E. Sheehan

By: /s/ Robert Lavet

Name: Michael E. Sheehan

Name: Robert
Lavet

Title: V.P.

Title: SVP & Deputy General Counsel

SCHEDULE 1

Indiana University – Bloomington	001809-00
Indiana University – East	001811-00
Indiana University – Indianapolis (IUPUI)	001813-00
Indiana University – Kokomo	001814-00
Indiana University – Northwest	001815-00
Indiana University – South Bend	001816-00
Indiana University – Southeast	001817-00

SCHEDULE 2

1. Bank One dedicated “toll free” numbers:

- a) 800-487-4404 Call Center (General number for all clients;
- b) 888-222-5919 (Bank One branches, internal Bank One departments and priority school handling);
- c) 888-487-4404 Call routing to specific sales rep for top tier schools;
- d) 877-968-7331 Direct Connect (special handling for top tier schools); and
- e) 877-210-5622 (University of Arizona only).
- f) 877-663-1839 Clarian Health (Education One)
- g) 877-663-1841 Bank One (Education One)
- h) The following numbers assigned to EOG, not in active use:

- 877-663-1842
- 877-663-1843
- 877-663-1844
- 877-663-1845
- 877-663-1846
- 877-663-1848
- 877-663-1849
- 877-663-1850
- 877-663-4810
- 877-663-4867
- 877-663-4868
- 877-663-4869
- 877-663-4870
- 877-663-4871
- 877-663-4872
- 877-663-4873
- 877-663-4874
- 877-663-8594
- 877-663-8595
- 877-663-8597
- 877-663-8598
- 877-663-8599

2. All (i) Bank Data, (ii) Bank Customer Data, and (iii) Bank Student Loan Customer Data contained in the Education Finance Information System (EFIS), including, but not limited to EFISWork database on speogfi010, NSLDS database on speogfi010, and TERI database on speogfi010:

- a) Bank Data, Bank Customer Data, and Bank Student Loan Customer Data contained in EFIS back-up tapes or disks will age off through the normal process by no later than December 31, 2004.

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- b) Sallie Mae shall transmit the data set forth in Section 2(a) above using FTP to Bank One on Tuesday, August 3, 2004 and Sallie Mae shall transmit the data set forth in Section 2(a) above again using FTP to Bank One on Wednesday, August 18, 2004.

3. All (i) Bank Data, (ii) Bank Customer Data, and (iii) Bank Student Loan Customer Data contained in SalesLogix software, including, but not limited to, SLWork database on speogfi020:

- a) Bank Data, Bank Customer Data, and Bank Student Loan Customer Data stored in SalesLogix will age off through the normal process by no later than December 31, 2004.
- b) Sallie Mae shall transmit the data set forth in Section 3(a) above using FTP to Bank One on Thursday, August 5, 2004 and Sallie Mae shall transmit the data set forth in Section 3(a) above again using FTP to Bank One on Monday, August 9, 2004

4. To the extent owned by the Sallie Mae Parties, the www.studentloannet.com web site, limited to:

- a) The web site content, source and object code, embedded images, and PDFs which are limited to:

/Admin (directory on website) - -

User for website marketing campaigns during timeframes driven by business.

/Applications (directory on website) -

Used to maintain: schools demographic info, custom forms, loan applications, servicers details, lenders details, borrower benefits details, SalesStaff Directory, Marketing orders by business, and collateral inventory.

/ApplyonLine (directory on website) -

Used for loan application process for students and parents to apply for:

1. Federal Stafford Loans with links to on-line application on studentloannet's web.
2. Parent (Plus) Loans with link to on-line application on studentloannet's web.
3. Signature Education Loan Program - Links to Sallie Mae's OpenNet website.
4. Education One Loan with link to www.teri.org for BankOne's Education Loans.
5. MEDLOANS with link to AAMC's web site to apply on line
6. MBALOANS with link to Sallie Mae's OpenNet website.
7. LAWLOANS with link to Sallie Mae's OpenNet website.

/FAA (directory on website) -

Used for Financial Aid Administrators to sign up for loan application process for students and parents to apply for: Counseling, free materials and training for students, custom forms and contact information for Bank One reps.

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/PARENT (directory on website) -

Used for parent's loan application on-line apply process:

/STUDENT (directory on website) -

Used for student's loan application on-line apply process:

/Survey (director on website) -

Used for website marketing campaigns feedback.

- b) Customized school pages and associated links;
- c) Links to current on-line loan originations including (but not limited to) Stafford, PLUS, Consolidation, Private, Graduate and Professional Student Loans, student loan history; and
- d) the domain name.

5. To the extent owned by the Sallie Mae Parties, the www.educationone.com web site, limited to:

- a) The web site content, source and object code, embedded images, and PDFs which are limited to:

/Admin (directory on website). User for website marketing campaigns during timeframes driven by business; and

- b) All associated links.

6. All EOG Employees' electronic files containing only Bank Data, Bank Customer Data, and Bank Student Loan Customer Data that EOG Employees copied onto CDs and delivered to Craig Anderson for safekeeping. All EOG paper files containing only Bank Data, Bank Customer Data, and Bank Student Loan Customer Data.
- 7 All of the following Marketing Materials, Bank One approved templates, and other Bank One-related marketing collateral located at 8350 Craig Street, Indianapolis, IN.

BubbleMan Radio – HS door prizes
Buttermints
Business Man Clock
CD Holders
Clip-on Radio w/Compass
FM Scan Radio w/Keylight
Golf Towels
Grocery List Pads
Lanterns – Doorprize 2003
Letter Opener/Notepad Holder
Magnets

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Paper Bags
Pencils – Multicolor
Pens – Blue Sheaffer
Pens – Six Multicolor
Pens – Multicolor – Blue, Silver, Burg., Spring Giveaway
Pen/Memo Sets – Regional 2003 Giveaway
Pocket Highlighters
Post-It Notes w/Lines
Ruler/Calculator – Door prize
Thank-you notes
AMC Consolidation Brochures
Adult Continuing Education
Art Brochure
Bank One Folders - Blue new
Bar Study Apps - Standard
Bar Study Apps - Prem/Pref
BO Benefit Brochure
BO Benefit Brochure - FAA's
Bookmarks
Cashback Flyer
Cashback Slicks
BI Credit Survival Brochures
Debt Management
Graduate/Professional Financial Planning Guide
Education One College #01-116
Education One Campus #02-295
Education One Product Chart
ELM Flyers
Entrance/Exit Forms
Fact Sheets & Repay Chart
FFELP Brochure
Glossary Terms/Responsibilities
Life 101 Magazine
Hotline Postcards
Interest Rate Poster
JUMP Brochures
JUMP Spanish Brochure
LAWLOAN Flyer – Standard
LAWLOAN Flyer - Preferred
LAWLOAN Flyer - Premier
LAWLOAN - Premier Brochures
LAWLOAN - Preferred Brochures
LAWLOAN - Standard Brochures
Life 101 Magazine
MBA LOAN Flyer – Standard
MBA LOAN Flyer - Premier

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MBA - Premier Brochures
MBA - Standard Brochures

Med Ex Slick
 Medloans Cashback Slick
 Medloans Flier
 Multiloan Brochure #2733
 Plus MPN Brochure
 PLUS/PAS Brochure
 PLUS/PAS Brochure - NON-SLMA
 Power of Education Posters
 Private Loan Counseling Slick
 RED Zone Flyers
 RED Zone Posters
 Retail Package Sheet
 Signature Applications - EDMC
 Signature Brochures - Standard
 Signature Brochures - Premier
 Signature Brochures - Preferred
 Signature Express Slick
 StudentLoanNet.com website brochure
 Tax Benefits for Higher Education Insert
 Transfer Student Brochure
 True Careers Bucksip - Campus
 True Careers Bucksip – College

8. The following equipment located at 8350 Craig Street, Indianapolis, IN.:

eMac G4 700 (SN # YM309PVZNTA)
 Power Mac G5 1.8 GHz (SN # YM337BNFNVR)
 Power Mac G5 1.8 GHz (SN # YM337BNGNVR)
 Apple Cinema Display 23" (SN # CY33608BLFA)
 Apple Cinema Display 23" (SN # CY3360A7LFA)
 Phaser 4400N (SN # LDT010133)
 Phaser 790 (SN # VF6-003507)
 Kanguru CD Duplicator (5 Disc) (SN # C213733)
 Kanguru CD Duplicator (100 Disc) (SN # 6551-10336008)
 HP Laserjet 4 (SN # JPFK001448)
 Brother FAX MFC1970MC (SN # B07386553)
 Laminator (SN # OJG5500)
 G4 Mac (SN # XB025567)
 Monitor/NCR SN # 1900412TA
 G4 Mac SN #XB143032KSL
 Monitor (Diamontrone) (SN # 906A06071)
 Zip (SN # PSBL38EJ00)
 Imation Floppy (SN # 0295292)
 Scanner (SN # HAH0030021084)

Snap Server (SN #FCC14BA322)

9. The following software, to the extent owned by the Sallie Mae Parties, used in connection with the computers listed in 8 above:

Extensis pxl SmartScale (2)
 Adobe Creative Suite Premium (3)
 Microsoft Office 2004 Standard (3)
 Nova Dev. Art Explosion 750,000
 Aladdin Systems StuffIt Deluxe (3)
 Macromedia Flash MX Pro 2004 (2)
 Quark Xpress 6 (3)
 Suitcase X1 1 user (3)
 Retrospect Desktop V6.0 (2)
 Stock Photography CDs
 Stock Art CDs (10)
 Pantone Ultimate Survival Kit (3)

10. Business telephones, all in one fax, printer, and scanner machines, office furniture, and supplies in the possession of the EOG Employees remote sales representatives.

11. The following miscellaneous items:

Booths: 7 Tabletops (2 panel)
 2 Full-size - 10 feet
 2 – 20' – used for national conferences – stored offsite @ Hamilton Exhibits Indianapolis, IN
 Canisters – Brass and Wicker baskets used for conferences mints and door prize tickets
 Tablecloths – 12 w/Bank One logo used on tables for state and regional conferences

CONSUMER SALES/MARKETING PLAN 2004

Action Plan	Target Date	Marketing Budget	Impression \$	Sales Volume	Ed One Revenue
Direct Mail/Spring Campaign	March '04	\$ [**]	[**]	\$ [**]	\$ [**]
Direct Mail/PLUS	March '04	\$ [**]	[**]	\$ [**]	\$ [**]
Direct Mail – Parent Loan	April '04	\$ [**]	[**]	\$ [**]	\$ [**]
Direct Mail/Summer Campaign	June-Sept	\$ [**]	[**]	\$ [**]	\$ [**]
Direct Mail/Fall Campaign	Nov-Dec	\$ [**]	[**]	\$ [**]	\$ [**]
Savings/DDA inserts	TBD	\$ [**]	[**]	\$ [**]	\$ [**]
Affinity Marketing i.e. Target	2 nd quarter	\$ [**]	[**]		

and any other supporting materials

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SCHEDULE 6

[Form of Monthly Education One Loan Disbursement Report]

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**Education One Consumer Loan - Origination Summary
Calendar Year to Date through June 30, 2004
(\$ in millions)**

Month	Actual	Plan	% Variance to Plan	Prior Year	% Variance to Prior Year
January					
February					
March					
1st Quarter					
April					
May					
June					
2nd Quarter					
June YTD					
July					
August					
September					
3rd Quarter					
October					
November					
December					
4th Quarter					
Total					

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**Education One Consumer Loan - Revenue Summary
Calendar Year to Date through June 30, 2004
(\$ in millions)**

Month	Actual	Plan	% Variance to Plan	Prior Year	% Variance to Prior Year
January					
February					
March					
1st Quarter					
April					
May					
June					
2nd Quarter					
June YTD					

July
August
September
3rd Quarter
October
November
December
4th Quarter
Total

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SCHEDULE 7
[Insert Indiana Custom Deal Letter]

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SallieMae
P.O. Box 6180
Indianapolis, IN 46206

January 28, 2004

Jennifer Foutty
Purchasing Contract Manager
Indiana University Purchasing
400 East 7th Street, Room 416
Bloomington, IN 47405

Dear Jennifer,

Thank you for the opportunity to continue working with you and your staff to deliver a comprehensive education financing solution for students of Indiana University (see attached list of campuses). Sallie Mae's solution includes an industry leading federal loan program along with a customized private loan program. This "Letter of Understanding" summarizes the products and services that Sallie Mae will provide to Indiana University, its students and their parents. This Letter is considered an addendum to the Agreement between Indiana University and Sallie Mae dated November 14, 2003 and all terms in that Agreement remain in effect. The terms in this letter are in effect for the Academic Year 2004/2005 and will be renegotiated each academic year, renewable through June 30, 2009.

Our main objectives will be to accomplish the following:

- Offer Indiana University students and their parents a comprehensive education financing plan that includes:
 - Industry leading federal loan programs;
 - Private loan program with competitive rates and fees; and
 - Signature Opportunity Loan Program — private loans for students ineligible for other programs, including international students with proper INS documentation.
- Offer borrowers flexible repayment options and money-saving borrower benefits.

Sallie Mae is committed to these goals and pledges the full support of its professional staff in achieving these objectives. We are confident that Sallie Mae has the expertise, depth and resources and infrastructure to create and implement an education-financing program that stands ahead of our competitors.

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Terms of the Indiana University Comprehensive Line Program

Sallie Mae will provide a loan program tailored to the needs of Indiana University, its students and their parents. Under the program, Sallie Mae offers Indiana University students a comprehensive education financing solution, including both federal and private education loans. The Indiana University/Sallie Mae arrangement will enable Indiana University to offer an innovative private loan program and expand access to education programs.

Federal Family Education Loan Program

Bank One (811925), Chase (807807), Dollar Bank (822583), FNB Sioux Falls (810457) Suntrust Bank (819873), Fifth Third Bank (803688), National City Bank (831403) and Citizens Bank of New England (805204) will fund FFELP loans for Indiana University students and their parents. Sallie Mae has

agreements to purchase FFELP loans made by the above lenders and will provide loan origination and life-of-loan servicing on such loans.

Indiana University has indicated that they plan to continue to use USA Funds as its guarantor. USA Funds is Sallie Mae's preferred guarantor. Sallie Mae manages the guarantee, disbursement and customer service functions for USA Funds. By selecting a Sallie Mae lender and USA Funds as its guarantor, Indiana University will have the benefit of true life-of-loan servicing from loan guarantee through repayment.

Subsidized and Unsubsidized Federal Stafford Loan Program – Students who meet all Title IV eligibility criteria can borrow for both undergraduate and graduate education.

Federal PLUS Loan Program – Eligible parents may borrow for each dependent undergraduate who is enrolled at least halftime. Parents may finance up to the full cost of attendance, less financial aid the student receives. Parents can apply for the loans via Sallie Mae's Parent Answer[®] Service.

- **Sallie Mae's Parent Answer Service** consists of a group of well-trained financial aid and loan counselors dedicated to assisting parents with college financing options.
- Parent Answer provides credit counseling for parents who have credit issues that may keep them from being credit Approved for a PLUS loan. This counseling service is known as PLUS SuccessSM. In many cases, issues can be resolved quickly, and a parent can be credit approved for a PLUS loan.

Private Loan Programs

Sallie Mae's private loan programs are designed to provide students with additional funding when federal loan programs do not meet the total cost of education. Sallie Mae sponsors the MBA LOANS[®] Program, the LAWLOANS[®] Program, the MEDLOANS[®] Program, the Indiana University Custom Dental Loan Program and the Signature Education Loan[®] Program. Sallie Mae services these loans for the life of the loans. The private loan rates, fees and terms are those in effect for Academic Year 2004/2005. These loan programs are reviewed on an annual basis

and are subject to change. Sallie Mae will consult with Indiana University on any material changes prior to their implementation. This includes any changes to the rates and fees.

MBA LOANS Program – Sponsored by the Graduate Management Admissions Council, MBA LOANS is a combination of Stafford and private loans for students enrolled in a graduate business program with private loan rates as low as [**]. Students should apply for their Stafford Loan through MBA LOANS program before applying for a private loan. The MBA LOANS private loan is available to full-time and part-time students enrolled in a graduate management program. International students are eligible to apply if they obtain an eligible co-borrower. Students that qualify will be entitled to the following custom rates and fees.

Custom MBA LOANS Private Loan Rates and Fees for AY 2004/2005 with a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

Custom MBA LOANS Private Loan Rates and Fees for AY 2004/2005 with out a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

The minimum loan amount is \$500. The annual loan limit for the private loan is the cost of education less financial aid. The aggregate loan limit for the MBA LOANS Program is \$175,000. There is no aggregate loan limit if the student obtains a creditworthy U.S. co-borrower.

LAWLOANS[®] Program – With LAWLOANS, students can finance the entire cost of their law school education by using Stafford loans, LAWLOANS private loan and Bar Study Loan[®] (BSL) programs. Students should apply for their Stafford Loan through the LAWLOANS program before applying for the LAWLOANS private loan. All students pursuing law degrees at least halftime and enrolled in an American Bar Association (ABA) accredited law school are eligible to apply for the LAWLOANS private and Bar Student loans. The LAWLOANS Program offers high approval rates with interest rates as low as [**]. Students that qualify will be entitled to the following custom rates and fees.

Custom LAWLOANS Private Loan Rates and Fees for AY 2004/2005 with a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

Custom LAWLOANS Private Loan Rates and Fees for AY 2004/2005 with out a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%

Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

The Bar Study Loan is available to assist students in paying expenses associated with studying for the Bar exam. The rates and fees are as follows:

	Interim Interest Rate	Repayment Interest Rate	Disbursement Fee	Repayment Fee
With a co-borrower	[**]%	[**]%	[**]	[**]
Without a co-borrower	[**]%	[**]%	[**]	[**]

The minimum loan amount is \$500. The annual loan limit for the LAWLOANS private loan is the cost of education less federal loans, grants, scholarships, and other financial aid. The aggregate loan limit for the LAWLOANS Program is \$150,000. There is no aggregate loan limit if the student obtains a creditworthy U.S. co-borrower.

The Indiana University Custom Dental Loan – Sponsored by Sallie Mae, the Indiana University Custom Dental Loan is a combination of Stafford and private loans for students enrolled in a dental program with private loan rates as low as [**]. Students should apply for their Stafford Loan before applying for a private loan. The Indiana University Custom Dental private loan is available to students enrolled at least half time in a dental program. International students are eligible to apply if they obtain an eligible co-borrower. Students that qualify will be entitled to the following custom rates and fees.

Indiana University Custom Dental Loan Rates and Fees for AY 2004/2005 with a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]	[**]
Good	[**]%	[**]	[**]
Fair	[**]%	[**]	[**]

Indiana University Custom Dental Loan Rates and Fees for AY 2004/2005 with out a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]	[**]
Good	[**]%	[**]	[**]
Fair	[**]%	[**]	[**]

The minimum loan amount is \$500. The annual loan limit for the Indiana University Custom Dental Loan is the cost of education less financial aid. The aggregate loan limit (all student loan

debt, including federal and private) is \$220,000. There is no aggregate loan limit if the student obtains a creditworthy U.S. co-borrower.

Students with an Indiana University Custom Dental Loan will have a 6 month grace period. They will also be given the opportunity to defer making payments for an additional 18 months.

The Signature Student Loan is a credit-based privately insured loan designed to provide additional funding after students have received all of their financial aid including federal loans. The Signature Student Loan is available to undergraduate, graduate and health profession students enrolled at least halftime and pursuing a degree. The Signature Student Loan offers high approval rates with interest rates as low as [**]. Foreign students and students with no credit or an insufficient credit history must apply with a creditworthy co-borrower. Students that qualify will be entitled to the following custom rates and fees.

Custom Signature Student Loan Rates and Fees for AY 2004/2005 with a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]	[**]
Good	[**]%	[**]	[**]
Fair	[**]%	[**]	[**]

Custom Signature Student Loan Rates and Fees for AY 2004/2005 with out a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]	[**]
Good	[**]%	[**]	[**]
Fair	[**]%	[**]	[**]

Note: students enrolled in a graduate business program can select between the MBA LOANS private loan and the Signature Student Loan. Students enrolled in a graduate law program are not eligible for a Signature Student Loan, however, these students have the opportunity to apply for a LAWLOANS private loan.

The minimum loan amount is \$500. The annual loan limit for the Signature Student Loan is the cost of education less financial aid. The aggregate loan limit (all student loan debt, including federal and private) is \$100,000 for undergraduate students and \$150,000 for graduate students. There is no aggregate loan limit if the student obtains a creditworthy U.S. co-borrower.

Opportunity Loan Program – As part of the comprehensive financing plan, Sallie Mae’s lender partners will provide a limited number of loans to students who are ineligible for other programs (i.e. the MBA LOANS Program, the LAWLOANS, Program and the Indiana University Custom Dental Loan Program and the Signature Student Loan Program). The purpose of these loans is to provide the opportunity for academically qualified students to pursue an education

The university will not be required to assume any risk for these loans. Students with previous student loan defaults are not eligible for an Opportunity Loan.

Opportunity Loan Rates and Fees for AY 2004/2005

Interest Rate	Disbursement Fee	Repayment Fee
[**]%	[**]%	[**]%

Sallie Mae will work with Indiana University to approve up to \$[**] in Opportunity Loans annually beginning with AY 2004/2005 (July 1, 2004 through June 30, 2005).

In determining which applicants will receive Opportunity Loans, Indiana University will not discriminate against an applicant on the basis of race, color, religion, national origin, sex, sexual orientation, marital status or age (provided that the applicant has the capacity to enter into a binding contract), the fact that all or part of the applicant’s income derives from any public assistance program, or the fact that the applicant has in good faith exercised any right under the federal Consumer Credit Protection Act or any state law upon which an exemption to the Act has been granted by the Federal Reserve Board.

