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

FORM 10-Q/A

(AMENDMENT NO. 1)

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000 OR

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

FOR THE TRANSITION PERIOD FROM ______________ TO ______________

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

USA EDUCATION, INC.
(FORMERLY SLM HOLDING CORPORATION)
(Exact name of registrant as specified in its charter)

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

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

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

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

CLASS	OUTSTANDING AT SEPTEMBER 