Terms for the MBA LOANS private loan, the LAWLOANS private loan and Bar Study Loan, the Indiana University Custom Dental Loan, the Signature Student Loan and the Opportunity Loan:

- **Combined billing** for Stafford and private loans. Students will receive one monthly billing statement combing their Stafford and private loans serviced by Sallie Mae.
- There is **no minimum income and no debt-to-income ratio requirement** for student borrowers.
- **Foreign students** and students with no credit or an insufficient credit history are required to apply with a creditworthy U.S. co-borrower.
- **Co-borrower release option:** after 24 on-time payments of principal and interest customers may request a co-borrower release. Customers must meet applicable credit requirements at that time. (N/A for Opportunity Loans)
- Interest rates and fees are effective with first disbursements on or after June 1, 2004.
- **Disbursement fees are capitalized** (added to the loan balance) allowing students to receive the full amount of the loan requested.
- **Interest rates are variable.**
- **In-school deferment:** Students are not required to make payments while they remain enrolled in school at least halftime.
- **Six-month grace period** for MBA LOANS private loans, Indiana University Custom Dental Loans, Signature Student Loan and Opportunity Loans
- Students with an Indiana University Custom Dental Loan will have a 6 month grace period. They will also be given the opportunity to defer making payments for an additional 18 months.
- **Nine-month grace period** for LAWLOANS private loans and Bar Study Loans.

- **Affordable 15-year repayment term.** Borrowers with large balances can select repayment terms of up to 25 years.
- \$50 minimum monthly payment.
- **Flexible repayment options** include a graduated repayment option and extended terms.
- **Customer service and online account access available** at www.salliemae.com.

MEDLOANSSM Program – Sponsored by the Association of American Medical Colleges[®] (AAMC), MEDLOANS is a combination of federal (Stafford and Consolidation) and private loans available for osteopathic and allopathic medical students. Students should apply for their FFELP through the MEDLOANS program before applying for the private loan. Both the MEDLOANS federal and Alternative Loan Program loans are funded by Bank One. MEDLOANS Stafford customers are eligible for the MEDLOANS Healthier ReturnsSM and MEDLOANS Stafford Cash Back benefits.

Rates and Fees for the MEDLOANS Alternative Loan Program Loan AY 2004/2005

Interim Interest Rate	Repayment Interest Rate*	Disbursement Fee	Repayment Fee
[**]%	[**]%	[**]%	[**]%

*The Alternative Loan Program Repayment Rate will be [**]% if customers participate in the Direct Repay and MEDLOANS Rewards programs (described in the Borrower Benefits section later in this proposal).

The minimum loan amount is \$500. The maximum loan amount is cost of education less other financial aid received. The aggregate loan limit (all student loan debt, including federal and private) is \$220,000.

Terms and Conditions of the MEDLOANS Alternative Loan Program include:

- Repayment begins 3 years after graduation or 9 months after the borrower’s status drops to less than halftime.
- Standard repayment term is 20 years, with alternative repayment terms available.
- Interest capitalization occurs once after interrupted periods of grace and deferment.

The **MEDEX Loan Program** is available to students in their final year of medical school. The MEDEX loan helps them finance the expenses associated with securing a residency position after medical school (i.e. travel to residency interviews and relocation costs) which cannot be funded under federal student loan programs. Students can borrow up to \$12,000 through this loan program.

Rates and Fees for the MEDEX Loan AY 2004/2005

Interim Interest Rate	Repayment Interest Rate*	Disbursement Fee	Repayment Fee
[**]%	[**]%	[**]%	[**]%

*The MEDEX Loan Repayment Rate will be [**]% if customers participate in the MEDEX RewardsSM Programs (described in the Borrower Benefits section later in this proposal).

Borrower Benefits

Sallie Mae leads the industry with benefits that reward customers for repaying their loans on time, and made federal student loans more affordable. These benefits are available for loans originated, sold to and serviced by Sallie Mae throughout repayment.

Stafford Loan Borrower Benefits:

Indiana University campuses will have the option of selecting one or both of the following Stafford loan borrower benefit programs (Note: these packages cannot be combined). Both packages will be offered to all eligible students. However, an individual student will select only one package for all of his/her Stafford loans. In making this decision, we encourage serial borrowers to remain with their current Sallie Mae lender so that they do not have to complete a new Master Promissory Note. The two options are outlined as Scenario I and Scenario II below.

Scenario I – Indiana University Stafford Borrower Benefit Package (Loans funded by Dollar Bank and FNB Sioux Falls):

- **[**]% Loan Origination Fee for Stafford Loan Borrowers** – Indiana University borrowers, with loans disbursed on or after July 1, 2004, through June 30, 2009 will have access to federal Stafford loans with a [**] percent loan origination fee. These loans will be funded by FNB Sioux Falls and Dollar Bank.
- **Indiana University [**] Percent Rewards** – Stafford borrowers funded FNB Sioux Falls or Dollar Bank who make their first 33 scheduled payments on-time get a **[**] percentage point interest rate reduction** on each eligible loan as long as they continue to pay one time. (Note: this interest rate reduction cannot exceed the actual interest rate on the loan at the time the benefit is earned.)
- Indiana University-Bloomington Stafford serial loan borrowers whose loans were funded by FNB Sioux Falls for AY 2003/2004 will have the opportunity to replace their existing Sallie Mae Cash Back borrower benefit with the Indiana University [**] Percent Rewards Program, using their existing Master Promissory Note on new serial loans.
- **[**] Percent Guarantee Fee** – Indiana University students will have access to a [**] percent guarantee fee loan for AY 2004/2005.

Scenario II – Indiana University Stafford Borrower Benefit Package (Loans funded by Bank One, Chase, Fifth Third Bank, Suntrust Bank, National City Bank and Citizens Bank of New England):

- **Indiana University Payback for Stafford Borrowers** – Stafford borrower will receive a credit when Sallie Mae purchases the loans (approximately 30 days after full disbursement) that is equal to [**]% of the original principal balance of each eligible Stafford loan. Borrowers are in control of their savings by choosing to receive the benefit as either cash or a loan account credit.

All Indiana University students will receive the benefit if they obtain a Stafford loan first disbursed on or after July 1, 2004 that is funded by Bank One, Chase, Fifth Third Bank, Citizens Bank of New England, National City Bank or Suntrust Bank. Borrowers will receive a check from Sallie Mae. It will be mailed to their address on record approximately 30 days after full disbursement. In the event that the check is not cashed or the check is returned for an insufficient address, the credit will be applied to the borrowers account.

Borrowers will also be encouraged to enroll in Manage Your Loans and agree to receive account information via e-mail.

- **Indiana University [**] Percent Rewards** – Stafford borrowers funded by Bank One, Chase, Fifth Third Bank, Citizens Bank of New England, National City Bank or Suntrust Bank who make their first 33 scheduled payments on-time get a **[**] percentage point interest rate reduction** on each eligible loan as long as they continue to pay one time. (Note: this interest rate reduction cannot exceed the actual interest rate on the loan at the time the benefit is earned.)
- **[**] Percent Guarantee Fee** – Indiana University students will have access to a [**] percent guarantee fee loan for AY 2004/2005.

MEDLOANS Stafford Loan Borrower Benefits

- The **MEDLOANS Stafford Cash Back Program** offers MEDLOANS Stafford borrowers choice, convenience and substantial savings. With this benefit, borrowers receive a [**]% **credit** based on the eligible loan’s original principal amount. Borrowers are in control of their savings by choosing to receive the benefit as either cash or a loan account credit. To qualify:

- A MEDLOANS Stafford loan must have been first disbursed with Bank One and be owned and serviced by Sallie Mae throughout repayments.
- The customer must enroll in Manage Your Loans and sign up to receive account information by e-mail.
- The borrower must make his/her initial 33 scheduled payments on time.

This benefit is in addition to the MEDLOANS Healthier Returns benefit.

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- **MEDLOANS Healthier Returns** – MEDLOANS Stafford borrowers can earn a **[**]% credit** towards their loan balance when they graduate, activate Manage Your Loans to view their account online and agree to receive their account information at a valid e-mail address. The credit will be calculated based on the borrower's original principal balance of each eligible loan and may be applied to the borrower's account as early as graduation if all criteria have been met.
- **[**] Percent Guarantee Fee** – Indiana University students will have access to a **[**] percent guarantee fee loan** for AY 2004/2005.

PLUS Loan Borrower Benefits:

PLUS loan borrowers funded by Bank One, Chase, Fifth Third Bank, Citizens Bank of New England, Suntrust Bank, FNB Sioux Falls, National City Bank or Dollar Bank will have access to the following PLUS loan borrower benefit programs:

- **Indiana University PLUS PaybackSM** – PLUS borrowers funded by Bank One, Chase, Fifth Third Bank, Citizens Bank of New England, Suntrust Bank, FNB Sioux Falls, National City Bank or Dollar Bank will receive a **credit equal to [**]%** of the original principal balance on eligible PLUS loans after making their first scheduled monthly payment on time. In order to qualify for Indiana University PLUS Payback, borrowers must also enroll in Manage Your Loans and sign up to receive account information via email.
- **Direct Repay** – PLUS loan borrowers who authorize the automatic debit of funds from their checking or savings accounts to cover their monthly education loan payments will receive a **[**] percentage point interest rate reduction** on eligible loans for as long as they make on time payments through the plan.
- **[**] Percent Guarantee Fee** – Indiana University parents will have access to a **[**] percent guarantee fee loan** for AY 2004/2005.

MEDLOANS Private Loan Borrower Benefits:

- **MEDLOANS RewardsSM Program** – MEDLOANS Alternative Loan Program private loan borrowers are eligible for an immediate **[**] percentage point interest rate reduction**. Borrowers will retain this benefit as long as they continue to pay on time.
- **MEDEX RewardsSM Program** – MEDEX private loan borrowers are eligible for an immediate **[**] percentage point interest rate reduction**. Borrowers will retain this benefit as long as they continue to pay on time.
- **Direct Repay** – MEDLOANS Alternative Loan Program and MEDEX borrowers who authorize the automatic debit of funds from their checking or savings account to cover their

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monthly education loan payments will receive a **[**] percentage point interest rate reduction** on eligible loans for as long as they make on time payments through the plan.

Combined Billing

Borrowers with FFELP and private loans owned and serviced by Sallie Mae have the benefit of receiving one monthly billing statement combining the loans.

Repayment Options

Combined Billing – FFELP and private loan customers whose loans are owned and serviced by Sallie Mae have the benefit of receiving one monthly billing statement combining the loans.

Net.RepaySM is an online student loan bill presentment and payment service. With this system, customers receive an e-mail reminder when their monthly bill is available for viewing. After viewing, clicking on the "Pay" button will automatically debit the user's specified bank account on the next business day.

The Standard Repayment option provides Stafford, PLUS and private loan customers with the lowest total loan cost. This option requires payments of principal and interest due each month.

Sallie Mae also offers several graduated and reduced payment options to make payments more affordable. Eligibility for a graduated repayment plan is dependent on loan type, interest rate and repayment time remaining.

The Grad ChoiceSM option is a graduated repayment plan that allows customers to make reduced payments for two, three or four years that may be as low as interest only with standard payments of principal and interest for the remaining repayment term. Payments under a Grad Choice option in some cases can be more than 60% lower during the reduced payment period than payments made under the Standard Repayment option. This repayment option is available to Stafford and PLUS loan customers.

The **Select StepSM** option is a graduated repayment plan that allows customers to make interest-only payments for up to four years followed by standard payments of principal and interest for the remaining repayment term. This repayment option is available to Stafford, PLUS and private loan customers.

The **FLEX REPAYSM** option – *offered exclusively by Sallie Mae* – makes payments more affordable for Stafford and PLUS customers by extending student loan repayment while minimizing total loan costs as compared with loan consolidation. With Flex Repay, eligible customers can get lower payments for up to four years. If payment relief is still needed, principal and interest payments can gradually be increased for up to five years through reduced payment forbearance. Standard principal and interest payments follow for the remaining repayment term. The Flex Repay option is an affordable alternative to loan consolidation.

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The **Income-Sensitive Repayment** option offers payments that are based on a percentage of the borrower's monthly gross income. (The minimum payment amount must cover the monthly interest accrual.) The borrower must reapply every year and payments are adjusted annually to reflect any changes in the borrower's income. This program is open to Stafford, PLUS and consolidation loan customers.

Extended Repayment Option – Certain customers with greater than \$30,000 in outstanding FFELP debt may be eligible for a 25-year repayment term and the choice of either a standard or graduated payment plan.

Signature Student Loan, MBA LOANS private loan, Indiana University Custom Dental Loan, LAWLOANS private loan and Bar Study Loan customers with private loan debt in excess of \$20,000 may be eligible to extend their repayment term up to 20-years. Customers with even higher balances may be able to extend their term up to a 25-years.

Loan Consolidation

Sallie Mae customers and non-Sallie Mae customers who have FFELP loans with more than one holder have the ability to consolidate with Sallie Mae. Sallie Mae offers several loan consolidation options:

- The **SMART LOAN Consolidation Account** is a practical, education debt-management option that enables customers to consolidate all of their federal loan debt (Stafford, PLUS and Perkins). This program enables customers to reduce their initial monthly payments by as much as 50 percent. As the nation's largest FFELP consolidation lender, Sallie Mae provides customers with expert consolidation counseling via a toll-free telephone number, and an array of web-based services, *including an online application and electronic signature*.
- The **MEDLOANS Consolidation Loan** is a federal consolidation loan program offered by Sallie Mae in cooperation with the Association of American Medical Colleges (AAMC). The MEDLOANS Consolidation Loan is a practical debt management tool that offers all the benefits of a federal loan consolidation and more! Designed exclusively for customers who have attended schools of allopathic or osteopathic medicine, the MEDLOANS Consolidation Loan program provides special borrower benefits that can potentially save thousands of dollars in interest expenses. MEDLOANS also offers consolidation counseling services tailored to meet the needs of today's medical students and residents as well as practicing physicians.
- **SMART Advantage Account** – allows Sallie Mae Stafford and PLUS borrowers to place their Sallie Mae loans into a non-consolidated account and consolidate only the loans that Sallie Mae does not currently own (i.e., direct loans). Borrowers receive payment relief needed through a longer repayment term and maintain eligibility for Sallie Mae's borrower benefits, which will reduce the total cost of their loan indebtedness.

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Sallie Mae can work with Indiana University to endorse and promote loan consolidation programs to students with outstanding direct loans or FFELP loans with other lenders to ensure that customers are aware of their consolidation options. Sallie Mae believes that the following services will allow Indiana University to personalize the relationship with their students. These services can include:

- **Onsite exit counselling.** Sallie Mae can lead in-depth sessions designed to meet the needs of your students. Handouts can be tailored to include consolidation examples based on typical student debt profiles for your programs.
- **Training sessions for your financial aid staff.** These sessions are designed to help FAAs understand the consolidation application process and counsel students about debt management.
- **Loan consolidation materials.** These materials range from pocket-size consolidation information cards to comprehensive consolidation packets that include an informative, 12-page booklet and a SMART LOAN application.
- **Personalized communications to students.** Sallie Mae can help your staff draft letters alerting students to specific consolidation opportunities, such as a pending rate change, or prepare and mail letters to those students who are Sallie Mae customers. These communications can be targeted to students who are preparing to graduate, to students who have graduated or to students who are already in repayment.

Customers who consolidate through Sallie Mae will have access to the following loan consolidation borrower benefit programs. These programs offer substantial savings through interest rate discounts awarded for on-time payments.

- **Direct Repay** – SMART LOANS Consolidation Account borrowers will receive a $\frac{1}{4}$ **percentage point interest rate reduction on eligible loans** if they authorize the automatic debit of funds to cover their monthly loan payments.

- **SMART LOAN® Consolidation Account Benefit** – Customers who have an initial federal consolidation loan balance of at least \$10,000 can earn a 1-percentage point interest rate reduction after they make their first 36 scheduled monthly payments on time. The interest rate reduction continues as long as on time payments are made.
- **MEDLOANS Consolidation Rewards** – a 1 percentage point interest rate reduction is available on MEDLOANS Consolidation Loans made on or after January 15, 2003. To qualify, MEDLOANS Consolidation customers must make their initial 48 scheduled monthly payments on time. The interest rate reduction continues as long as on time payments are made.

Note: Benefits are not applicable to the portion of MEDLOANS Consolidation Loans that are made up of HEAL loans.

- **MEDLOANS Consolidation Cash Back** – is an incentive program that rewards MEDLOANS Consolidation Loan customers for consistently making their payments on time and taking advantage of Sallie Mae’s web-based account services. With this benefit, customers choose to receive a *1% credit or cash back* based on the original principal amount of their MEDLOANS Consolidation Loans. To qualify:
 - A MEDLOANS Consolidation Loan must have its first disbursement on or after January 15, 2003.
 - The customers must enroll in Manage Your Loans and sign up to receive account information by e-mail.
 - The customer may make his/her initial 33 scheduled payments on time.

Customers must satisfy the above requirements as of the due date of their initial 33rd scheduled payment.

Web-based Technologies

Sallie Mae will proactively incorporate Web-based and state-of-the-art technology to create more efficient loan delivery products to meet the unique needs of your school and its students. During all phases of the transition from your FAMS to PeopleSoft, Sallie Mae’s technical and support staff will be available to work with Indiana University to ensure a smooth transition. Dedicated onsite resources will be made available as required.

- OpenNet 2.0 is Sallie Mae’s user-friendly loan delivery system that gives you and your staff control and visibility over your entire student loan process – from start to finish. This completely online loan process helps speed the delivery of funds to your campus, gives your parents / students the peace of mind that their funding is secure and reduces the amount of time your staff spends on purely administrative tasks. Implementing OpenNet 2.0 requires minimal involvement from your staff.

OpenNet 2.0’s “PIN-less” electronic signature process expedites the delivery of loan funds by eliminating mail transit time for loan applications, simplifies the application process by reducing paper, and provides unprecedented convenience to parents and students.

- Internet Account Access – Indiana University staff and borrowers will have 24-hour access to Sallie Mae-serviced accounts through www.salliemae.com. School Self Service provides your financial aid staff with access to financial aid forms, online reports and password-protected student loan account information. Our Manage Your Loan service allows borrowers to track account information, make loan payments online, change payment plans, postpone payments, update personal profiles and send secure emails to Sallie Mae.

Other Services for Borrowers

Sallie Mae uses technologies that increase student satisfaction in all facets of their interaction with Indiana University. For example, our Web-based systems allow students to complete the

loan process and update loan information 24 hours a day, 7 days a week. This process may be initiated by students or by the University. In addition to loan delivery solutions, Sallie Mae offers other services including:

- Online correspondence for all federally-required notices;
- The ability to make their payments on-line with a monthly e-mail reminding them of their payment;
- Ability to view and update loan data instantly;
- Ability to request a deferment or forbearance online, over the telephone, or via fax; and
- Access to **TrueCareersSM**, a free and confidential career web site search tool.

Marketing of Sallie Mae Products and Services

Sallie Mae will work with Indiana University to develop and print web based materials that effectively promote the Sallie Mae products and services offered. This will include materials that encourage students to sign up for Manage Your Loans.

Indiana University, in counseling its students, will remind them of the benefits of selecting one lender for all of their funding needs.

Sallie Mae is confident that through this comprehensive solution you will be able to offer financing to students and families on highly competitive terms, achieve a maximum loan approval rate and minimize potential liability.

Sallie Mae welcomes the opportunity to continue working with Indiana University on this loan program. Please let us know if you have any questions or concerns. If the terms of this Letter of Understanding meet with your expectations, please sign and return this document to the address listed below. Sallie Mae and representatives from Indiana University will meet on an annual basis to discuss the mutual expectations of this comprehensive loan program.

Sincerely,

/s/ Dennis K. Wentworth

Dennis K. Wentworth
President and Region Head
Central Region HigherEd Sales
(317) 595-1339
dennis.wentworth@slma.com

This letter sets forth the entire understanding of the parties relating to the subject matter hereof. Notwithstanding the preceding sentence, the parties acknowledge that certain services described herein may require separate written agreements between Indiana University and Sallie Mae. The contents of this letter are confidential and contain information that is proprietary to Sallie Mae. Indiana University agrees that this letter and its contents shall be maintained in confidence and may only be disclosed to those employees of Indiana University who have a need to know this information for the purpose of performing their job. Nothing in this Section with respect to confidential and proprietary information is intended to be inconsistent with Customer's obligations under the Indiana Open Records Act, Indiana Code Section I.C. 5-14-et seq.

Agreed and Accepted:

/s/ Jennifer Foutty

Authorized Indiana University Representative

1-28-04

Date

Please return signed letter to:

Dennis K. Wentworth
President and Region Head
Central Region HigherEd Sales
Sallie Mae, Inc.
P.O. Box 6180
Indianapolis, IN 46206

For purposes of this letter, "Sallie Mae," means SLM Corporation and its affiliates. SLM Corporation and its subsidiaries, other than the Student Loan Marketing Association, are not sponsored by or agencies of the United States.

Indiana University Schools

School Name	Location	School Code
Indiana University	Bloomington	001809-00
Indiana University	Richmond	001811-00
IUPUI	Indianapolis	001813-00
Indiana University	Kokomo	001814-00
Indiana University	Northwest (Gary)	001815-00
Indiana University	South Bend	001816-00
Indiana University	Southeast (New Albany)	001817-00

SCHEDULE 8

BILL OF SALE AND ASSIGNMENT OF INTERESTS IN ASSETS

This Bill of Sale and Assignment of Interests in Assets (the "Bill of Sale") is executed effective as of the _____ day of _____, 2004 ("Effective Date") by and between Education One Group, Inc. ("Seller"), an Indiana corporation, and Bank One, National Association ("Purchaser"), a national banking association.

WHEREAS, Purchaser and Seller, among others, are parties to that certain Settlement Agreement and Release (“Settlement Agreement”) dated as of July 30, 2004; and

WHEREAS, the parties hereto desire to execute a document to record and evidence the transfer and sale of those assets identified in the Settlement Agreement that are being sold and transferred by Seller to Purchaser.

NOW, THEREFORE, pursuant to section 4 of the Settlement Agreement and in consideration of [**] Dollars (\$[**]), the foregoing premises, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller hereby sells, assigns and transfers to Purchaser, and Purchaser hereby purchases from Seller, as of the Effective Date, any and all of the Seller’s interest in and to the Transferred Property set forth in Exhibit A hereto.

The Seller herby represents and warrants to the Purchaser as of the Effective Date, to the extent owned, leased, or licensed by Seller and subject to any restrictions on assignment and other legal limitations contained within any such license or lease agreement, that:

- (a) There are no existing options, commitments or rights with, of or to any person to acquire any of the Transferred Property or any interest therein.
- (b) The Seller has good, valid and marketable title in and to all of the Transferred Property, free and clear of all mortgages, liens, pledges, and security interests, of any nature whatsoever.
- (c) To the extent that the Seller’s rights with respect to any of the Transferred Property may not be assigned without the consent of a third party (a “Required Consent”) or notice to a third party (a “Required Notice”), then: (a) Seller and Purchaser shall work together to give any Required Notices in connection with the transfer of such property to Purchaser; and (b) Seller and Purchaser shall work together to use commercially reasonable efforts to obtain any such Required Consents. Seller and Purchaser will provide each other with documentation of any Required Notice, and request for and/or receipt of any Required Notice. Failure to obtain any such Required Consent shall not constitute an agreement on the part of Seller and Purchaser to breach the agreement with such third party that required such Required Consent. Purchaser agrees to cooperate with

Seller in obtaining such Required Consents. In the event that, despite the parties’ commercially reasonable efforts to do so a Required Consent is not obtained, then Purchaser shall negotiate in good faith with the third party from which such Required Consent is required to obtain the right to use the Transferred Property in question. In the event such efforts of Purchaser are unsuccessful, Purchaser shall either (a) return such item of Transferred Property to Seller; or (b) agree, with Seller’s consent, which will not unreasonably be withheld, to assume the risk associated with the transfer of such item of Transferred Property and agree to hold Seller harmless from same.

(d) The Transferred Property sold pursuant to this Bill of Sale is SOLD WITHOUT ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND EXCEPT AS SET FORTH HEREIN. SELLER HEREBY EXPRESSLY DISCLAIMS ALL OTHER REPRESENTATIONS AND WARRANTIES INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Settlement Agreement.

IN WITNESS WHEREOF, each of the undersigned, by its respective duly authorized officer has set his hand effective as of the day and year first noted above.

EDUCATION ONE GROUP, INC.
 (“Seller”)

By: _____

Printed: _____

Title: _____

BANK ONE, NATIONAL ASSOCIATION
 (“Purchaser”)

By: _____

Printed: _____

Title: _____

Confidential Materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

FIRST AMENDMENT

TO

SETTLEMENT AGREEMENT AND RELEASE

AMONG

(I) EDUCATION ONE GROUP, INC., (II) SALLIE MAE, INC., (III) SECONDARY MARKET SERVICES, LLC, (IV) SLM EDUCATION CREDIT FINANCE CORPORATION (COLLECTIVELY, "SALLIE MAE" OR THE "SALLIE MAE PARTIES"), (V) JPMORGAN CHASE BANK, N.A, IN ITS CAPACITY AS SUCCESSOR BY MERGER TO BANK ONE, NATIONAL ASSOCIATION ("BANK ONE"), AND (VI) BANK ONE EDUCATION FINANCE CORPORATION

RECITALS

A. The Sallie Mae Parties, Bank One, and Bank One Education Finance Corporation, are parties, along with others, to that certain Settlement Agreement and Release, dated as of July 30, 2004 (the "Settlement Agreement"), pursuant to which the Parties thereto agreed to resolve all disputes concerning the termination of the Material Agreements, on the terms set forth in the Settlement Agreement.

B. The Parties to this First Amendment to Settlement Agreement and Release ("First Amendment") desire to amend the Settlement Agreement relating to Custom Deal Loans, the terms of which are incorporated herein by this reference, as hereafter set forth.

C. The Parties to this First Amendment further desire to amend the Settlement Agreement to reflect the satisfaction of certain obligations relative to the Marketing Agreement and the terms of the Settlement Agreement, as more specifically outlined herein below.

Capitalized terms used herein, unless otherwise defined herein, have the same meanings as in that certain Amended and Restated ExportSS Agreement dated as of January 1, 2000, as amended by the Settlement Agreement.

NOW, THEREFORE, in consideration of the Recitals, the Parties agree to amend the Settlement Agreement as follows:

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1. Upon execution by authorized representatives of all of the parties hereto, this First Amendment shall be effective as of July 30, 2004.

2. The first sentence in Section 6.A. of the Settlement Agreement is hereby amended and restated to read in its entirety as follows:

A. The Commitment Period under the ExportSS® Agreement, including without limitation the Amendment of January 1, 2002 relating to MBA LOAN Private Loans and LAWLOAN Private Loans (but subject to the modifications set forth in Section 6 hereof), is hereby extended to August 31, 2008; provided, however, that the Commitment Period shall be further extended, solely with respect to the original term of each Custom Deal with respect to the Custom Deal Loan that is described in Section 6.E(iii) below, to coincide with the end date of the original term of such Custom Deal. The terms of the ExportSS Agreement, as amended by this Settlement Agreement, shall govern with respect to such Custom Deal Loans. In the event that a Custom Deal with respect to the Custom Deal Loan that is described in Section 6.E(iii) below is renewed by Sallie Mae beyond the original term of such Custom Deal and such renewal is reflected in a revised related letter of understanding (a "Renewed Custom Deal"), and Bank One and the applicable EOG Related Person have agreed to Bank One's participation in the Renewed Custom Deal at the applicable school, it being understood that neither party is under any obligation to agree to such participation in a Renewed Custom Deal at any such school, then with respect to a Custom Deal Loan subject to such Renewed Custom Deal, the Commitment Period shall be further extended, but solely with respect to the renewal term of each such Renewed Custom Deal with respect to the Custom Deal Loan that is described in Section 6.E(iii) below, to coincide with the end date of the term of such Renewed Custom Deal. The terms of the ExportsSS Agreement, as amended by this Settlement Agreement, shall govern with respect to such Custom Deal Loan during the term of such Renewed Custom Deal.

3. Section 6.E. of the Settlement Agreement is hereby amended and restated to read in its entirety as follows:

E. Custom Deal Loans will include Loans made under the Act that are (i) MBALoans, LAWLOANS, and MEDLOANS, (ii) loans made in connection with attendance at the schools listed in Schedule 1 hereto (subject to the last two sentences of Section 6.D(3) above), (iii) loans made in connection with attendance at such

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other schools with respect to which Sallie Mae has agreed to provide custom loan terms, which shall mean changes to its standard Signature Education Loan, MBALoan private loan, LAWLOANS private loan, or MEDLOANS private loan interest rates, terms, or credit criteria, changes to standard FFELP borrower benefits, and/or Opportunity Loans, and such custom loan terms (as described in clause 6.E(iii) immediately above) are set forth in a letter of understanding executed by an EOG Related Person and such applicable schools ("Custom Deal"), provided that Bank One and such EOG Related Person have agreed to Bank One's participation in the Custom Deal at such school, it being understood that neither party is under any obligation to agree to such participation in a Custom Deal at any such school, (iv) loans made in connection with attendance at University of Phoenix for so long as Sallie Mae has agreed to provide custom loan terms, as described in, or that provide substantially identical benefits as the benefits described in, Schedule 9 hereto, to specific borrowers at such school ("University of Phoenix Custom Deal"), and (v) loans made in connection with attendance at schools located in a particular state for so long as Sallie Mae has agreed to provide custom loan terms, as described in, or that provide substantially identical benefits as the benefits described in, Schedule 9 herein to specified borrowers in such state (a "Statewide Benefit Deal"), provided that Bank One and the applicable EOG Related Person have agreed to Bank One's

participation in the University of Phoenix Custom Deal or in a State Wide Benefit Deal to any or all schools within the applicable Statewide Benefit Deal state, it being understood that neither party is under any obligation to agree to such participation in a Statewide Benefit Deal to any or all schools within the applicable Statewide Benefit Deal state or in the University of Phoenix Custom Deal (in each case of sub-clauses (1) through (v) above in this Section 6.E or collectively, "Custom Deal Loans"). The Parties hereby acknowledge that as of July 30, 2004 Sallie Mae provides both, but is not obligated to continue to provide either, Statewide Benefit Deals in connection with attendance at schools located in Louisiana, North Carolina and Pennsylvania, as described in Schedule 9 to this Settlement Agreement and the University of Phoenix Custom Deal. The applicable EOG Related Persons agree that they will not withdraw or terminate, during the course of any particular Academic Year to take effect for or during that same Academic Year, Bank One's participation in a Statewide Benefit Deal or the University of Phoenix Custom Deal in which Bank One and the applicable EOG Related Persons have agreed to participate; provided, however, the applicable EOG Related Persons may withdraw or terminate Bank One's participation in

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such a Statewide Benefit Deal or the University of Phoenix Custom Deal to take effect for any succeeding Academic Year by giving Bank One at least sixty (60) days advance written notice before the beginning of such succeeding Academic Year and, provided, further, that, if Bank One participates, the applicable EOG Related Persons may at any time and in its sole discretion amend, withdraw, or terminate a Statewide Benefit Deal and/or the University of Phoenix Custom Deal only if it does so for all applicable EOG Related Persons lending brands generally. The Commitment Period shall be extended, but solely with respect to the term of Bank One's participation in the applicable Statewide Benefit Deal and/or the University of Phoenix Custom Deal, to coincide with the end date of Bank One's participation in such Statewide Benefit Deal and/or the University of Phoenix Custom Deal and the terms of the ExportsSS Agreement, as amended by this Settlement Agreement, shall govern with respect to a Statewide Benefit Deal and the University of Phoenix Custom Deal.

4. The second sentence in Section 7.B. of the Settlement Agreement is hereby amended and restated to read in its entirety as follows:

To effectuate the intent of this provision, Bank One and Sallie Mae agree that Bank One shall not be obligated to pay to Sallie Mae the Net Earnings owed under the USA LPA for the second calendar quarter of 2004 in accordance with the terms of the USA LPA and, in turn, Sallie Mae shall not be obligated to pay to Bank One the 50 basis point Department of Education lender fee for all Loans sold pursuant to the USA LPA on or after August 6, 2004.

5.(a). As it relates to Section 2.D. of the Settlement Agreement, in consideration of Bank One's payment of \$580,476 to Sallie Mae, Inc., the obligations of the Bank One Related Persons with respect to the payment of Marketing Fees, Liquidity Fees and Standby Commitment Fees with respect to Education Loans that were disbursed prior to July 1, 2004 (the "Pre-Termination Period EOG Fees") are completely and forever discharged and satisfied. The \$580,476 payment referenced herein above is referred to herein below as the "Pre-Termination Period EOG Fees Payment".

5.(b). That the calculation of the amount of the Pre-Termination Period EOG Fees Payment represents a compromise of an amount with respect to reconciliation of which the parties had independently arrived at different results.

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5.(c). That as a result of the making of the Pre-Termination Period EOG Fees Payment, the provisions of Section 5 A. of the Settlement Agreement are hereby amended to include the Pre-Termination Period EOG Fees within the scope of the EOG Released Claims.

6. Schedule 5 of the Settlement Agreement is hereby deleted in its entirety and replaced with the revised Schedule 5 attached hereto.

7. Section 6.B. of the Settlement Agreement is hereby modified by adding the following sentence immediately at the end of the third sentence:

The Parties agree that [**] and [**] shall be deemed to be Custom Deal Loan Schools beginning with the 2005-2006 Academic Year and that all Loans made in the 2005-2006 and subsequent Academic Years in connection with attendance at such schools are subject to the Purchase Price as set forth in Section 6.D.(2) below for so long as Sallie Mae has agreed to provide custom loan terms, as described in, or that provide substantially identical benefits as the benefits described in, the letters of understanding applicable to each such school, annexed hereto as Schedule 10, (provided that actual letters of understanding are executed by an EOG Related Person and such schools), and the Parties additionally agree that, notwithstanding anything in the ExportSS Agreement, as amended by this Settlement Agreement, to the contrary, the Purchase Price for Loans made in connection with attendance at the schools listed on Schedule 3 hereof that are subject to or provided with Bank One's or any of its affiliates' national PLUS Loan borrower benefits (a 3.6% credit based on the original Principal Balance and applied to the outstanding Principal Balance of each eligible PLUS Loan (or a cash rebate if available) after thirty-six (36) on time payments and a .25% interest rate reduction for payments made automatically from a checking or savings account) is (a) 100.00% of the aggregate Principal Balance of such Loans; plus (b) 100.00% of the accrued interest that is payable by the Borrowers; plus (c) solely for Loans that are sold within the time frames set forth in Section 9 (Future Required Sales), a premium equal to [**]% of the aggregate Principal Balance of such Loans.

Except as specifically provided for otherwise in this First Amendment, the rights and obligations of each of the Parties under the Settlement Agreement are unchanged.

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This First Amendment may be executed in one or more counterparts, but in such event, each counterpart shall constitute an original and all of such counterparts shall together constitute one instrument. Accordingly, this First Amendment shall become binding, notwithstanding the execution of separate originals, one by each of the parties hereto. Signatures hereto exchanged by facsimile shall be binding for all purposes.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the parties hereto through each of their duly authorized representatives have hereto set their hands on this day of March 2005.

JPMORGAN CHASE BANK, N.A., in its capacity as successor by merger to Bank One, National Association

EDUCATION ONE GROUP, INC.

By: /s/ Jeffrey Levine

By: /s/ Mary Eure

Name: Jeffrey Levine

Name: Mary Eure

Title: S.V.P

Title: Secretary

BANK ONE EDUCATION FINANCE CORPORATION

SALLIE MAE, INC.

By: /s/ Michael Getzler

By: /s/ Robert S. Lavet

Name: Michael Getzler

Name: Robert S. Lavet

Title: Vice President

Title: S.V.P. & General Counsel

SECONDARY MARKET SERVICES, LLC

J.P. MORGAN TRUST COMPANY, N.A., acting as trustee and agent for Secondary Market Services, LLC

By: Sallie Mae, Inc., Authorized Agent

By: /s/ Robert S. Lavet

By: /s/ James A. Alexander

Name: Robert S. Lavet

Name: James A. Alexander

Title: S.V.P. & General Counsel

Title: Chief Financial Officer

SLM EDUCATION CREDIT FINANCE CORPORATION

By: Sallie Mae, Inc., Authorized Agent

By: /s/ Robert S. Lavet

Name: Robert S. Lavet

Title: S.V.P. & General Counsel

SCHEDULE 5

Direct mail :

Summer campaign

August: \$[**]

September: \$[**] (est)

Fall campaign:

November : \$[**](est.)

December: \$[**](est.)

Lending Tree Promotion: \$[**](est) - \$[**] per month

Target Promotion: \$[**](est.) - September

Total: \$[**]

SCHEDULE 9**University of Phoenix Custom Deal Terms****Stafford Borrowers:**

2% Payback @ Repay if you sign up for Manage Your Loan
4.5% Cashback after 33 on-time payments

PLUS Borrowers:

Payback - 1% Principal Reduction after 12 on-time payments and another 1% Principal Reduction after 24 on-time payments

Direct Repay - 25bp interest rate reduction if you allow the payment to be directly withdrawn from your checking account.

Pennsylvania PAYbackSM Program Term Sheet

Stafford Borrowers - Stafford borrowers attending Pennsylvania schools will receive, at the beginning of repayment, a 2% credit that is based on the original amount of each eligible Stafford loan. To qualify for this benefit borrowers must:

- Attend a Pennsylvania school;
- Enroll, prior to repayment, in Manage Your LoansSM and agree, prior to repayment, to receive account information at a valid e-mail address.

Note: The PAYback program is in addition to the Sallie Mae Cash BackSM Program.

PLUS Borrowers - PLUS borrowers at Pennsylvania schools may receive a 2% credit based on the original amount of each eligible PLUS loan: 1% after the first 24 scheduled monthly on time payments and another 1% after the next 24 scheduled monthly on time payments have been made. The credit will be applied to the eligible loan following the 24th and 48th scheduled monthly on time payments if the borrower has met all of the eligibility criteria. To qualify, PLUS borrowers must:

- Have a dependent child attending a Pennsylvania school;
- Enroll in Manage Your Loans and agree to receive Sallie Mae account information at a valid e-mail address; and
- Make their first 48 scheduled monthly payments on time.

Note: The PLUS PAYback Program benefit is in addition to the PLUS Direct Repay benefit.

Eligible Guarantors: Any FFELP guarantor may be used. USA Funds is the preferred guarantor.

North Carolina PaybackSM Program Term Sheet

Stafford Loans - Stafford borrowers attending North Carolina schools will receive, at the beginning of repayment, a 2% credit that is based on the original amount of each eligible Stafford loan. To qualify, the borrower must:

- Attend a North Carolina school;
- Graduate;
- Enroll, prior to repayment, in Manage Your LoansSM and agree, prior to repayment, to receive account information at a valid e-mail address.

Note: The North Carolina Payback benefit is in addition to the Sallie Mae Cash BackSM Program benefit.

PLUS Loans - PLUS borrowers with children attending a North Carolina school may receive a 2% credit based on the original amount of each eligible PLUS loan: 1% after the first 24 scheduled monthly on time payments and another 1% after the next 24 scheduled monthly on time payments have been made. The credit will be applied to the eligible loan(s) following the 24th and 48th scheduled monthly on time payments if the borrower has met all of the eligibility criteria. To qualify, the borrower must:

- Have a dependent child attending a North Carolina school;
- Enroll in Manage Your LoansSM and agree to receive Sallie Mae account information at a valid e-mail address; and
- Make their first 48 scheduled monthly payments on time.

Note: The North Carolina PLUS Payback Program benefit is in addition to Direct Repay.

Eligible Borrowers: Stafford and PLUS borrowers at North Carolina schools who obtain loans through Bank One are eligible to receive these benefits.

Approval Requirements: For all schools in North Carolina are automatically profiled to receive these benefits.

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Louisiana LagniappeSM Program Term Sheet

Stafford Loans - Stafford borrowers attending Louisiana schools will receive, at the beginning of repayment, a 1.5% credit that is based on the original amount of each eligible Stafford loan. To qualify, the borrower must:

- Attend a Louisiana school;
- Graduate;
- Enroll, prior to repayment, in Manage Your LoansSM and agree, prior to repayment, to receive account information at a valid e-mail address.

Note: The Louisiana Lagniappe benefit is in addition to the Sallie Mae Cash BackSM Program benefit.

Eligible Borrowers: Stafford borrowers at Louisiana schools who obtain loans through Bank One are eligible to receive these benefits.

Approval Requirements: For all schools in Louisiana are automatically profiled to receive these benefits.

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SCHEDULE 10

[Attachment was not attached at signing.]

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Confidential Materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

Execution Copy

**SECOND AMENDMENT TO
SETTLEMENT AGREEMENT AND RELEASE**

THIS SECOND AMENDMENT TO SETTLEMENT AGREEMENT AND RELEASE (“Second Amendment”) is made as of March 21, 2005 (the “Effective Date”), by and among Education One Group, Inc. (“EOG”), Sallie Mae, Inc. , in its own capacity and as successor to Student Loan Marketing Association with respect to membership interests in the Marketing LLC and the Finance LLC (as hereinafter defined) and as successor to Sallie Mae Servicing Corporation (“SLMC”), Sallie Mae Servicing, L.P., and USA Group Loan Services, Inc. (“SMI”), Secondary Market Services, LLC (“SMS”), SLM Education Credit Finance Corporation (“ECFC”), and SLM Corporation in its own capacity and as successor to Student Loan Marketing Association (“SLM”) , (collectively, “Sallie Mae” or the “Sallie Mae Parties”); and JPMorgan Chase & Co. (“JPMorgan”), JPMorgan Chase Bank, N.A. in its own capacity (“Chase Bank”) and in its capacity as trustee with respect to the Chase/Sallie Mae Education Loan Trust (the “Trustee”), Chase Bank USA, National Association (“Chase Bank USA”); Bank One Education Finance Corporation (“Bank One”), TCB Education First Marketing Corporation (“TCB”), and Chase Education Holdings, Inc. (“Chase Education Holdings”) (collectively, “Chase” or the “Chase Parties”); and Chase Education First LLC (“the Marketing LLC”), and Education First Finance LLC (the “Finance LLC”) (collectively, the “Joint Venture”).

WHEREAS, EOG, SMI, SMS, ECFC, Bank One, National Association (“Bank One Bank”), JPMorgan, and SLM, along with the Student Loan Marketing Association, were parties to that certain Settlement Agreement and Release dated as of July 30, 2004 (as amended by the First Amendment thereto, the “Settlement Agreement”);

WHEREAS, Bank One Bank has merged with Chase Bank, and Chase Bank is the successor to Bank One Bank;

WHEREAS, as of December 31, 2004, Student Loan Marketing Association was dissolved, with its non-debt related liabilities having been assumed by SLM and its assets having been distributed to subsidiaries of SLM listed above in the preamble;

WHEREAS, the Settlement Agreement was amended by that certain First Amendment to Settlement Agreement and Release dated as of March 21, 2005 (the “First Amendment”);

WHEREAS, TCB and SMI are the members in that certain Delaware Limited Liability Company known as “Chase Education First LLC”, which was formed by that certain Limited Liability Company Agreement of Education First Marketing dated September 9, 1996 (the “Marketing LLC Agreement”);

WHEREAS, Chase Education Holdings and SMI are the members in that certain Delaware Limited Liability Company known as “Education First Finance LLC”, which was

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formed by that certain Limited Liability Company Agreement of Education First Finance dated September 9, 1996 (the “Finance LLC Agreement”) (The Marketing LLC and the Finance LLC are hereafter referred to together as the “Joint Venture,” and the Marketing LLC Agreement and the Finance LLC Agreement are hereafter referred to together as the “LLC Agreements.”);

WHEREAS, several of the Chase Parties and several of the Sallie Mae Parties are parties as signatories or as successors to certain agreements, listed on Schedule I hereto (the “Joint Venture Related Agreements”);

WHEREAS, TCB and Chase Education Holdings have filed suit against SMI and (solely as nominal defendants) the Joint Venture in the New Castle County Court of Chancery of the State of Delaware seeking, *inter alia*, the dissolution of the Joint Venture (the “Dissolution Action”);

WHEREAS, ECFC, SMI, and Bank One are parties to that certain Amended and Restated ExportSS® Agreement dated as of January 1, 2000 (as amended by various amendments, including, without limitation, the Settlement Agreement, the “ExportSS Agreement”);

WHEREAS, the parties have reached an amicable settlement relating to (i) the dismissal of the Dissolution Action, (ii) the Dissolution of the Joint Venture, (iii) the termination of the Joint Venture Related Agreements, (iv) the extension of the Commitment Period under the ExportSS Agreement, and (v) a restructuring of the business relationship among the parties, and have agreed to enter into this Second Amendment to memorialize the terms of such settlement.

NOW, THEREFORE, in consideration of the above premises, and the mutual promises and covenants contained herein, the receipt and sufficiency of which is hereby acknowledged, by execution of this Second Amendment, the Parties agree as follows:

1. Definitions.

All terms utilized herein shall have the meaning set forth in the ExportSS Agreement, unless otherwise defined herein, including as follows:

- A. “Marketing LLC” and “Finance LLC” have the meanings set forth in the preamble to this Second Amendment.
- B. “Joint Venture” has the meaning set forth in the preamble to this Second Amendment.
- C. “LLC Agreements” has the meaning set forth in the preamble to this Second Amendment.
- D. “Joint Venture Related Agreements” has the meaning set forth in the preamble to this Second Amendment.

E. "Dissolution" means the wind down and liquidation of the Joint Venture pursuant to the terms of the LLC Agreements, as amended by this Second Amendment.

F. "Chase" or the "Chase Parties" has the meaning set forth in the preamble to this Second Amendment.

G. "Sallie Mae" or the "Sallie Mae Parties" has the meaning set forth in the preamble to this Second Amendment.

2. ExportSS Agreement Commitment Period.

The first sentence of Section 6.A of the Settlement Agreement is hereby amended by deleting "August 31, 2008" and by inserting "August 31, 2010" in its place; provided, however, that the expiration date of the Commitment Period for Loans subject to Section 6.B of the Settlement Agreement will remain August 31, 2008.

3. Payment of Funds.

Within one business day of execution of this Second Amendment by all parties hereto, Chase Bank or its designee will wire to an account that has been designated by Sallie Mae a payment in the amount of \$40 million (the "Payment") in immediately available funds.

4. Amendment of the LLC Agreements; Dissolution of the Joint Venture; and Amendment and Termination of the Joint Venture Related Agreements

Effective immediately upon full execution of this Second Amendment and Chase Bank's or its designee's payment to Sallie Mae of the Payment pursuant to Section 3 above (the "Effective Time"), the following will occur:

A. **Amendment of the LLC Agreements.** Immediately upon the Effective Time, each LLC Agreement shall be amended as follows:

1. Each of the following provisions of each LLC Agreement is deleted in its entirety and shall be of no further force or effect: (a) Article XIII; (b) Section 7.16; (c) Section 7.18; (d) Section 10.2; and (e) Section 10.3(a).

2. The definition of "Dissolution Date" in Section 2.1 of LLC Agreement is amended to delete all language appearing therein and to replace such language with "December 31, 2005."

3. Section 10.3(b) of each LLC Agreement is amended to delete the first sentence thereof in its entirety and to replace it with the following: "On or before March 31, 2005 each of Chase and Sallie Mae will appoint one representative to serve as liquidating agents (collectively, the "Liquidator"), who shall work together to immediately commence to wind up the affairs of the Company and to liquidate the Company's assets."

4. Section 10.8 of each LLC Agreement is amended to delete the last sentence thereof in its entirety, which sentence shall be of no further force or effect.

5. Section 14.2(a) of each LLC Agreement is amended to provide that its provisions shall survive the termination of that LLC Agreement and the dissolution of the Joint Venture. Section 14.2 of each LLC Agreement is further amended to delete the remainder of that Section in its entirety, which shall be of no further force or effect.

B. **Dissolution of the Joint Venture.**

1. The Dissolution of the Joint Venture will be carried out pursuant to the provisions of Sections 10.3 through 10.8 of the Joint Venture's LLC Agreements, as amended by this Second Amendment. Each of Chase and Sallie Mae agrees to use its best efforts to complete the Dissolution in an efficient, expedient, and professional manner by no later than the Dissolution Date. The parties agree, however, that the legal existence of the Joint Venture shall continue through December 31, 2005 so that expenses incurred in connection with the business of the Marketing LLC and/or the Finance LLC, including the Allowable Servicing Fees pursuant to Section 8 of this Second Amendment, from the Effective Time through December 31, 2005 (the "Dissolution Period") that are to be shared by Sallie Mae and Chase pursuant to the LLC Agreements, as amended by this Second Amendment, will continue to be expenses of the Marketing LLC and the Finance LLC, as applicable. The LLC Agreements shall terminate at the end of the Dissolution Period.

2. Costs of Dissolution of the Joint Venture will be borne and paid 50% by Sallie Mae and 50% by Chase. This will include salaries and benefits through the date of termination of employment and severance packages for all Joint Venture employees in amounts previously approved by the Board of the Joint Venture. Additionally, Chase and Sallie Mae each agrees to pay 50% of the cost of stay bonuses for [**], and any other employees of the Joint Venture mutually agreed upon in writing by Chase and Sallie Mae ("Stay Bonus Employees"); provided, that, such employees (other than [**]) remain employed by the Joint Venture, in good standing, through and until July 1, 2005, and that [**] remain employed by the Joint Venture, in good standing, through and until December 31, 2005. If [**] resigns from the Joint Venture prior to December 31, 2005, the parties agree to hire as a Joint Venture employee a mutually agreed upon alternative person. Chase and Sallie Mae hereby agree that such stay bonuses for the four employees named in the preceding sentence shall be in an amount equal to 50% of each such employee's annual base salary as of the Effective Date. Neither Chase nor the Joint Venture shall have any responsibility to pay any other stay bonuses or incentives that were promised to the Marketing LLC employees by Sallie Mae, and all such amounts shall be the sole and exclusive responsibility of Sallie Mae.

3. Each of Chase and Sallie Mae may advise the employees of the Joint Venture of any relevant employment opportunities within their respective organizations. During the Dissolution period, the Joint Venture employees who remain employees of the Joint Venture will be required to

Sallie Mae hereby agrees that it will provide to Chase, for a period not to exceed two (2) weeks, reasonable access to any Joint Venture employee that accepts employment with Sallie Mae and provides the Joint Venture with less than two (2) weeks notice. Sallie Mae further agrees that if it offers employment to any Stay Bonus Employee, such Stay Bonus Employee's start date with Sallie Mae shall not be prior to July 31, 2005, except that [**] start date with Sallie Mae shall not be prior to December 31, 2005.

C. Amendment and Termination of Joint Venture Related Agreements:

1. Except as provided in Sections 4.A and 4.B hereof, each and every one of the Joint Venture Related Agreements between or among Chase and Sallie Mae or their respective affiliates, subsidiaries, predecessors or parents (as such agreements are set forth in Schedule I hereto), except the LLC Agreements, are

(a) amended to delete in its entirety any and all provisions of such Joint Venture Related Agreements that by their terms survive the termination of such or any other Joint Venture Related Agreements or the dissolution of the Joint Venture; and

(b) terminated in their entirety and shall be of no further force or effect.

2. Upon the amendment and termination of the Joint Venture Related Agreements pursuant to Section 4.C.1, the rights, obligations and liabilities relating to Loans that were subject to the Joint Venture Related Agreements as of the Effective Date, shall instead be governed by the terms of the ExportSS Agreement, as amended by this Second Amendment, as if such Loans had been marketed, originated, serviced, purchased and sold pursuant to the terms of the ExportSS Agreement, as amended by this Second Amendment. The parties agree that the releases contained in Section 11 hereof shall not apply to any mutually agreed upon undisputed fees and/or charges arising under the terminated Joint Venture Related Agreements prior to the Effective Date that are owed a party hereunder by the other party, to the extent not otherwise expressly provided for under this Second Amendment, and with respect to which the claiming party provides written notice of such undisputed amounts to the other party within sixty (60) days of the Effective Date.

3. The parties acknowledge that all obligations under the terms of paragraph 3 of the 7/16/02 Term Sheet for Renewal of the Joint Venture Agreements to pay floor income to the Joint Venture are satisfied in full, and the parties have no further obligation to pay such floor income.

5. Revision of ExportSS Agreement Sales Requirements.

The commitment to sell Loans under the ExportSS Agreement is amended as follows:

A. All Signature Loans, MBA LOAN Private Loans, LAWLOAN Private Loans and/or Opportunity Loans (collectively referred to herein as "Private Loans") that Chase Bank would otherwise, in the absence of the termination of the Joint Venture Related Agreements in

accordance with Section 4 of this Second Amendment, be required to sell to ECFC or its affiliates (or its designee), will instead be sold to ECFC or its affiliates (or its designee) pursuant to the provisions of the ExportSS Agreement, as modified by this Second Amendment, including at the Purchase Price set forth in Section 6.A of this Second Amendment.

B. For FFELP Loans that were or are guaranteed for the July 1, 2004 through June 30, 2005 Academic Year, that Chase Bank would otherwise, in the absence of the termination of the Joint Venture Related Agreements in accordance with Section 4 of this Second Amendment, including FFELP loans originated and serviced by GLELSI or the Colorado Consortium, be required to sell to ECFC or its affiliates (or its designee), will instead be sold as follows:

(1) For such FFELP Loan sales that will occur during the months of March and April, 2005, the sales shall be made from Chase Bank to Chase Bank in its capacity as trustee for the Finance LLC (ECFC's designee), and simultaneously therewith from the Finance LLC to ECFC (or its designee), in accordance with the terms of the ExportSS Agreement as modified by this Second Amendment; and

(2) For such FFELP Loan sales that will occur from May 1, 2005, through August 31, 2005, the sale shall be made from Chase Bank to ECFC (or its designee), in accordance with the terms of the ExportSS Agreement, as modified by this Second Amendment.

(3) The Sallie Mae origination and servicing expenses for FFELP Loans under Sections 5.B(1) and 5.B(2) shall be the amount that would have been charged to Chase Bank or the Joint Venture under the Joint Venture Related Agreements and not the ExportSS Agreement.

C. Subject to Section 5.D below, for FFELP Loans that are guaranteed for the July 1, 2005 through June 30, 2006 Academic Year, that Chase Bank would otherwise, in the absence of the termination of the Joint Venture Related Agreements in accordance with Section 4 of this Second Amendment, be required to sell to ECFC or its affiliates (or its designee), will instead be sold from Chase Bank to ECFC (or its designee) pursuant to the terms of the ExportSS Agreement, as amended by this Second Amendment.

D. Section 6.B of the Settlement Agreement, excluding the first sentence thereof, is hereby deleted in its entirety and replaced with the following:

"For FFELP Loans that are guaranteed for the July 1, 2005 through June 30, 2006 Academic Year that are originated and serviced at Great Lakes Education Loan Services, Inc. ("GLELSI") by Chase Bank or Bank One, Chase Bank and/or Bank One will sell to ECFC or its affiliates (or its designee) FFELP Loans made by Chase Bank or Bank One to first-time borrowers, originated and serviced at GLELSI, pursuant to the ExportSS Agreement, as amended by this Second Amendment, such FFELP Loans having an aggregate Principal Balance of the lesser of: the total aggregate Principal Balance of first-time borrower FFELP Loans originated and serviced at GLELSI by Chase Bank or Bank One or \$[**], subject to

June 30, 2007 Academic Year that are originated and serviced at GLELSI by Chase Bank or Bank One, Chase Bank and/or Bank One will sell to ECFC or its affiliates (or its designee) FFELP Loans made by Chase Bank or Bank One to first-time borrowers, originated and serviced at GLELSI, pursuant to the ExportSS Agreement, as amended by this Second Amendment, such FFELP Loans having an aggregate Principal Balance of the lesser of: the total aggregate Principal Balance of first-time borrower FFELP Loans originated and serviced at GLELSI by Chase Bank or Bank One or \$[**], subject to Section 6.F of the Settlement Agreement, as amended by this Second Amendment; provided, that neither Chase Bank nor any of its affiliates have originated FFELP Loans using the Bank One brand that are guaranteed for the July 1, 2006 through June 30, 2007 Academic Year. For FFELP Loans that are guaranteed for the July 1, 2007 through June 30, 2008 Academic Year that are originated and serviced at GLELSI by Chase Bank or Bank One, Chase Bank and/or Bank One will sell to ECFC or its affiliates (or its designee) FFELP Loans made by Chase Bank or Bank One to first-time borrowers, originated and serviced at GLELSI, pursuant to the ExportSS Agreement, as amended by this Second Amendment, such FFELP Loans having an aggregate Principal Balance of the lesser of: the total aggregate Principal Balance of first-time borrower FFELP Loans originated and serviced at GLELSI by Chase Bank or Bank One or \$[**], subject to Section 6.F of the Settlement Agreement, as amended by this Second Amendment; provided, that neither Chase Bank nor any of its affiliates have originated FFELP Loans using the Bank One brand that are guaranteed for the July 1, 2007 through June 30, 2008 Academic Year. Chase Bank and Bank One agree that the FFELP Loans offered for sale pursuant to this requirement must be of substantially similar characteristics to the aggregate portfolio of FFELP Loans made by Chase Bank or Bank One to first time borrowers originated and serviced at GLELSI that are guaranteed for each of the above referenced Academic Years. Chase Bank and Bank One agree to reasonably cooperate with Sallie Mae to enable Sallie Mae to ensure compliance with the requirements of this Section 5.D.

E. All Serial Loans (as defined in Section 7.B of this Second Amendment) that are Serial Loans to FFELP Loans that are guaranteed for the July 1, 2005 through the June 30, 2006 Academic Year and required to be sold under this Second Amendment or any prior Academic Years or that are Serial Loans to FFELP Loans referenced in Section 5.D above, will be sold to ECFC or its affiliates (or its designee) pursuant to the ExportSS Agreement, as modified by this Second Amendment.

F. All FFELP Loans that are subject to the provisions of Sections 6.D(1) and 6.D(2) of the Settlement Agreement that are guaranteed for the July 1, 2005 through June 30, 2006 Academic Year will be sold pursuant to the ExportSS Agreement, as modified by this Second Amendment.

6. Revision of ExportSS Agreement Purchase Price.

Notwithstanding the definition of Purchase Price set forth in the ExportSS Agreement, the Purchase Price for Loans subject to Section 5 above is as follows:

A. For Private Loans subject to Section 5.A above, the Purchase Price will be

(1) For Private Loans that are sold on or after the Effective Date and on or before September 1, 2005, (a) [**]% of the aggregate Principal Balance of such Loans; plus (b) 100.00% of the accrued interest that is payable by the Borrowers.

(2) For Private Loans that are sold on or after September 1, 2005, the Purchase Price set forth in the ExportSS Agreement.

B. For FFELP Loans subject to Section 5.B above (other than Custom Deal Loans that are FFELP Loans referenced in Section 6.E below and Zero Fee Loans and iReward Loans and March 1 Amendment Loans referenced in Section 6.F below) that are sold on or after (i) the Effective Date and before May 1, 2005, (a) 100.00% of the aggregate Principal Balance of such Loans; plus (b) 100.00% of the accrued interest that is payable by the Borrowers; plus (c) solely for Loans that are sold within the time frames set forth in Section 9 of the ExportSS Agreement (Future Required Sales), a premium equal to [**]% of the aggregate Principal Balance of such Loans; and (ii) May 1, 2005 and prior to September 1, 2005, (a) 100.00% of the aggregate Principal Balance of such Loans; plus (b) 100.00% of the accrued interest that is payable by the Borrowers; plus (c) solely for Loans that are sold within the time frames set forth in Section 9 of the ExportSS Agreement (Future Required Sales), a premium equal to [**]% of the aggregate Principal Balance of such Loans.

C. For FFELP Loans subject to Sections 5.B (excluding non-Serial FFELP Loans originated and serviced by Colorado Consortium), 5.C, 5.D, 5.E and 5.F above (other than Custom Deal Loans that are FFELP Loans referenced in Section 6.E below and Zero Fee Loans and iReward Loans and March 1 Amendment Loans referenced in Section 6.F below), that are sold on or after September 1, 2005 and prior to September 1, 2006, (a) 100.00% of the aggregate Principal Balance of such Loans; plus (b) 100.00% of the accrued interest that is payable by the Borrowers; plus (c) solely for Loans that are sold within the time frames set forth in Section 9 of the ExportSS Agreement (Future Required Sales), a premium equal to the product of the Blended Premium (defined below) multiplied by the aggregate Principal Balance of such Loans. The Blended Premium shall be no less than [**]%, but no greater than [**]%, and shall be determined in accordance with the formula specified in Schedule VI hereto by no later than the close of business on March 25, 2005.

D. For Serial Loans relating to FFELP Loans subject to Sections 5.B, 5.C, 5.D (but only with respect to Serial Loans that are Serial to FFELP Loans guaranteed for the July 1, 2005 through June 30, 2006 Academic Year), and 5.F above (other than Custom Deal Loans that are FFELP Loans referenced in Section 6.E below and Zero Fee Loans and iReward Loans and March 1 Amendment Loans referenced in Section 6.F below) that are sold on or after September 1, 2006, (a) 100.00% of the aggregate Principal Balance of such Loans; plus (b) 100.00% of the accrued interest that is payable by the Borrowers; plus (c) solely for Loans that are sold within the time frames set forth in Section 9 of the ExportSS Agreement (Future Required Sales), a premium equal to the Blended Premium multiplied by the aggregate Principal Balance of such Loans.

E. For Custom Deal Loans that are FFELP Loans made in connection with attendance at schools listed in Schedule II hereto, (a) 100.00% of the aggregate Principal Balance of such Loans; plus (b) 100.00% of the accrued interest that is payable by the Borrowers; plus (c) solely for Loans that are sold within the time frames set forth in Section 9 (Future Required Sales), a premium equal to [**]% of the aggregate Principal Balance of such Loans. The above pricing will apply with respect to all such FFELP Loans made to Borrowers at the schools listed in Schedule II hereto, and to FFELP Loans made to Borrowers at other Indiana University campuses, if such Borrowers receive substantially identical benefits as described in either: (i) the letter dated January 28, 2004, to Jennifer Foutty of Indiana University, a copy of which is attached hereto as Schedule II (the "Indiana Custom Deal"), including Serial Loans originated after the expiration of such Indiana Custom Deal if such Serial Loans are provided substantially identical benefits as the benefits that were provided in the Indiana Custom Deal; or (ii) with respect to George Mason University, the letter dated March 10, 2004, to Jevita DeFreitas (the "GMU Custom Deal"), including Serial Loans originated after the expiration of each such Custom Deal if such Serial Loans are provided substantially identical benefits as the benefits that were provided in the GMU Custom Deal. Sallie Mae agrees to provide prompt written notice to Chase detailing any change(s) to the benefits provided in the Indiana Custom Deal or the GMU Custom Deal.

F. For: (i) FFELP Loans on which all or a portion of the borrower origination fee is waived at disbursement by Sallie Mae or any of its affiliates in a given state in accordance with 34 CFR section 682.202(c) ("Zero Fee Loans") and Chase Bank and/or Bank One make Zero Fee Loans in such given state thereafter, or (ii) FFELP Loans subject to the iReward or Sallie Mae Payback custom FFELP Loan program (iReward Loans") described in Schedule V hereto, the Purchase Price for such Bank One and/or Chase Bank Zero Fee Loans or iReward Loans for sales on or after the Effective Date, is (a) 100.00% of the aggregate Principal Balance of such Loans; plus (b) 100.00% of the accrued interest that is payable by the Borrowers; plus (c) solely for Loans that are sold within the time frames set forth in Section 9 of the ExportSS Agreement (Future Required Sales), a premium equal to [**]% of the aggregate Principal Balance of such Loans for Serial Loans (other than Serial Loans subject to the Amendment as of March 1, 2005 to the ExportSS Agreement attached hereto as Schedule IV, referred to herein as March 1 Amendment Loans, which shall be a premium equal to [**]% of the aggregate Principal Balance of such Loans), and [**]% of the aggregate Principal Balance of such Loans for non-Serial Loans, plus (c) the actual amount of the origination fee that is waived or rebated directly by Bank One or Chase Bank.

G. For FFELP Loans made by Chase Bank under the Keystone Best Program that are sold on or after the Effective Date and prior to September 1, 2005, Chase Bank shall pay to Sallie Mae [**]% of the premium earned by Chase Bank from PHEAA from the sale of such FFELP Loans to PHEAA net of all PHEAA origination and servicing fees actually incurred by Chase with respect to such FFELP Loans.

H. For private education related loans made by Chase Bank under its agreements with First Marblehead/TERI dated September 30, 2003, that are originated on or prior to September 30, 2005, Chase Bank shall pay to Sallie Mae [**]% of the premium earned by Chase Bank from First Marblehead from the sale of such private education related loans through a First

Marblehead administered securitization trust or otherwise, net of all First Marblehead/TERI and AES origination, guarantee and servicing fees actually incurred by Chase Bank with respect to such private education related loans.

7. Conforming Revisions to ExportSS Agreement.

The parties hereby agree to the following additional modifications to the ExportSS Agreement:

A. Section 6.C of the Settlement Agreement is hereby deleted in its entirety and replaced with the following:

"The Chase Parties acknowledge that the sales requirement in Section 9 of the ExportSS Agreement (as amended by the Settlement Agreement) that requires the sale of Loans "processed and/or serviced by us or any affiliate" is intended (except as provided in the next sentence) to include all FFELP Loans originated, processed and/or serviced by Sallie Mae or any subsidiary or affiliate. For FFELP Loans originated, processed and/or serviced by Sallie Mae or any subsidiary or affiliate under a contractual relationship with a third party pursuant to which Sallie Mae or any subsidiary or affiliate originates, processes and/or services FFELP Loans, the sales requirement in Section 9 of the ExportSS Agreement (as amended by the Settlement Agreement) that requires the sale of loans "processed and/or serviced by us or any affiliate" shall only apply to USA Funds, Inc. ("USA Funds") and Northwest Education Loan Association (or their respective successors or assigns) ("NELA"), provided, that such originations and/or disbursements by USA Funds or NELA are processed on the origination or servicing platforms of Sallie Mae or any subsidiary or affiliate; *provided, however*, that the sales requirement in Section 9 of the ExportSS Agreement (as amended by the Settlement Agreement) is not triggered if such FFELP Loans are processed by or through Sallie Mae's Open Net File Management System or its successor file management system and do not otherwise meet the requirements of this Section 6.C. For purposes of this Section 6.C, the term disbursement does not include services consisting solely of electronic funds transfer disbursement services."

B. The definition of "Serial Loan" in Section 23 of the ExportSS Agreement is deleted and the following is substituted in its place:

"Serial Loan" means an additional FFELP Loan made to the same Borrower who was the borrower under a FFELP Loan of the same type owned by and sold to or required to be sold to ECFC or any of its affiliates, subsidiaries, or predecessors, including Sallie Mae financing trusts by any of Chase Bank, Bank One Bank or Bank One or, with respect to the FFELP Loans referenced in the first sentence of Section 12 below, any other Chase entity that is subject to the covenant in the first sentence of Section 12 below (a "Serial Loan Borrower"), unless (i) such Loan was subject to a sale commitment by Bank One to a third party existing as of the effective date of the ExportSS Agreement, or (ii) the prior loan is acquired by ECFC or any ECFC affiliate, subsidiary, or securitization trust through any purchase or acquisition after the date of this Second Amendment other than

from Chase Parties, or (iii) such Serial Loan Borrower switches schools to another school through which Bank One and/or Chase Bank makes FFELP Loans that are not subject to the sales requirements set forth in Section 9 of the ExportSS Agreement as amended by this Second Amendment and such Serial Loan Borrower enters into a new Master Promissory Note with either Bank One or Chase Bank. For this purpose, unsubsidized and subsidized Stafford Loans are considered to be the same Loan type."

C. The ExportSS Agreement is hereby amended to include Chase Bank and its permitted successors and assigns as a party to the ExportSS Agreement as amended by this Second Amendment, effective as of the Effective Date.

D. Chase acknowledges that any Private Loan application listing Chase Manhattan Bank USA, N.A. as the lender that is processed on or after February 25, 2005, will be covered under the indemnification provisions of clauses (ii) and (iii) of the second full paragraph on page 16 (Section 7) of the ExportSS Agreement.

E. The last sentence of the first paragraph of the "Delivery of Loans" provisions of Section 11 of the ExportSS Agreement is hereby deleted in its entirety and replaced with the following:

"However, except for Loans that are Serial to Loans owned by Sallie Mae and serviced by Sallie Mae or another contract servicer, or first time borrower FFELP Loans subject to Sections 5.B, 5.C, 5.D and 5.F of the Second Amendment, Sallie Mae agrees to make a reasonable effort to keep Loans on the servicing system of such third party servicer, provided that Sallie Mae maintains a servicing agreement with such servicer."

8. Costs Incurred in Connection With Calendar Year 2005 Chase-Branded Volume.

For the remainder of calendar year 2005, Sallie Mae will continue to pay the lesser of (i) [**]% of the origination and servicing fees for the third party vendors listed on Schedule III hereto (as described further in this Section 8) ("Allowable Servicing Fees") incurred by Chase Bank, TCB, Chase Education Holdings, or the Joint Venture in connection with the origination and servicing of Loans generated through the marketing efforts of the Joint Venture and that are obligated to be sold to ECFC or its affiliates (or its designee) pursuant to the ExportSS Agreement, as modified by this Second Amendment, or (ii) \$[**], which represents [**]% of the Allowable Servicing Fees budgeted for the Joint Venture in the Joint Venture's 2005 Approved Budget at the November, 2004 Joint Venture board meeting. Sallie Mae shall be entitled to take as a credit against the sums owed the portion of such Allowable Servicing Fees that were actually paid by Sallie Mae to the Joint Venture as a Member of the Joint Venture prior to the Effective Date. The parties will work in good faith to ensure that origination and servicing fees in the nature of the Allowable Servicing Fees that are incurred in connection with originating or servicing Bank One Loans (or Loans of any other affiliate or subsidiary other than Chase Bank or Chase Bank USA) are not included in this calculation. The parties agree that the monthly expenses incurred by the Joint Venture for calendar year 2004 will serve as a guideline to ensure that Bank One-related origination and servicing fees in the nature of the Allowable Servicing Fees are not inadvertently charged to the Joint Venture or subject to this Section 8. Allowable

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Servicing Fees will not include any categories of items that were not charged to the Joint Venture for calendar year 2004.

9. Provision of Information by Sallie Mae.

Section 4.B of the Settlement Agreement shall also be applicable to Chase Bank or Chase Bank USA Loans.

10. Conforming Revisions to Settlement Agreement.

The parties hereby agree to the following additional modifications to the Settlement Agreement:

A. Both the parenthetical at the end of the second to last sentence and the last sentence in each of Sections 6.A and 7.G of the Settlement Agreement are hereby deleted in their entirety.

B. Section 6.F of the Settlement Agreement is hereby amended by adding the following as a new second sentence thereof:

"Notwithstanding the foregoing, solely with respect to non-Serial FFELP Loans made for the July 1, 2005 through June 30, 2006 Academic Year, the sales requirement under Section 9 of the ExportSS Agreement, as amended by this Second Amendment and the obligations under this Section 6.F, for Bank One to sell such non-Serial FFELP Loans will not be triggered solely because Chase Bank or Chase Bank USA has offered to make Private Loans at any particular school; provided, that, the FFELP Loans, if any, that are made during the July 1, 2005 through June 30, 2006 Academic Year to any Chase Bank or Chase Bank USA borrowers of such Private Loans will be sold to ECFC or its designee."

C. Section 11 of the Settlement Agreement is hereby deleted in its entirety effective upon signing of this Second Amendment and Chase Bank's payment to Sallie Mae of the Payment pursuant to Section 3 of this Second Amendment.

D. The following shall be added to the end of Section 14 of the Settlement Agreement:

"To the extent this Second Amendment provides for amendment or termination of the LLC Agreements or dissolution of the Joint Venture, it shall be subject to, governed by, and construed and enforced pursuant to the laws of the State of Delaware, without regard to its principles of conflict of laws. To the extent this Second Amendment provides for amendment or termination of any other Joint Venture Related Agreements, it shall be subject to, governed by, and construed and enforced pursuant to laws of the State of New York, without regard to its principles of conflict of laws."

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11. Dismissal of Lawsuit; Releases.

A. Within 2 business days of execution of this Second Amendment by all parties hereto, Chase shall cause a Notice of Dismissal of the Dissolution Action, with prejudice, to be filed with the court in which the Dissolution Action is pending. Each party shall be responsible for its own attorneys' fees and costs incurred in connection with the Dissolution Action.

B. The Chase Parties and each of them, on behalf of themselves and their parents, subsidiaries, commonly-owned affiliates, predecessors, successors and assigns of each of them (the "Chase Releasers"), hereby irrevocably and unconditionally release and discharge, to the fullest extent permissible under

applicable law, the Sallie Mae Parties and their parents, subsidiaries, commonly-owned affiliates, predecessors, successors and assigns of each of them, and the officers, directors, employees, agents, attorneys and representatives of each of them (the "Sallie Mae Releasees"), from, and covenant not to assert against the Sallie Mae Releasees in any forum, any claims, counterclaims, demands, actions, causes of action, debts, liabilities, damages, costs, fees, expenses, rights, duties, obligations, liens, petitions, suits, losses, controversies, executions, offsets and sums, of any kind or nature, whether direct or indirect, liquidated or unliquidated, contingent or actual, in law or equity, known or unknown, suspected or unsuspected, in contract or tort, or of whatever type or nature, from the beginning of time to the day and date of this Second Amendment, regarding, arising out of, related to, resulting from or in connection with (i) the Joint Venture; (ii) the Joint Venture Related Agreements or any provision thereof or any acts or omissions by any Sallie Mae Releasee relating thereto or any transaction or action taken or contemplated thereunder or in connection therewith; (iii) any employment discussions the Sallie Mae Releasee may have had with any employee of the Joint Venture, including without limitation any actions taken by any Sallie Mae Releasees to offer stay bonuses or employment guarantees to employees of the Joint Venture; (iv) any act or omission by any Sallie Mae Releasee in connection with or opposition to or that were alleged in the petition filed in the Dissolution Action, or (v) any of the Sallie Mae Releasees' actions taken in connection with (i), (ii), (iii), or (iv) above (collectively the "Chase Released Claims").

C. The Sallie Mae Parties, and each of them, on behalf of themselves and their parents, subsidiaries, commonly owned affiliates, predecessors, successors and assigns of each of them (the "Sallie Mae Releasors"), hereby irrevocably and unconditionally release and discharge, to the fullest extent permissible under applicable law, the Chase Parties and their parents, subsidiaries, commonly-owned affiliates, predecessors, successors and assigns of each of them, and the officers, directors, employees, agents, attorneys and representatives of each of them (the "Chase Releasees"), from, and covenant not to assert against the Chase Releasees in any forum, any and all claims, counterclaims, demands, actions, causes of action, debts, liabilities, damages, costs, fees, expenses, rights, duties, obligations, liens, petitions, suits, losses, controversies, executions, offsets and sums, of any kind or nature, whether direct or indirect, liquidated or unliquidated, contingent or actual, in law or equity, known or unknown, suspected or unsuspected, in contract or tort, or of whatever type or nature, from the beginning of time to the day and date of this Second Amendment, regarding, arising out of, related to, resulting from or in connection with (i) the Joint Venture; (ii) the institution of the Dissolution Action or any act or omission by or on the part of any Chase Releasee taken in connection therewith or in connection with any allegation made in the petition filed in the Dissolution Action; (iii) the Joint Venture

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Related Agreements or any provision thereof or any acts or omissions by any Chase Releasee relating thereto or any transaction or action taken or contemplated thereunder or in connection therewith; (iv) any employment discussions the Chase Releasee may have had with any employees of the Joint Venture; or (v) any of the Chase Releasees' actions taken in connection with (i), (ii), (iii), and (iv) above (collectively, the "Sallie Mae Released Claims").

D. The Trustee on behalf of itself and its predecessors, successors and assigns (the "Trustee Releasor") hereby irrevocably and unconditionally releases and discharges, to the fullest extent permissible under applicable law, the Sallie Mae Releasees and the Chase Releasees, from, and covenant not to assert against the Chase Releasees and/or the Sallie Mae Releasees in any forum, any claims, counterclaims, demands, actions, causes of action, debts, liabilities, damages, costs, fees, expenses, rights, duties, obligations, liens, petitions, suits, losses, controversies, executions, offsets and sums, of any kind or nature, whether direct or indirect, liquidated or unliquidated, contingent or actual, in law or equity, known or unknown, suspected or unsuspected, in contract or tort, or of whatever type or nature, from the beginning of time to the day and date of this Second Amendment, regarding, arising out of, related to, resulting from or in connection with (i) the Joint Venture; (ii) the Joint Venture Related Agreements or any provision thereof or any acts or omissions by any Sallie Mae Releasee and/or by any Chase Releasee relating thereto or any transaction or action taken or contemplated thereunder or in connection therewith; (iii) any employment discussions any Sallie Mae Releasee and/or any Chase Releasee may have had with any employees of the Joint Venture, including without limitation any actions taken to offer stay bonuses or employment guarantees to the employees of the Joint Venture; (iv) any acts or omissions taken by the Sallie Mae Releasees and/or the Chase Releasees in connection with or in opposition to or that were alleged in the petition filed in the Dissolution Action, and (v) any of the Sallie Mae Releasees and/or the Chase Releasees actions taken in connection with (i), (ii), (iii), and (iv) above (collectively the "Chase and Sallie Mae Released Claims").

E. With respect to the releases provided herein, each of the Releasors warrants and represents with respect to the claims it hereby releases (collectively, the "Released Claims"), that:

- (1) It has not heretofore assigned, subrogated or transferred to any person any of the Released Claims and agrees to indemnify, defend, and hold harmless, each person to whom its release runs from any of its Released Claims asserted by any person based upon any such actual or purported assignment or transfer;
- (2) No person has any lien, claim or interest in any of the Released Claims;
- (3) It will not assign, subrogate or transfer to any person any of the Released Claims;
- (4) It will not commence, assert or prosecute, or induce any other person to commence or prosecute, any of the Released Claims;

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(5) It is fully authorized to enter into and be bound by the terms of this Second Amendment, and that it is the sole legal and equitable owner and holder of all Released Claims; and

(6) The person signing this Second Amendment on its behalf has the authority to do so and to make the promises and releases contained herein and to enter into the agreements set forth herein on its behalf.

F. The releases contained in this Section 11 herein shall in no way affect the right of any party hereto to seek enforcement of the terms of the ExportSS Agreement and this Second Amendment.

12. **Agreement of JPMorgan.**

JPMorgan covenants (both for itself and for its affiliates, subsidiaries, successors, and assigns) that any FFELP Loans that are guaranteed for the July 1, 2005 through June 30, 2006 Academic year that are generated through the marketing efforts of either the Bank One Education Finance Corporation

Title: Secretary

SECONDARY MARKET SERVICES, LLC

By: Sallie Mae, Inc., Authorized Agent

By: /s/ Robert Lavet

Name: Robert Lavet

Title: SVP & General Counsel

SLM CORPORATION

By: Sallie Mae, Inc., Authorized Agent

By: /s/ Robert Lavet

Name: Robert Lavet

Title: SVP & General Counsel

Title: SVP & General Counsel

SLM EDUCATION CREDIT FINANCE CORPORATION

By: Sallie Mae, Inc., Authorized Agent

By: /s/ Robert Lavet

Name: /s/ Robert Lavet

Title: SVP & General Counsel

EDUCATION FIRST FINANCE LLC

By: Sallie Mae, Inc., Authorized Agent

By: /s/ Jerry De Rosas

Name: Jerry De Rosas

Title: Director

CHASE EDUCATION FIRST LLC

By: /s/ Jerry De Rosas

Name: Jerry De Rosas

Title: Director

JP MORGAN CHASE & CO.

By: /s/ James C. P. Berry

Name: James C. P. Berry

Title: Asst. General Counsel & Asst. Corporate Secretary

JP MORGAN CHASE BANK, N.A.

By: /s/ Jeffrey Levine

Name: Jeffrey Levine

Title: S.V.P.

CHASE BANK USA, NATIONAL ASSOCIATION

By: /s/ Andrew T. Semmelman

Name: Andrew T. Semmelman

Title: Senior Vice President

TCB EDUCATION FIRST MARKETING CORPORATION

By: /s/ Jeffrey Levine

Name: Jeffrey Levine

Title: President

BANK ONE EDUCATION FINANCE CORPORATION

By: /s/ Michael Getzler

Name: Michael Getzler

Title: /s/ Vice President

CHASE EDUCATION HOLDINGS, INC.

By: /s/ Jeffrey Levine

Name: Jeffrey Levine

Schedule I:
Joint Venture Related Agreements*

1. Limited Liability Company Agreement of Education First Finance LLC, dated as of September 9, 1996, by and between TCB Education First Corporation and Student Loan Marketing Association
2. Limited Liability Company Agreement of Education First Marketing LLC, dated as of September 9, 1996, by and between TCB Education First Corporation and Student Loan Marketing Association
3. Trust Agreement, dated as of September 9, 1996, made with respect to the formation of the Chase/Sallie Mae Education Loan Trust, Education First Finance LLC and The Chase Manhattan Bank as Trustee
4. Loan Sale Agreement of September 9, 1996, by and among The Chase Manhattan Bank, Education First Finance LLC, and The Chase Manhattan Bank as Trustee
5. Loan Sale Agreement of September 9, 1996, by and among Texas Commerce Bank, National Association, Education First Finance LLC, and The Chase Manhattan Bank as Trustee
6. Loan Sale Agreement of September 9, 1996, by and among The Chase Manhattan Bank (USA), N.A., Education First Finance LLC, and The Chase Manhattan Bank as Trustee
7. Asset Purchase Agreement, dated as of September 9, 1996, by and among The Chase Manhattan Corporation, Student Loan Marketing Association, Education First Marketing LLC, and Education First Finance LLC
8. Omnibus Agreement, dated as of September 9, 1996 among The Chase Manhattan Corporation, The Chase Manhattan Bank, Student Loan Marketing Association, Education First Finance LLC, and Education First Marketing LLC
9. Transition Agreement, made the 9th day of September, 1996, by and between The Chase Manhattan Bank and Sallie Mae Servicing Corporation
10. Master Services Agreement, dated as of September 9, 1996, by and among Education First Marketing LLC, Education First Finance LLC, and The Chase Manhattan Corporation
11. Master Services Agreement, dated as of September 9, 1996, by and among Student Loan Marketing Association, Education First Marketing LLC, and Education First Financing LLC

* Each, as may have been amended from time to time.

With respect to each agreement as to which "The Chase Manhattan Bank as Trustee" is listed as a party, that term means "The Chase Manhattan Bank not in its individual capacity but solely as trustee of the Chase/Sallie Mae Education Loan Trust."

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12. Commitment and Loan Sale Agreement of September 9, 1996 among The Chase Manhattan Bank, The Chase Manhattan Bank as Trustee, and Education First Finance Company LLC
 13. Commitment and Loan Sale Agreement made as of the 9th day of September, 1996 by and among Chase Manhattan Bank USA, National Association, The Chase Manhattan Bank as Trustee, and Education First Finance LLC.
 14. Commitment and Loan Sale Agreement of September 9, 1996 among Texas Commerce Bank, National Association, The Chase Manhattan Bank as Trustee, and Education First Finance LLC
 15. Commitment and Loan Sale Agreement for Loans Being Consolidated of September 9, 1996 among The Chase Manhattan Bank as Trustee, Student Loan Marketing Association, and Education First Finance LLC
 16. Revolving Financing Agreement, dated as of September 9, 1996, between The Chase Manhattan Bank and Student Loan Marketing Association
 17. Revolving Financing Agreement, dated as of September 9, 1996, between Texas Commerce Bank, National Association and Student Loan Marketing Association
 18. Loan Servicing Agreement made the 9th day of September, 1996, by and between The Chase Manhattan Bank and Sallie Mae Servicing Corporation
 19. Loan Servicing Agreement, made the 9th day of September, 1996, by and between Texas Commerce Bank, National Association and the Sallie Mae Servicing Corporation
 20. Loan Servicing Agreement made the 9th day of September 1996 by and among The Chase Manhattan Bank as Trustee, Education First Finance LLC and Sallie Mae Servicing Corporation

21. Trademark License Agreement dated as of September 9, 1996, by and between The Chase Manhattan Corporation and Education First Marketing LLC
22. Trademark Licensing Agreement dated as of September 9, 1996, by and between Student Loan Marketing Association and Education First Marketing
23. Marketing Services Agreement, dated as of September 9, 1996, among The Chase Manhattan Bank, Texas Commerce Bank, National Association, Student Loan Marketing Association and Education First Marketing LLC
24. Administrative and Professional Services Agreement, dated as of September 9, 1996, by and between Education First Marketing LLC and Education First Finance LLC
25. Interim Participation Agreement, dated as of September 9, 1996, by and among The Chase Manhattan Bank, The Chase Manhattan Bank as Trustee, and Education First Finance LLC
26. Interim Participation Agreement, dated as of September 9, 1996, by and among The Chase Manhattan Bank (USA), N.A., The Chase Manhattan Bank as Trustee, and Education First Finance Company LLC

27. Interim Participation Agreement, dated as of September 9, 1996, by and among Texas Commerce Bank, N.A., The Chase Manhattan Bank as Trustee, and Education First Finance LLC
28. Master Participation Agreement, dated as of September 9, 1996, by and among TCB Education First Corp., Education First Finance LLC, and The Chase Manhattan Bank as Trustee
29. Master Participation Agreement, dated as of September 9, 1996, among Student Loan Marketing Association, Education First Finance LLC, and The Chase Manhattan Bank as Trustee
30. ELSC Loan Participation Agreement, dated as of September 9, 1996, among The Chase Manhattan Bank, Education First Finance LLC, and The Chase Manhattan Bank as Trustee
31. ELSC Loan Subparticipation Agreement, dated as of September 9, 1996, by and among TCB Education First Corporation, Education First Finance LLC, and The Chase Manhattan Bank as Trustee
32. ELSC Loan Subparticipation Agreement, dated as of September 9, 1996, among Student Loan Marketing Association, Education First Financing LLC, and The Chase Manhattan Bank as Trustee
33. Letter of intent dated September 9, 1996 from T. Brisson of Sallie Mae Servicing Corporation to William H. Hoefling of The Chase Manhattan Bank regarding proposed servicing agreements covering unsold portfolios
34. Letter dated as of September 9, 1996 from W. Hoefling of The Chase Manhattan Bank to L. Marshall of Student Loan Marketing Association regarding name change of TCBEFC
35. Letter dated as of September 9, 1996 from L. Marshall of Student Loan Marketing Association to W. Hoefling of The Chase Manhattan Corporation regarding cooperation with respect to Department of Education's expression of interest in Omnibus Agreement
36. Letter dated as of September 9, 1996 from W. Hoefling of The Chase Manhattan Corporation to L. Marshall of Student Loan Marketing Association regarding cooperation with respect to Department of Education's expression of interest in Omnibus Agreement
37. Loan Servicing Agreement, September 9, 1996, among The Chase Manhattan Bank USA, N.A. and Sallie Mae Servicing Corporation
38. Commitment and Loan Sale Agreement, September 9, 1996, by and among The Chase Manhattan Bank USA, National Association, The Chase Manhattan Bank as Trustee, and Education First Finance LLC
39. Letter of October 11, 1996, among The Chase Manhattan Bank (on behalf of itself, The Chase Manhattan Bank USA, N.A., and Texas Commerce Bank, N.A.), Education First Financing LLC, and The Chase Manhattan Bank as Trustee, re Document Review Process

40. Line of Credit Letter Agreement of December 31, 1996 between The Chase Manhattan Bank and TCB Education First Corporation
41. Amendment, Assignment and Assumption Agreement of January 1, 1997 by and among The Chase Manhattan Bank, Education First Marketing LLC, and University Support Services, Inc. to the PLATO Marketing Agreement
42. Loan Servicing Agreement signed January 16, 1997 dated as of the 9th day of September 1996 by and between Chase Manhattan Bank USA, National Association, and Sallie Mae Servicing Corporation.
43. Delinquent Loan Servicing Agreement made January 1, 1997 by and among The Chase Manhattan Bank, Chase Manhattan Bank USA, N.A., Texas Commerce Bank N.A., and Sallie Mae Servicing Corporation
44. Loan Sale Agreement of February 6, 1997 between Student Loan Marketing Association and The Chase Manhattan Bank re: charged off portfolio

45. Loan Sale Agreement of February 20, 1997 between Student Loan Marketing Association and The Chase Manhattan Bank re AFSA Loan Portfolio
46. Loan Sale Agreement of February 20, 1997 between Student Loan Marketing Association and The Chase Manhattan Bank re: AFSA Portfolio 15% purchase price
47. Letter Agreement dated February 26, 1997 among The Chase Manhattan Bank, Education First Finance LLC, The Chase Manhattan Bank as Trustee, Chase Manhattan Bank USA, N.A., Texas Commerce Bank National Association, and Sallie Mae Servicing Corporation
48. ACLS Loan Servicing Agreement as of March 24, 1997 between The Chase Manhattan Bank and Sallie Mae Servicing Corporation
49. Amendment of June 25, 1997 to Commitment and Loan Sale Agreement dated September 9, 1996 among Chase Manhattan Bank USA, National Association, The Chase Manhattan Bank as Trustee, and Education First Finance LLC
50. Amendment of June 25, 1997 to Commitment and Loan Sale Agreement dated September 9, 1996 among Texas Commerce Bank, National Association, The Chase Manhattan Bank as Trustee, and Education First Finance LLC
51. Amendment of June 25, 1997 to Commitment and Loan Sale Agreement dated September 9, 1996 among Chase Education Holdings, Inc., Education First Finance LLC, and The Chase Manhattan Bank as Trustee
52. Amendment of June 25, 1997 to the Master Participation Agreement dated as of September 9, 1996 among Chase Education Holdings, Inc., Education First Finance LLC, and The Chase Manhattan Bank as Trustee
53. Amendment of June 25, 1997 to the ELSC Loan Subparticipation Agreement dated as of September 9, 1996 among Chase Education Holdings, Inc., Education First Finance LLC, and The Chase Manhattan Bank as Trustee

54. Amendment as of July 1, 1997 to the Master Participation Agreement dated as of September 9, 1996 among Student Loan Marketing Association, Education First Finance LLC and The Chase Manhattan Bank as Trustee
55. Amendment as of July 1, 1997 to the Master Participation Agreement dated as of September 9, 1996 among Chase Education Holdings, Inc., Education First Finance LLC and The Chase Manhattan Bank as Trustee
56. Amendment as of July 1, 1997 to the ELSC Loan Subparticipation Agreement dated as of September 9, 1996 among Chase Education Holdings, Inc., Education First Finance LLC, and The Chase Manhattan Bank as Trustee
57. Amendment of July 1, 1997 to ELSC Loan Subparticipation Agreement dated September 9, 1996 among Student Loan Marketing Association, Education First Finance LLC, and The Chase Manhattan Bank as Trustee
58. Yield Adjustment Acknowledgment as of July 1, 1997 among Education First Finance LLC, Student Loan Marketing Association, and Chase Education Holdings, Inc.
59. Reimbursement Agreement of July 1, 1997 among The Chase Manhattan Bank, Education First Marketing LLC, Student Loan Marketing Association, and Chase Education Holdings, Inc.
60. Amendment of January 1, 1998 to Omnibus Agreement of Sept 9, 1996 among Student Loan Marketing Association, Education First Finance LLC, Education First Marketing LLC, The Chase Manhattan Bank, and The Chase Manhattan Corporation, related to transition costs
61. Loan Sale Agreement of August 8, 1997 between Student Loan Marketing Association and The Chase Manhattan Bank, re Columbia University loan portfolio
62. Assignment, Assumption and Consent Agreement dated August 4, 1997 relating to Agreement of March 14, 1985 among Trustees of Columbia University School of Business, The Chase Manhattan Bank, and Student Loan Marketing Association
63. Assignment, Assumption and Consent Agreement dated August 4, 1997 relating to Agreement of March 14, 1985 among Trustees of Columbia University School of Law, The Chase Manhattan Bank, and Student Loan Marketing Association
64. Approval & Waiver by Sallie Mae Servicing Corporation and Education First Finance LLC to The Chase Manhattan Bank re: Servicing Agreement of July 1, 1998 between The Chase Manhattan Bank and USA Group Loan Services, Inc.
65. Approval & Waiver by Sallie Mae Servicing Corporation and Education First Finance LLC to The Chase Manhattan Bank re: Servicing Agreement of July 1, 1998 between The Chase Manhattan Bank and Unipac
66. Amendment of June 5, 1998 to Trademark License Agreement dated as of September 9, 1996 between Education First Marketing LLC and Student Loan Marketing Association

67. Amendment of June 5, 1998 to Trademark License Agreement dated as of September 9, 1996 between Education First Marketing LLC and The Chase Manhattan Corporation

68. Amendment as of July 1, 1998 to Master Participation Agreement dated as of September 9, 1996 among Student Loan Marketing Association, Education First Finance LLC and The Chase Manhattan Bank as Trustee
69. Amendment as of July 1, 1998 to Master Participation Agreement dated as of September 9, 1996 among Chase Education Holdings, Inc., Education First Finance LLC and The Chase Manhattan Bank as Trustee
70. Amendment as of July 1, 1998 to ELSC Loan Subparticipation Agreement dated as of September 9, 1996 among Student Loan Marketing Association, Education First Finance LLC and The Chase Manhattan Bank as Trustee
71. Second Amendment as of July 1, 1998 to the Master Participation Agreement dated as of September 9, 1996 among Chase Education Holdings, Inc., Education First Finance LLC, and The Chase Manhattan Bank as Trustee
72. Second Amendment as of July 1, 1998 to the ELSC Loan Subparticipation Agreement dated as of September 9, 1996 among Chase Education Holdings, Inc., Education First Finance LLC, and The Chase Manhattan Bank as Trustee
73. Second Amendment as of July 1, 1998 to the ELSC Loan Subparticipation Agreement dated as of September 9, 1996 among Student Loan Marketing Association, Education First Finance LLC, and The Chase Manhattan Bank as Trustee
74. Second Amendment as of July 1, 1998 to the Master Participation Agreement dated as of September 9, 1996 among Student Loan Marketing Association, Education First Finance LLC, and The Chase Manhattan Bank as Trustee
75. Consent and Acknowledgement As to Chase Lending Policy, dated July 30, 1998, by Sallie Mae Servicing Corporation and Education First Finance LLC
76. Amendment of August 1, 1998 to Commitment and Loan Sale Agreement dated September 9, 1996 among The Chase Manhattan Bank, The Chase Manhattan Bank as Trustee, and Education First Finance LLC
77. Amendment of August 1, 1998 to Commitment and Loan Sale Agreement dated September 9, 1996 among Chase Bank of Texas, National Association, The Chase Manhattan Bank as Trustee, and Education First Finance LLC
78. Loan Sale Agreement of December 1, 1998 among Education First Finance LLC, The Chase Manhattan Bank as Trustee, and Student Loan Marketing Association
79. Letter Amendment dated December 1, 1998 Amending the three Loan Servicing Agreements dated September 9, 1996 between Sallie Mae Servicing Corporation and (1) The Chase Manhattan Bank; (2) Education First Finance LLC and the Chase Manhattan Bank as Trustee; and (3) The Chase Bank of Texas, N.A.
80. Direction Letter of December 21, 1998 to Trustee re: Sale of JV Portfolio

81. Amendment of January 1, 1999 to Commitment and Loan Sale Agreement of September 9, 1996 among The Chase Manhattan Bank, The Chase Manhattan Bank as Trustee, and Education First Finance LLC
82. Commitment and Loan Sale Agreement of January 1, 1999 among The Chase Manhattan Bank as Trustee, Education First Finance LLC and Student Loan Marketing Association.
83. Commitment and Loan Sale Agreement for Private Loans of January 1, 1999 between Chase Manhattan Bank USA, N.A. and Student Loan Marketing Association.
84. Amendment of January 1, 1999 to Loan Servicing Agreement dated September 9, 1996 between Chase Manhattan Bank USA, National Association and Sallie Mae Servicing Corporation
85. Program Agreement for the Signature Education Loan Program [HICA-Insured] entered into as of the 1st day of January, 1999 by and among HICA, Chase Manhattan Bank USA, N.A., and The Chase Manhattan Bank
86. Signature Select Loan Amendment of February 1, 1999 to Commitment and Loan Sale Agreement for Private Loans dated January 1, 1999 between Student Loan Marketing Association and Chase Manhattan Bank USA, N.A.
87. Amendment of March 25, 1999 to Loan Sale Agreement of December 1, 1998 among The Chase Manhattan Bank as Trustee, and Education First Finance LLC and Student Loan Marketing Association
88. Laureate and Parent Answer Services Amendment, dated May 1, 1999 to Loan Servicing Agreement dated September 9, 1998, between The Chase Manhattan Bank and Sallie Mae Servicing Corporation
89. Amendment, dated May 1, 1999, to Commitment and Loan Sale Agreement dated as of January 1, 1999 among The Chase Manhattan Bank as Trustee, Student Loan Marketing Association, and Education First Finance LLC
90. Amendment to Commitment and Loan Sale Agreement of September 9, 1996 by and among The Chase Manhattan Bank, The Chase Manhattan Bank as Trustee and Education First Finance LLC.
91. Letter Agreement dated July 16, 2002 pertaining to Term Sheet signed by Student Loan Marketing Association, Sallie Mae Servicing L.P., JPMorgan Chase Bank, and Chase Manhattan Bank USA, N.A.

92. Any other agreements, whenever entered into, intended by the parties thereto to be included within the definition of "Venture Agreements" as defined in Section 2.1 of the Limited Liability Company Agreement of Education First Finance LLC dated as of September 9, 1996, by and between TCB Education First Corporation and Student Loan Marketing Association, and any amendments, modifications, or supplements to any such agreement.

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SCHEDULE II

INSERT INDIANA AND GEORGE MASON CUSTOM DEAL LETTERS

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SallieMae
P.O. Box 6180
Indianapolis, IN 46206

January 28, 2004

Jennifer Foutty
Purchasing Contract Manager
Indiana University Purchasing
400 East 7th Street, Room 416
Bloomington, IN 47405

Dear Jennifer,

Thank you for the opportunity to continue working with you and your staff to deliver a comprehensive education financing solution for students of Indiana University (see attached list of campuses). Sallie Mae's solution includes an industry leading federal loan program along with a customized private loan program. This "Letter of Understanding" summarizes the products and services that Sallie Mae will provide to Indiana University, its students and their parents. This Letter is considered an addendum to the Agreement between Indiana University and Sallie Mae dated November 14, 2003 and all terms in that Agreement remain in effect. The terms in this letter are in effect for the Academic Year 2004/2005 and will be renegotiated each academic year, renewable through June 30, 2009.

Our main objectives will be to accomplish the following:

- Offer Indiana University students and their parents a comprehensive education financing plan that includes:
 - Industry leading federal loan programs;
 - Private loan program with competitive rates and fees; and
 - Signature Opportunity Loan Program — private loans for students ineligible for other programs, including international students with proper INS documentation.
- Offer borrowers flexible repayment options and money-saving borrower benefits.

Sallie Mae is committed to these goals and pledges the full support of its professional staff in achieving these objectives. We are confident that Sallie Mae has the expertise, depth and resources and infrastructure to create and implement an education-financing program that stands ahead of our competitors.

INDIANA UNIVERSITY

Proprietary and Confidential

SallieMae

Nobody lends you more support

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Terms of the Indiana University Comprehensive Line Program

Sallie Mae will provide a loan program tailored to the needs of Indiana University, its students and their parents. Under the program, Sallie Mae offers Indiana University students a comprehensive education financing solution, including both federal and private education loans. The Indiana University/Sallie Mae arrangement will enable Indiana University to offer an innovative private loan program and expand access to education programs.

Federal Family Education Loan Program

Bank One (811925), Chase (807807), Dollar Bank (822583), FNB Sioux Falls (810457), Suntrust Bank (819873), Fifth Third Bank (803688), National City Bank (831403) and Citizens Bank of New England (805204) will fund FFELP loans for Indiana University students and their parents. Sallie Mae has agreements to purchase FFELP loans made by the above lenders and will provide loan origination and life-of-loan servicing on such loans.

Indiana University has indicated that they plan to continue to use USA Funds as its guarantor. USA Funds is Sallie Mae's preferred guarantor. Sallie Mae manages the guarantee, disbursement and customer service functions for USA Funds. By selecting a Sallie Mae lender and USA Funds as its guarantor, Indiana University will have the benefit of true life-of-loan servicing from loan guarantee through repayment.

Subsidized and Unsubsidized Federal Stafford Loan Program – Students who meet all Title IV eligibility criteria can borrow for both undergraduate and graduate education.

Federal PLUS Loan Program – Eligible parents may borrow for each dependent undergraduate who is enrolled at least halftime. Parents may finance up to the full cost of attendance, less financial aid the student receives. Parents can apply for the loans via Sallie Mae's Parent Answer[®] Service.

- **Sallie Mae's Parent Answer Service** consists of a group of well-trained financial aid and loan counselors dedicated to assisting parents with college financing options.
- Parent Answer provides credit counseling for parents who have credit issues that may keep them from being credit Approved for a PLUS loan. This counseling service is known as PLUS SuccessSM. In many cases, issues can be resolved quickly, and a parent can be credit approved for a PLUS loan.

Private Loan Programs

Sallie Mae's private loan programs are designed to provide students with additional funding when federal loan programs do not meet the total cost of education. Sallie Mae sponsors the MBA LOANS[®] Program, the LAWLOANS[®] Program, the MEDLOANS[®] Program, the Indiana University Custom Dental Loan Program and the Signature Education Loan[®] Program. Sallie Mae services these loans for the life of the loans. The private loan rates, fees and terms are those

in effect for Academic Year 2004/2005. These loan programs are reviewed on an annual basis and are subject to change. Sallie Mae will consult with Indiana University on any material changes prior to their implementation. This includes any changes to the rates and fees.

MBA LOANS Program – Sponsored by the Graduate Management Admissions Council, MBA LOANS is a combination of Stafford and private loans for students enrolled in a graduate business program with private loan rates as low as [**]. Students should apply for their Stafford Loan through MBA LOANS program before applying for a private loan. The MBA LOANS private loan is available to full-time and part-time students enrolled in a graduate management program. International students are eligible to apply if they obtain an eligible co-borrower. Students that qualify will be entitled to the following custom rates and fees.

Custom MBA LOANS Private Loan Rates and Fees for AY 2004/2005 with a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

Custom MBA LOANS Private Loan Rates and Fees for AY 2004/2005 with out a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

The minimum loan amount is \$500. The annual loan limit for the private loan is the cost of education less financial aid. The aggregate loan limit for the MBA LOANS Program is \$175,000. There is no aggregate loan limit if the student obtains a creditworthy U.S. co-borrower.

LAWLOANS[®] Program – With LAWLOANS, students can finance the entire cost of their law school education by using Stafford loans, LAWLOANS private loan and Bar Study Loan[®] (BSL) programs. Students should apply for their Stafford Loan through the LAWLOANS program before applying for the LAWLOANS private loan. All students pursuing law degrees at least halftime and enrolled in an American Bar Association (ABA) accredited law school are eligible to apply for the LAWLOANS private and Bar Student loans. The LAWLOANS Program offers high approval rates with interest rates as low as [**]. Students that qualify will be entitled to the following custom rates and fees.

Custom LAWLOANS Private Loan Rates and Fees for AY 2004/2005 with a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

Custom LAWLOANS Private Loan Rates and Fees for AY 2004/2005 with out a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%

Fair	[**]%	[**]%	[**]%
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The Bar Study Loan is available to assist students in paying expenses associated with studying for the Bar exam. The rates and fees are as follows:

	Interim Interest Rate	Repayment Interest Rate	Disbursement Fee	Repayment Fee
With a co-borrower	[**]%	[**]%	[**]%	[**]%
Without a co-borrower	[**]%	[**]%	[**]%	[**]%

The minimum loan amount is \$500. The annual loan limit for the LAWLOANS private loan is the cost of education less federal loans, grants, scholarships, and other financial aid. The aggregate loan limit for the LAWLOANS Program is \$150,000. There is no aggregate loan limit if the student obtains a creditworthy U.S. co-borrower.

The Indiana University Custom Dental Loan – Sponsored by Sallie Mae, the Indiana University Custom Dental Loan is a combination of Stafford and private loans for students enrolled in a dental program with private loan rates as low as [**]. Students should apply for their Stafford Loan before applying for a private loan. The Indiana University Custom Dental private loan is available to students enrolled at least half time in a dental program. International students are eligible to apply if they obtain an eligible co-borrower. Students that qualify will be entitled to the following custom rates and fees.

Indiana University Custom Dental Loan Rates and Fees for AY 2004/2005 with a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

Indiana University Custom Dental Loan Rates and Fees for AY 2004/2005 with out a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

The minimum loan amount is \$500. The annual loan limit for the Indiana University Custom Dental Loan is the cost of education less financial aid. The aggregate loan limit (all student loan debt, including federal and private) is \$220,000. There is no aggregate loan limit if the student obtains a creditworthy U.S. co-borrower.

Students with an Indiana University Custom Dental Loan will have a 6 month grace period. They will also be given the opportunity to defer making payments for an additional 18 months.

The Signature Student Loan is a credit-based privately insured loan designed to provide additional funding after students have received all of their financial aid including federal loans. The Signature Student Loan is available to undergraduate, graduate and health profession students enrolled at least halftime and pursuing a degree. The interest rates and fees are tiered, based on the student borrowers or co-borrower's credit history. The Signature Student Loan offers high approval rates with interest rates as low as [**]. Foreign students and students with no credit or an insufficient credit history must apply with a creditworthy co-borrower. Students that qualify will be entitled to the following custom rates and fees.

Custom Signature Student Loan Rates and Fees for AY 2004/2005 with a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

Custom Signature Student Loan Rates and Fees for AY 2004/2005 with out a Co-borrower

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

Note: students enrolled in a graduate business program can select between the MBA LOANS private loan and the Signature Student Loan. Students enrolled in a graduate law program are not eligible for a Signature Student Loan, however, these students have the opportunity to apply for a LAWLOANS private loan.

The minimum loan amount is \$500. The annual loan limit for the Signature Student Loan is the cost of education less financial aid. The aggregate loan limit (all student loan debt, including federal and private) is \$100,000 for undergraduate students and \$150,000 for graduate students. There is no aggregate loan limit if the student obtains a creditworthy U.S. co-borrower.

Opportunity Loan Program – As part of the comprehensive financing plan, Sallie Mae’s lender partners will provide a limited number of loans to students who are ineligible for other programs (i.e. the MBA LOANS Program, the LAWLOANS, Program and the Indiana University Custom Dental Loan Program and the Signature Student Loan Program). The purpose of these loans is to provide the opportunity for academically qualified students to pursue an education at Indiana University. Indiana University will have the authority to determine which students would be approved under this program, including international students with proper INS documentation. The university will not be required to assume any risk for these loans. Students with previous student loan defaults are not eligible for an Opportunity Loan.

Opportunity Loan Rates and Fees for AY 2004/2005

Interest Rate	Disbursement Fee	Repayment Fee
[**]%	[**]%	[**]%

Sallie Mae will work with Indiana University to approve up to \$[**] in Opportunity Loans annually beginning with AY 2004/2005 (July 1, 2004 through June 30, 2005).

In determining which applicants will receive Opportunity Loans, Indiana University will not discriminate against an applicant on the basis of race, color, religion, national origin, sex, sexual orientation, marital status or age (provided that the applicant has the capacity to enter into a binding contract), the fact that all or part of the applicant’s income derives from any public assistance program, or the fact that the applicant has in good faith exercised any right under the federal Consumer Credit Protection Act or any state law upon which an exemption to the Act has been granted by the Federal Reserve Board.

Terms for the MBA LOANS private loan, the LAWLOANS private loan and Bar Study Loan, the Indiana University Custom Dental Loan, the Signature Student Loan and the Opportunity Loan:

- **Combined billing** for Stafford and private loans. Students will receive one monthly billing statement combing their Stafford and private loans serviced by Sallie Mae.
- There is **no minimum income and no debt-to-income ratio requirement** for student borrowers.
- **Foreign students** and students with no credit or an insufficient credit history are required to apply with a creditworthy U.S. co-borrower.
- **Co-borrower release option:** after 24 on-time payments of principal and interest customers may request a co-borrower release. Customers must meet applicable credit requirements at that time. (N/A for Opportunity Loans).

- Interest rates and fees are effective with first disbursements on or after June 1, 2004.
- **Disbursement fees are capitalized** (added to the loan balance) allowing students to receive the full amount of the loan requested.
- **Interest rates are variable.**
- **In-school deferment:** Students are not required to make payments while they remain enrolled in school at least halftime.
- **Six-month grace period** for MBA LOANS private loans, Indiana University Custom Dental Loans, Signature Student Loan and Opportunity Loans
- Students with an Indiana University Custom Dental Loan will have a 6 month grace period. They will also be given the opportunity to defer making payments for an additional 18 months.
- **Nine-month grace period** for LAWLOANS private loans and Bar Study Loans.
- **Affordable 15-year repayment term.** Borrowers with large balances can select repayment terms of up to 25 years.
- \$50 minimum monthly payment.
- **Flexible repayment options** include a graduated repayment option and extended terms.
- **Customer service and online account access available** at www.salliemae.com.

MEDLOANSSM Program – Sponsored by the Association of American Medical Colleges[®] (AAMC), MEDLOANS is a combination of federal (Stafford and Consolidation) and private loans available for osteopathic and allopathic medical students. Students should apply for their FFELP through the MEDLOANS program before applying for the private loan. Both the MEDLOANS federal and Alternative Loan Program loans are funded by Bank One. MEDLOANS Stafford customers are eligible for the MEDLOANS Healthier ReturnsSM and MEDLOANS Stafford Cash Back benefits.

Rates and Fees for the MEDLOANS Alternative Loan Program Loan AY 2004/2005

Interim Interest Rate	Repayment Interest Rate*	Disbursement Fee	Repayment Fee
[**]%	[**]%	[**]%	[**]%

*The Alternative Loan Program Repayment Rate will be [**]% if customers participate in the Direct Repay and MEDLOANS Rewards programs (described in the Borrower Benefits section later in this proposal).

The minimum loan amount is \$500. The maximum loan amount is cost of education less other financial aid received. The aggregate loan limit (all student loan debt, including federal and private) is \$220,000.

Terms and Conditions of the MEDLOANS Alternative Loan Program include:

- Repayment begins 3 years after graduation or 9 months after the borrower’s status drops to less than halftime.
- Standard repayment term is 20 years, with alternative repayment terms available.

- Interest capitalization occurs once after interrupted periods of grace and deferment.

The **MEDEX Loan Program** is available to students in their final year of medical school. The MEDEX loan helps them finance the expenses associated with securing a residency position after medical school (i.e. travel to residency interviews and relocation costs) which cannot be funded under federal student loan programs. Students can borrow up to \$12,000 through this loan program.

Rates and Fees for the MEDEX Loan AY 2004/2005

Interim Interest Rate	Repayment Interest Rate*	Disbursement Fee	Repayment Fee
[**]%	[**]%	[**]%	[**]%

*The MEDEX Loan Repayment Rate will be [%]** if customers participate in the MEDEX RewardsSM Programs (described in the Borrower Benefits section later in this proposal).

Borrower Benefits

Sallie Mae leads the industry with benefits that reward customers for repaying their loans on time, and make federal student loans more affordable. These benefits are available for loans originated, sold to and serviced by Sallie Mae throughout repayment.

Stafford Loan Borrower Benefits:

Indiana University campuses will have the option of selecting one or both of the following Stafford loan borrower benefit programs (Note: these packages cannot be combined). Both packages will be offered to all eligible students. However, an individual student will select only one package for all of his/her Stafford loans. In making this decision, we encourage serial borrowers to remain with their current Sallie Mae lender so that they do not have to complete a new Master Promissory Note. The two options are outlined as Scenario I and Scenario II below.

Scenario I – Indiana University Stafford Borrower Benefit Package (Loans funded by Dollar Bank and FNB Sioux Falls):

- [%]** Loan Origination Fee for Stafford Loan Borrowers – Indiana University borrowers, with loans disbursed on or after July 1, 2004, through June 30, 2009, will have access to federal Stafford loans with a [%]** percent loan origination fee. These loans will be funded by FNB Sioux Falls and Dollar Bank.
- Indiana University [%]** Percent Rewards – Stafford borrowers funded FNB Sioux Falls or Dollar Bank who make their first 33 scheduled payments on-time get a [%]** percentage point interest rate reduction on each eligible loan as long as they continue to pay on time. (Note: this interest rate reduction cannot exceed the actual interest rate on the loan at the time the benefit is earned.)

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- Indiana University-Bloomington Stafford serial loan borrowers whose loans were funded by FNB Sioux Falls for AY 2003/2004 will have the opportunity to replace their existing Sallie Mae Cash Back borrower benefit with the Indiana University [%]** Percent Rewards Program, using their existing Master Promissory Note on new serial loans.

- [%]** Percent Guarantee Fee – Indiana University students will have access to a [%]** percent guarantee fee loan for AY 2004/2005.

Scenario II – Indiana University Stafford Borrower Benefit Package (Loans funded by Bank One, Chase, Fifth Third Bank, Suntrust Bank, National City Bank and Citizens Bank of New England):

- Indiana University Payback for Stafford Borrowers – Stafford borrower will receive a credit when Sallie Mae purchases the loans (approximately 30 days after full disbursement) that is equal to [%]**% of the original principal balance of each eligible Stafford loan. Borrowers are in control of their savings by choosing to receive the benefit as either cash or a loan account credit.

All Indiana University students will receive the benefit if they obtain a Stafford loan first disbursed on or after July 1, 2004 that is funded by Bank One, Chase, Fifth Third Bank, Citizens Bank of New England, National City Bank or Suntrust Bank. Borrowers will receive a check from Sallie Mae. It will be mailed to their address on record approximately 30 days after full disbursement. In the event that the check is not cashed or the check is returned for an insufficient address, the credit will be applied to the borrowers account.

Borrowers will also be encouraged to enroll in Manage Your Loans and agree to receive account information via e-mail.

- Indiana University [%]** Percent Rewards – Stafford borrowers funded by Bank One, Chase, Fifth Third Bank, Citizens Bank of New England, National City Bank or Suntrust Bank who make their first 33 scheduled payments on-time get a [%]** percentage point interest rate reduction on each eligible loan as long as they continue to pay one time. (Note: this interest rate reduction cannot exceed the actual interest rate on the loan at the time the benefit is earned.)
- [%]** Percent Guarantee Fee – Indiana University students will have access to a [%]** percent guarantee fee loan for AY 2004/2005.

MEDLOANS Stafford Loan Borrower Benefits

- The MEDLOANS Stafford Cash Back Program offers MEDLOANS Stafford borrowers choice, convenience and substantial savings. With this benefit, borrowers receive a [%]**% credit based on the eligible loan's original principal amount. Borrowers are in control of

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their savings by choosing to receive the benefit as either cash or a loan account credit. To qualify:

- A MEDLOANS Stafford loan must have been first disbursed with Bank One and be owned and serviced by Sallie Mae throughout repayment.
- The customer must enroll in Manage Your Loans and sign up to receive account information by e-mail.
- The borrower must make his/her initial 33 scheduled payments on time.

This benefit is in addition to the MEDLOANS Healthier Returns benefit.

- **MEDLOANS Healthier Returns** – MEDLOANS Stafford borrowers can earn a **[**]% credit** towards their loan balance when they graduate, activate Manage Your Loans to view their account online and agree to receive their account information at a valid e-mail address. The credit will be calculated based on the borrower's original principal balance of each eligible loan and may be applied to the borrower's account as early as graduation if all criteria have been met.
- **[**] Percent Guarantee Fee** – Indiana University students will have access to a **[**] percent guarantee fee loan** for AY 2004/2005.

PLUS Loan Borrower Benefits:

PLUS loan borrowers funded by Bank One, Chase, Fifth Third Bank, Citizens Bank of New England, Suntrust Bank, FNB Sioux Falls, National City Bank or Dollar Bank will have access to the following PLUS loan borrower benefit programs:

- **Indiana University PLUS PaybackSM** – PLUS borrowers funded by Bank One, Chase, Fifth Third Bank, Citizens Bank of New England, Suntrust Bank, FNB Sioux Falls, National City Bank or Dollar Bank will receive a **credit equal to [**]%** of the original principal balance on eligible PLUS loans after making their first scheduled monthly payment on time. In order to qualify for Indiana University PLUS Payback, borrowers must also enroll in Manage Your Loans and sign up to receive account information via email.
- **Direct Repay** – PLUS loan borrowers who authorize the automatic debit of funds from their checking or savings accounts to cover their monthly education loan payments will receive a **[**] percentage point interest rate reduction on eligible loans** for as long as they make on time payments through the plan.
- **[**] Percent Guarantee Fee** – Indiana University parents will have access to a **[**] percent guarantee fee loan** for AY 2004/2005.

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MEDLOANS Private Loan Borrower Benefits:

- **MEDLOANS RewardsSM Program** – MEDLOANS Alternative Loan Program private loan borrowers are eligible for an immediate **[**] percentage point interest rate reduction**. Borrowers will retain this benefit as long as they continue to pay on time.
- **MEDEX RewardsSM Program** – MEDEX private loan borrowers are eligible for an immediate **[**] percentage point interest rate reduction**. Borrowers will retain this benefit as long as they continue to pay on time.
- **Direct Repay** – MEDLOANS Alternative Loan Program and MEDEX borrowers who authorize the automatic debit of funds from their checking or savings account to cover their monthly education loan payments will receive a **[**] percentage point interest rate reduction on eligible loans** for as long as they make on time payments through the plan.

Combined Billing

Borrowers with FFELP and private loans owned and serviced by Sallie Mae have the benefit of receiving one monthly billing statement combining the loans.

Repayment Options

Combined Billing – FFELP and private loan customers whose loans are owned and serviced by Sallie Mae have the benefit of receiving one monthly billing statement combining the loans.

Net.RepaySM is an online student loan bill presentment and payment service. With this system, customers receive an e-mail reminder when their monthly bill is available for viewing. After viewing, clicking on the "Pay" button will automatically debit the user's specified bank account on the next business day.

The Standard Repayment option provides Stafford, PLUS and private loan customers with the lowest total loan cost. This option requires payments of principal and interest due each month.

Sallie Mae also offers several graduated and reduced payment options to make payments more affordable. Eligibility for a graduated repayment plan is dependent on loan type, interest rate and repayment time remaining.

The **Grad ChoiceSM** option is a graduated repayment plan that allows customers to make reduced payments for two, three or four years that may be as low as interest only with standard payments of principal and interest for the remaining repayment term. Payments under a Grad Choice option in some cases can be more than 60% lower during the reduced payment period than payments made under the Standard Repayment option. This repayment option is available to Stafford and PLUS loan customers.

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The **Select StepSM** option is a graduated repayment plan that allows customers to make interest-only payments for up to four years followed by standard payments of principal and interest for the remaining repayment term. This repayment option is available to Stafford, PLUS and private loan customers.

The **FLEX REPAYSM** option – *offered exclusively by Sallie Mae* – makes payments more affordable for Stafford and PLUS customers by extending student loan repayment while minimizing total loan costs as compared with loan consolidation. With Flex Repay, eligible customers can get lower payments for up to four years. If payment relief is still needed, principal and interest payments can gradually be increased for up to five years through reduced payment forbearance. Standard principal and interest payments follow for the remaining repayment term. The Flex Repay option is an affordable alternative to loan consolidation.

The **Income-Sensitive Repayment** option offers payments that are based on a percentage of the borrower's monthly gross income. (The minimum payment amount must cover the monthly interest accrual.) The borrower must reapply every year and payments are adjusted annually to reflect any changes in the borrower's income. This program is open to Stafford, PLUS and consolidation loan customers.

Extended Repayment Option – Certain customers with greater than \$30,000 in outstanding FFELP debt may be eligible for a 25-year repayment term and the choice of either a standard or graduated payment plan.

Signature Student Loan, MBA LOANS private loan, Indiana University Custom Dental Loan, LAWLOANS private loan and Bar Study Loan customers with private loan debt in excess of \$20,000 may be eligible to extend their repayment term up to 20-years. Customers with even higher balances may be able to extend their term up to a 25-years.

Loan Consolidation

Sallie Mae customers and non-Sallie Mae customers who have FFELP loans with more than one holder have the ability to consolidate with Sallie Mae. Sallie Mae offers several loan consolidation options:

- The **SMART LOAN Consolidation Account** is a practical, education debt-management option that enables customers to consolidate all of their federal loan debt (Stafford, PLUS and Perkins). This program enables customers to reduce their initial monthly payments by as much as 50 percent. As the nation's largest FFELP consolidation lender, Sallie Mae provides customers with expert consolidation counseling via a toll-free telephone number, and an array of web-based services, *including an online application and electronic signature*.
- The **MEDLOANS Consolidation Loan** is a federal consolidation loan program offered by Sallie Mae in cooperation with the Association of American Medical Colleges (AAMC). The MEDLOANS Consolidation Loan is a practical debt management tool that offers all

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the benefits of a federal loan consolidation and more! Designed exclusively for customers who have attended schools of allopathic or osteopathic medicine, the MEDLOANS Consolidation Loan program provides special borrower benefits that can potentially save thousands of dollars in interest expenses. MEDLOANS also offers consolidation counseling services tailored to meet the needs of today's medical students and residents as well as practicing physicians.

- **SMART Advantage Account** – allows Sallie Mae Stafford and PLUS borrowers to place their Sallie Mae loans into a non-consolidated account and consolidate only the loans that Sallie Mae does not currently own (i.e., direct loans). Borrowers receive payment relief needed through a longer repayment term and maintain eligibility for Sallie Mae's borrower benefits, which will reduce the total cost of their loan indebtedness.

Sallie Mae can work with Indiana University to endorse and promote loan consolidation programs to students with outstanding direct loans or FFELP loans with other lenders to ensure that customers are aware of their consolidation options. Sallie Mae believes that the following services will allow Indiana University to personalize the relationship with their students. These services can include:

- **Onsite exit counselling.** Sallie Mae can lead in-depth sessions designed to meet the needs of your students. Handouts can be tailored to include consolidation examples based on typical student debt profiles for your programs.
- **Training sessions for your financial aid staff.** These sessions are designed to help FAAs understand the consolidation application process and counsel students about debt management.
- **Loan consolidation materials.** These materials range from pocket-size consolidation information cards to comprehensive consolidation packets that include an informative, 12-page booklet and a SMART LOAN application.
- **Personalized communications to students.** Sallie Mae can help your staff draft letters alerting students to specific consolidation opportunities, such as a pending rate change, or prepare and mail letters to those students who are Sallie Mae customers. These communications can be targeted to students who are preparing to graduate, to students who have graduated or to students who are already in repayment.

Customers who consolidate through Sallie Mae will have access to the following loan consolidation borrower benefit programs. These programs offer substantial savings through interest rate discounts awarded for on-time payments.

- **Direct Repay** – SMART LOANS Consolidation Account borrowers will receive a $\frac{1}{4}$ **percentage point interest rate reduction on eligible loans** if they authorize the automatic debit of funds to cover their monthly loan payments.

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- **SMART LOAN® Consolidation Account Benefit** – Customers who have an initial federal consolidation loan balance of at least \$10,000 can earn a 1-percentage point interest rate reduction after they make their first 36 scheduled monthly payments on time. The interest rate reduction continues as long as on time payments are made.
- **MEDLOANS Consolidation Rewards** – a 1 percentage point interest rate reduction is available on MEDLOANS Consolidation Loans made on or after January 15, 2003. To qualify, MEDLOANS Consolidation customers must make their initial 48 scheduled monthly payments on time. The interest rate reduction continues as long as on time payments are made.

Note: Benefits are not applicable to the portion of MEDLOANS Consolidation Loans that are made up of HEAL loans.

- **MEDLOANS Consolidation Cash Back** – is an incentive program that rewards MEDLOANS Consolidation Loan customers for consistently making their payments on time and taking advantage of Sallie Mae’s web-based account services. With this benefit, customers choose to receive a *1% credit or cash back* based on the original principal amount of their MEDLOANS Consolidation Loans. To qualify:
 - A MEDLOANS Consolidation Loan must have its first disbursement on or after January 15, 2003.
 - The customers must enroll in Manage Your Loans and sign up to receive account information by e-mail.
 - The customer may make his/her initial 33 scheduled payments on time.

Customers must satisfy the above requirements as of the due date of their initial 33rd scheduled payment.

Web-based Technologies

Sallie Mae will proactively incorporate Web-based and state-of-the-art technology to create more efficient loan delivery products to meet the unique needs of your school and its students. During all phases of the transition from your FAMS to PeopleSoft, Sallie Mae’s technical and support staff will be available to work with Indiana University to ensure a smooth transition. Dedicated onsite resources will be made available as required.

- OpenNet 2.0 is Sallie Mae’s user-friendly loan delivery system that gives you and your staff control and visibility over your entire student loan process – from start to finish. This completely online loan process helps speed the delivery of funds to your campus, gives your parents / students the peace of mind that their funding is secure and reduces the amount of time your staff spends on purely administrative tasks. Implementing OpenNet 2.0 requires minimal involvement from your staff.

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OpenNet 2.0’s “PIN-less” electronic signature process expedites the delivery of loan funds by eliminating mail transit time for loan applications, simplifies the application process by reducing paper, and provides unprecedented convenience to parents and students.

- Internet Account Access – Indiana University staff and borrowers will have 24-hour access to Sallie Mae-serviced accounts through www.salliemae.com. School Self Service provides your financial aid staff with access to financial aid forms, online reports and password-protected student loan account information. Our Manage Your Loan service allows borrowers to track account information, make loan payments online, change payment plans, postpone payments, update personal profiles and send secure emails to Sallie Mae.

Other Services for Borrowers

Sallie Mae uses technologies that increase student satisfaction in all facets of their interaction with Indiana University. For example, our Web-based systems allow students to complete the loan process and update loan information 24 hours a day, 7 days a week. This process may be initiated by students or by the University. In addition to loan delivery solutions, Sallie Mae offers other services including:

- Online correspondence for all federally-required notices;
- The ability to make their payments on-line with a monthly e-mail reminding them of their payment;
- Ability to view and update loan data instantly;
- Ability to request a deferment or forbearance online, over the telephone, or via fax; and
- Access to **TrueCareersSM**, a free and confidential career web site search tool.

Marketing of Sallie Mae Products and Services

Sallie Mae will work with Indiana University to develop and print web based materials that effectively promote the Sallie Mae products and services offered. This will include materials that encourage students to sign up for Manage Your Loans.

Indiana University, in counseling its students, will remind them of the benefits of selecting one lender for all of their funding needs.

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Summary

Sallie Mae is confident that through this comprehensive solution Indiana University will be able to offer financing to students and families on highly competitive terms, achieve a maximum loan approval rate and minimize potential liability.

Sallie Mae welcomes the opportunity to continue working with Indiana University on this loan program. Please let us know if you have any questions or concerns. If the terms of this Letter of Understanding meet with your expectations, please sign and return this document to the address listed below. Sallie Mae and representatives from Indiana University will meet on an annual basis to discuss the mutual expectations of this comprehensive loan program.

Sincerely,

/s/ Dennis K. Wentworth
Dennis K. Wentworth
President and Region Head
Central Region HigherEd Sales
(317) 595-1339
dennis.wentworth@slma.com

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This letter sets forth the entire understanding of the parties relating to the subject matter hereof. Notwithstanding the preceding sentence, the parties acknowledge that certain services described herein may require separate written agreements between Indiana University and Sallie Mae. The contents of this letter are confidential and contain information that is proprietary to Sallie Mae. Indiana University agrees that this letter and its contents shall be maintained in confidence and may only be disclosed to those employees of Indiana University who have a need to know this information for the purpose of performing their job. Nothing in this Section with respect to confidential and proprietary information is intended to be inconsistent with Customer's obligations under the Indiana Open Records Act, Indiana Code Section I.C. 5-14-et seq.

Agreed and Accepted:

/s/ Jennifer Foutty

1-28-04

Authorized Indiana University Representative

Date

Please return signed letter to:

Dennis K. Wentworth
President and Region Head
Central Region HigherEd Sales
Sallie Mae, Inc.
P.O. Box 6180
Indianapolis, IN 46206

For purposes of this letter, "Sallie Mae," means SLM Corporation and its affiliates. SLM Corporation and its subsidiaries, other than the Student Loan Marketing Association, are not sponsored by or agencies of the United States.

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Indiana University Schools

School Name	Location	School Code
Indiana University	Bloomington	001809-00
Indiana University	Richmond	001811-00
IUPUI	Indianapolis	001813-00
Indiana University	Kokomo	001814-00
Indiana University	Northwest (Gary)	001815-00
Indiana University	South Bend	001816-00
Indiana University	Southeast (New Albany)	001817-00

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SallieMae
11600 Sallie Mae Drive
Reston, VA 20193

March 10, 2004

Jevita DeFreitas

Dear Jevita,

Thank you for the opportunity to deliver a comprehensive education financing solution for students at George Mason University. Sallie Mae's solution includes an industry leading federal loan program and a customized private loan program. This "Letter of Understanding" summarizes the products and services that Sallie Mae and its lender partners will provide to George Mason University students and parents. The terms in this letter will be in effect beginning July 1, 2004 and, except where noted, will remain in effect through June 30, 2008.

Our main objectives are to:

- Develop and implement a transition plan to move George Mason University from the Federal Direct Loan Program (FDLP) to the Federal Family Education Loan Program (FFELP) for Academic Year 2004/2005.
- Offer George Mason University students and their parents a financing plan that includes:
 - Industry leading federal and private loan programs; and
 - Private loan programs with competitive rates and fees.
- Provide flexible repayment options and customized money saving borrower benefits.

Sallie Mae is committed to these goals and pledges the full support of its professional staff in achieving these objectives. We are confident that Sallie Mae has the expertise, depth and resources and infrastructure to create and implement an education-financing program that stands ahead of our competitors.

Transition Support

Sallie Mae will work closely with your staff to implement a solution that ensures the effective and efficient interface of our technology with your financial aid management system. During all

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phases of the transition, we have a dedicated support team to address all of your needs. That support team will be charged to address all needs in the transition process.

Sallie Mae will work with your staff to determine the appropriate target dates for each step of the transition. We are confident that the entire transition process can be accomplished in time for your staff to begin awarding loans for Academic Year 2004/2005.

Terms of the George Mason University Comprehensive Loan Program

Sallie Mae will provide a loan program tailored to the needs of George Mason University students and parents. Under the program, Sallie Mae, through its lender partners, offers George Mason University students a financing solution that includes both federal and private education loans. The George Mason University/Sallie Mae partnership will enable George Mason University to expand access to education programs.

Federal Family Education Loan Program

Chase (Lender Codes: 819166-MBA, 815854-Law and 808037-all other programs) and Citizens Bank (Lender Code: 833881) will fund FFELP loans for George Mason University students and parents. Sallie Mae has agreements to purchase loans made by these lenders and will provide loan origination and life-of-loan servicing on such loans.

Sallie Mae **provides assistance for parents interested in applying for a Federal PLUS Loan through our Parent Answer Service. Parent Answer Service** consists of a group of well-trained financial aid and loan counselors dedicated to assisting parents with college financing options. Parent Answer provides credit counseling for parents who have credit issues that may keep them from being credit approved for a PLUS loan. This counseling service is known as **PLUS SuccessSM**. In many cases, issues can be resolved quickly, and a parent can be credit approved for a PLUS loan.

Private Loan Programs

Sallie Mae's private loan programs are designed to provide students with additional funding when federal loan programs do not meet the total cost of education. Sallie Mae and its lender partners are offering the MBA LOANS[®] Program, the LAWLOANS[®] Program and the Signature Education Loan[®] Program to George Mason's undergraduate and graduate students. The private loan rates, fees and terms are those in effect for Academic Year 2004/2005. These loan programs are reviewed on an annual basis and are subject to change.

MBA LOANS Program – Sponsored by the Graduate Management Admissions Council, MBA LOANS is a combination of Stafford and private loans for students enrolled in a graduate business program. Students should apply for their Stafford Loan through MBA LOANS program before applying for a private loan. The MBA LOANS private loan is available to full-time and part-time students enrolled in a graduate management program. International students

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are eligible to apply if they obtain an eligible co-borrower. These loans will be funded by Chase (Lender Codes: 819166-Stafford, 5191266-private).

Premier MBA LOANS Private Loan Rates and Fees with a Co-borrower for AY 04/05

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

Premier MBA LOANS Private Loan Rates and Fees without a Co-borrower for AY 04/05

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

The minimum loan amount is \$500. The annual loan limit for the private loan is the cost of education less financial aid. The aggregate loan limit for the MBA LOANS Program is \$175,000. There is no aggregate loan limit if the student obtains a creditworthy U.S. co-borrower.

LAWLOANS Program – With LAWLOANS, students can finance the entire cost of their law school education by using a combination of a Stafford loan, a private loan and Bar Study Loan® (BSL). Students should apply for their Stafford Loan through the LAWLOANS program before applying for the private loan. All students pursuing law degrees at least halftime and enrolled in an American Bar Association (ABA) accredited law school program are eligible to apply for the LAWLOANS private and Bar Student loans. The interest rates and fees are tiered, based on the student borrower’s or co-borrower’s credit history. The LAWLOANS Program offers high approval rates with interest rates as low as [**]. Students that qualify will be entitled to the following custom rates and fees. These loans will be funded by Chase (Lender Codes: 815854-Stafford, 515854-private).

Premier LAWLOANS Private Loan Rates and Fees with a Co-borrower for AY 04/05

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

Premier LAWLOANS Private Loan Rates and Fees without a Co-borrower for AY 04/05

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

LAWLOANS – Bar Study Loan Rates and Fees for AY 04/05

	Interim Interest Rate	Repayment Interest Rate	Disbursement Fee	Repayment Fee
With a Co-borrower	[**]%	[**]%	[**]%	[**]%
Without a Co-Borrower	[**]%	[**]%	[**]%	[**]%

The minimum loan amount is \$500. The annual loan limit for the LAWLOANS private loan is the cost of education less other financial aid received. The aggregate loan limit for the LAWLOANS Program is \$150,000. There is no aggregate loan limit if the student obtains a creditworthy U.S. co-borrower.

The **Premier Signature Student Loan®** is a credit-based privately insured loan designed to provide additional funding after students have received all of their financial aid. The Signature Student Loan is available to undergraduate and graduate students enrolled at least halftime and pursuing a degree. The interest rates and fees are tiered, based on the student borrower’s or co-borrower’s credit history. The Signature Student Loan offers high approval rates with interest rates as low as [**]. Foreign students and student with no credit or an insufficient credit history must apply with a creditworthy co-borrower. These loans will be funded by Chase (Lender Code: 516745) and Citizens Bank (Lender Code: 810240).

Premier Signature Student Loan with a Co-borrower for AY 04/05

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

Premier Signature Student Loan without a Co-borrower for AY 04/05

Credit	Interest Rate	Disbursement Fee	Repayment Fee
Excellent	[**]%	[**]%	[**]%
Good	[**]%	[**]%	[**]%
Fair	[**]%	[**]%	[**]%

Note: students enrolled in a graduate business program can select between the MBA LOANS private loan and the Signature Student Loan. Students enrolled in a graduate law program are

not eligible for a Signature Student Loan, however, these students have the opportunity to apply for a LAWLOANS private loan.

The minimum loan amount is \$500. The annual loan limit for the Signature Student Loan is the cost of education less financial aid. The aggregate loan limit (all student loan debt, including federal and private) is \$100,000 for undergraduate students and \$150,000 for graduate students. There is no aggregate loan limit if the student obtains a creditworthy U.S. co-borrower.

Terms for Sallie Mae's private loan programs:

- **Combined billing** for Stafford and private loans. Students will receive one monthly billing statement combining their Stafford and private loans serviced by Sallie Mae.
- There is **no minimum income and no debt-to-income ratio requirement** for student borrowers.
- **Foreign students** and students with no credit or an insufficient credit history are required to apply with a creditworthy U.S. co-borrower.
- **Co-borrower release option:** after 24 on-time payments of principal and interest a co-borrower may be removed from any legal obligation. Borrowers must request the release and meet applicable credit requirements at that time.
- Interest rates and fees are effective with first disbursements on or after June 1, 2004.
- **Disbursement fees are capitalized** (added to the loan balance) allowing students to receive the full amount of the loan requested.
- **Interest rates are variable.**
- **In-school deferment:** Students are not required to make payments while they remain enrolled in school at least halftime.
- **Six-month grace period** for MBA LOANS private loans and Signature Student Loans.
- **Nine-month grace period** for LAWLOANS private loans and Bar Study Loans.
- **Affordable 15-year repayment term.**
- \$50 minimum monthly payment.
- **Flexible repayment options** include a graduated repayment option and extended terms.
- **Customer service and online account access available** at www.salliemae.com.

Borrower Benefits

Sallie Mae leads the industry with benefits that reward customers for repaying their loans on time, and made federal student loans more affordable. These benefits are available for loans originated, sold to and serviced by Sallie Mae throughout repayment.

These benefit programs are in effect for the 2004/2005 academic year. Sallie Mae reserves the right to modify, continue or discontinue borrower benefit programs at any time without notice. Changes to these programs, if any, will not affect loans previously qualified for these benefits.

Federal Stafford Loan Borrower Benefit Programs:

Stafford PaybackSM - Students who attend George Mason University will receive a **[**]% account credit** upon entering repayment on each eligible Stafford loan. To qualify a customer must:

- Obtain a Stafford loan through Chase or Citizens Bank while attending George Mason University. The Stafford loan must have its first disbursement on or after July 1, 2004.
- Enroll in Manage Your LoansSM, Sallie Mae's on-line account management tool available at www.salliemae.com, provide a valid email address and sign up to receive account information by e-mail.

Students must satisfy all of these requirements within 60 days of entering repayment. Once the borrower earns the benefit he/she never loses it.

The Stafford Payback benefit is in addition to the Sallie Mae Cash Back benefit program described below.

Sallie Mae's Custom Cash Back[®] is an incentive program that rewards Stafford borrowers for consistently making their payments on time and taking advantage of Sallie Mae's web-based account services. This benefit allows students to receive an **account credit or cash back** that is based on **[**]% of their original principal amount** after they make 33 on time payments. This benefit has been customized for students attending George Mason University. To qualify a customer must:

- Obtain a Stafford loan through Chase or Citizens Bank while attending George Mason University. The Stafford loan must have its first disbursement on or after July 1, 2004.
- Enroll in Manage Your Loans, provide a valid email address and sign up to receive account information by e-mail.
- The student must make his/her initial 33 scheduled payments on time.

Borrowers must satisfy the above requirements as of the due date of their initial 33rd scheduled on time payment. Once the borrower earns the benefit he/she never loses it.

Federal PLUS Loan Borrower Benefit Programs:

PLUS PaybackSM - George Mason University PLUS borrowers will receive a credit equal to **[**]% of the original principal balance** on each eligible PLUS loan. To qualify, a parent must:

- Borrower a PLUS loan for a child attending George Mason University. The eligible lenders for this program are Chase or Citizens Bank. The PLUS loan must have its first disbursement on or after July 1, 2004.
- Enroll in Manage Your Loans and agree to receive account information by e-mail.

- Make his/her first 24 scheduled monthly payments on time to receive a [**]% credit. A second [**]% credit will be applied to the borrower's account after an additional 24 on time payments are made.

With the **Direct Pay**SM plan, PLUS borrowers who authorize the automatic debit of funds from their checking or savings accounts to cover their monthly education loan payments will receive an interest rate reduction of [**] **percentage point** as long as they continue to make on time payments.

Combined Billing

Borrowers with FFELP and private loans owned and serviced by Sallie Mae have the benefit of receiving one monthly billing statement combining the loans.

Repayment Options

Net.RepaySM is an online student loan bill presentment and payment service. Borrowers receive an e-mail reminder when their monthly bill is available for viewing. After viewing, clicking on the "Pay" button will automatically debit the user's specified bank account to cover their monthly loan payment.

Sallie Mae offers several graduated and reduced payment options to make payments more affordable. Eligibility for a graduated repayment plan is dependent on loan type, interest rate and repayment time remaining.

The **Standard Repayment** option provides Stafford, PLUS and private loan customers with the lowest total loan cost. This option requires payments of principal and interest due each month.

The **Grad Choice**SM option is a graduated repayment plan that allows customers to make reduced payments for two, three or four years. Payments may be as low as interest only and increase to standard payments of principal and interest for the remaining repayment terms. Payments under a Grad Choice option in some cases can be more than 60% lower during the reduced payment period than payments made under the Standard Repayment option. This repayment option is available to Stafford and PLUS loan customers.

The **Select Step**SM option is a graduated repayment plan that allows borrowers to make interest-only payments for up to four years followed by standard payments of principal and interest for the remaining repayment term. This repayment option is available to Stafford, PLUS and private loan customers.

The **FLEX REPAY**SM option – *offered exclusively by Sallie Mae* – makes payments more affordable for Stafford and PLUS customers by extending student loan repayment and minimizing total loan costs as compared with loan consolidation. With Flex Repay, eligible customers receive lower payments for up to four years. If payment relief is still needed, principal and interest payments can gradually be increased for up to five years through reduced

payment forbearance. Standard principal and interest payments follow for the remaining repayment term.

The **Income-Sensitive Repayment** option offers payments that are based on a percentage of the borrower's monthly gross income. The minimum payment amount must cover the monthly interest accrual. The borrower must reapply every year and payments are adjusted annually to reflect any changes in the borrower's income. This program is open to Stafford, PLUS and consolidation loan customers.

Extended Repayment Option – Certain customers with greater than \$30,000 in outstanding FFELP debt may be eligible for a 25-year repayment term and the choice of either a standard or graduated payment plan.

MBA LOANS Private Loan, LAWLOANS Private Loan and Signature Loan borrowers with private loan debt in excess of \$20,000 may be eligible to extend their repayment term up to 20-years. Borrowers with even higher balances may be able to extend their term up to a 25-years.

Federal Loan Consolidation Options

Sallie Mae borrowers or students who have federal loans with more than one holder have the ability to consolidated with Sallie Mae. Sallie Mae offers several loan consolidation options:

- The **SMART LOAN Consolidation Account** is a practical, education debt-management option that enables customers to consolidate all of their federal loan debt (Stafford, PLUS and Perkins). This program enables customers to reduce their initial monthly payments by as much as 50 percent. As the nation's largest FFELP consolidation lender, Sallie Mae provides customers with expert consolidation counseling via a toll-free telephone number, and an array of web-based services, including an online application and electronic signature.
- **SMART Advantage Account** – allows Sallie Mae Stafford and PLUS borrowers to place their Sallie Mae loans into a non-consolidated account and consolidate only the loans that Sallie Mae does not currently own (i.e., direct loans). Borrowers receive payment relief needed through a longer repayment term and maintain eligibility for Sallie Mae's borrower benefits, which will reduce the total cost of their loan indebtedness.

Sallie Mae can work with George Mason University to endorse and promote Sallie Mae's loan consolidation programs to students with outstanding Direct Loans or FFELP loans with other lenders to ensure that customers are aware of their consolidation options. Sallie Mae believes that the following services will allow George Mason University to personalize the relationship with their students. These services can include:

- **Onsite exit counselling.** Sallie Mae assist with in-depth sessions designed to meet the needs of your students. Handouts can be tailored to include consolidation examples based on typical student debt profiles for your programs.

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- **Training sessions for your financial aid staff.** These sessions are designed to help FAAs understand the consolidation application process and counsel students about debt management.
 - **Loan consolidation materials.** These materials range from pocket-size consolidation information cards to comprehensive consolidation packets that include an informative, 12-page booklet and a SMART LOAN application.
 - **Personalized communications to students.** Sallie Mae can help your staff draft letters alerting students to specific consolidation opportunities, such as a pending rate change, or prepare and mail letters to those students who are Sallie Mae customers. These communications can be targeted to students who are preparing to graduate, to students who have graduated or to students who are already in repayment.

Customers who consolidate through Sallie Mae will have access to the following loan consolidation borrower benefit programs. These programs offer substantial savings through interest rate discounts awarded for on-time payments.

- **Direct Repay** – SMART LOAN Consolidation Account borrowers will receive a $\frac{1}{4}$ **percentage point interest rate reduction on eligible loans** if they authorize the automatic debit of funds to cover their monthly loan payments.
- **SMART LOAN[®] Consolidation Account Benefit** – Customers who have an initial federal consolidation loan balance of at least \$10,000 can earn a **1-percentage point interest rate reduction** after they make their first 36 scheduled monthly payments on time. The interest rate reduction continues as long as on time payments are made.

Web-based Technologies

Sallie Mae incorporates Web-based technology to create more efficient loan delivery products to meet the unique needs of your school and its students.

- OpenNetSM is Sallie Mae's user-friendly loan delivery system that gives you and your staff control and visibility over the entire loan process. This on-line loan process helps speed the delivery of funds to your campus, gives your parents/students the peace of mind that their funding is secure and reduces the amount of time your staff spends on purely administrative tasks. Implementing OpenNet requires minimal involvement from your staff.
- Internet Account Access – George Mason University staff and borrowers will have 24-hour access to Sallie Mae-serviced accounts through www.salliemae.com. School Self Service provides your financial aid staff with access to financial aid forms, online reports and password-protected student loan account information. Our Manage Your Loan service allows borrowers to track account information, make loan payments online, change

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payment plans, postpone payments, update personal profiles and send secure emails to Sallie Mae.

Summary

Sallie Mae is confident that through this comprehensive solution George Mason University will be able to offer financing to students and families on highly competitive terms, achieve a maximum loan approval rate and minimize potential liability.

Sallie Mae welcomes the opportunity to work with you to implement this loan program. Please let me know if you have any questions or concerns. If the terms of this Letter of Understanding meet with your expectations, please sign and return this document to the address listed below. Sallie Mae and representatives from George Mason University will meet on an annual basis to discuss the mutual expectations of this comprehensive loan program.

Sincerely,

/s/ John Crowley

John Crowley

Vice President, South Region Higher Ed Sales

(703) 810-7218

john.a.crowley@slma.com

This letter sets forth the entire understanding of the parties relating to the subject matter hereof, and all other and/or prior understandings, written or oral, are hereby superseded. Notwithstanding the preceding sentence, the parties acknowledge that certain services described herein may require separate written agreements between George Mason University and Sallie Mae. The contents of this letter are confidential and contain information that is proprietary to Sallie Mae. George Mason University agrees that this letter and its contents shall be maintained in confidence and may only be disclosed to those employees of George Mason University who have a need to know this information for the purpose of performing their job.

Agreed and Accepted:

/s/ Jevita R. de Freitas

Authorized George Mason University Representative

8 April 2004

Date

Please return signed letter to:

Karen Foust
11600 Sallie Mae Drive
Reston, VA 20193

For purposes of this letter, "Sallie Mae," means SLM Corporation and its affiliates. SLM Corporation and its subsidiaries, other than the Student Loan Marketing Association, are not sponsored by or agencies of the United States.

SCHEDULE III

ALLOWABLE SERVICING FEES

Third Party Originations

Colorado Consortium
Great Lakes
Georgia
ASA
Kentucky
ACS

EFT Escrow Fees

NYSHEC (NY Higher Ed)
TGSLC (Texas Guarantee)
CSLP (Colorado)
CFN (Nelnet)
TSAC (Tennessee)
ECMC (Virginia)
NELA (Northwest)
ISAC (Illinois)

Other Fees

ELM NDN
ELM Service Bureau
College Answer
SLMA – Privacy Fees

SCHEDULE IV

Execution Copy

AMENDMENT AS OF MARCH 1, 2005

TO

AMENDED AND RESTATED

EXPORTSS® AGREEMENT

DATED JANUARY 1, 2000

among

SALLIE MAE, INC.,

SLM EDUCATION CREDIT FINANCE CORPORATION,

and

BANK ONE EDUCATION FINANCE CORPORATION

WHEREAS, Sallie Mae, Inc. ("Sallie Mae"), SLM Education Credit Finance Corporation ("ECFC"), and Bank One Education Finance Corporation ("Lender") are parties to that certain Amended and Restated ExportSS® Agreement dated as of January 1, 2000 (as amended by various documents, the "ExportSS Agreement");

WHEREAS, JPMorgan Chase Bank, N.A. will become a party the ExportSS® Agreement by virtue of the Second Amendment to the Settlement Agreement and Release thereto;

WHEREAS, the parties hereto desire to amend the terms of the ExportSS Agreement to provide for alternative pricing for certain loans made in connection with attendance at the schools listed on Schedule 1 hereto (the "Excluded Schools") that are part of Education Management Corporation ("EDMC"), Career Education Corporation ("CEC"), or ITT Technical Institute ("ITT") (collectively the "Excluded Entities"), with respect to which Lender waives the origination fee that is allowed by Section 438(c) of the Act.

NOW THEREFORE, for mutual consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree to amend the Agreement, as follows:

1. Solely with respect to Stafford Loans made in connection with attendance at the Excluded Schools listed on Schedule 1 hereto, as such schedule may be amended in accordance with this Amendment, that are part of Excluded Entities, with respect to which Lender waives the origination fee, or any portion thereof, that is allowed by Section 438(c) of the Act, the Purchase Price that is payable by ECFC will be the sum of the following:

(i) 100.00% of the accrued interest that is payable by the Borrowers; plus

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(ii) 100.00% of the aggregate Principal Balance of such Stafford Loans; plus

(iii) the sum of (a) the maximum origination fee that is allowed pursuant to the provisions of Section 438(c) of the Act, including under any amended, supplemental, or superceding provisions thereof, with respect to such Loans (currently 3.0%), plus (b) an amount equal to [**]% of the principal amount of the Loan, less (c) the origination fees (if any) that Lender received from the Borrowers of such Loans.

The Schedule of Excluded Schools (Schedule 1 hereto) shall be amended from time to time during the term of the Agreement to reflect additional schools that become owned or controlled by the Excluded Entities, which schools shall automatically be deemed part of the Excluded Schools hereunder.

Capitalized terms used in this amendment shall have the meanings ascribed to them in the ExportSS Agreement, the terms of which are hereby incorporated herein by reference, and except as specifically provided for otherwise in this amendment, the rights and obligations of Lender, Sallie Mae, and ECFC under the ExportSS Agreement are unchanged. Upon execution by authorized representatives of the parties, this amendment shall be effective as of the date first set forth above.

BANK ONE EDUCATION FINANCE CORPORATION

SALLIE MAE, INC.

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

SLM EDUCATION CREDIT FINANCE CORPORATION

JPMORGAN CHASE BANK, N.A.

By: Sallie Mae, Inc., Authorized Agent

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

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SCHEDULE 1

Excluded Schools

EDMC

- 007470-00 Art Institute of Pittsburgh
- 008350-00 Art Institute of Philadelphia
- 021082-03 R.E.T.S. Inst of Tech (AEC/EDMC)
- 025578-00 Bradley Academy for the Visual Arts

CEC

010217-00	International Academy of Design (CEC)
021160-01	Sanford-Brown College– (CEC)
022023-00	Western School of Health and Business Career (CEC)
022023-01	Western School of Health and Business Career (CEC)
007398-02	Katharine Gibbs School (CEC)
008889-00	Allentown Business School (CEC)
030068-00	Pennsylvania Culinary (CEC)

ITT

009837-03	ITT Technical Institute
023610-02	ITT Technical Institute
030876-02	ITT Technical Institute
007329-05	ITT Technical Institute – Mechanicsburg
009837-02	ITT Technical Institute – Pittsburgh

SCHEDULE V

iRewardSM or Sallie Mae Payback Benefit Program

The iReward Benefit or Sallie Mae Payback benefit (the “Benefit”) is available on Stafford Loans (subsidized and unsubsidized) originated on or after July 1, 2005 and until the borrower’s school or Sallie Mae® discontinues offering the Benefit program. If the borrower has a loan(s) eligible to receive the Benefit, the borrower will receive a 3% loan credit or payment based upon the original principal balance of the borrower’s loan, minus cancellations, refunds, and returns. This loan credit will be posted no earlier than 90 days after full disbursement of the loan.

To be eligible to receive and maintain the Benefit, the borrower must meet both certain eligibility requirements, including, without limitation, the borrower’s school must be a participant in the Benefit Program and Sallie Mae must have an ownership interest in the loan, and certain retention requirements.

Schedule VI

The Blended Premium shall be determined as follows:

- (1) The parties will determine the aggregate original Principal Balance of FFELP Loans disbursed by Bank One Bank, Bank One, Chase Bank and Chase Bank USA on or after July 1, 2004 through and including February 28, 2005 (the “Measurement Period”) that were obligated to be sold to ECFC or its affiliates (or its designee) pursuant to either the ExportSS Agreement, USA LPA or the Joint Venture Related Agreements, excluding the aggregate original Principal Balance of FFELP Loans that are referenced in Sections 6.E and 6.F below (the “Total 04/05 FFELP Volume”).
- (2) The parties will determine the aggregate original Principal Balance of FFELP Loans disbursed by the Bank One Bank and Bank One during the Measurement Period that were subject to the premium of [**] basis points under the ExportSS Agreement (the “Non-Custom 04/05 FFELP Volume”) and determine the total dollar amount of premium earned by multiplying the [**] basis points by the Non-Custom 04/05 FFELP Volume (the “[**] Basis Points 04/05 FFELP Premium Amount”).
- (3) The parties will subtract the Non-Custom 04/05 FFELP Volume from the Total 04/05 FFELP Volume and multiply such amount by [**] basis points to determine the total dollar amount of premium that would have been earned in accordance with this calculation (the “[**] Basis Points 04/05 FFELP Premium Amount”).
- (4) The Blended Premium Amount shall be the sum of the [**] Basis Point 04/05 FFELP Premium Amount and the [**] Basis Points 04/05 FFELP Premium Amount divided by the Total 04/05 FFELP Volume.

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

I, Albert L. Lord, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ALBERT L. LORD

Albert L. Lord

Chairman and Chief Executive Officer

May 9, 2005

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

I, John F. Remondi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOHN F. REMONDI

John F. Remondi

Executive Vice President, Finance

May 9, 2005

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

I, C.E. Andrews, 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 officers 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ C.E. ANDREWS

C.E. Andrews

Executive Vice President, Accounting and Risk Management

May 9, 2005

**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 period ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Albert L. Lord, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ ALBERT L. LORD

Albert L. Lord
Chairman and Chief Executive Officer
May 9, 2005

**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 period ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John F. Remondi, Executive Vice President, Finance of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ JOHN F. REMONDI

John F. Remondi

Executive Vice President, Finance

May 9, 2005

**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 period ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, C.E. Andrews, Executive Vice President, Accounting and Risk Management 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/ C.E. ANDREWS

C.E. Andrews

Executive Vice President, Accounting and Risk Management

May 9, 2005
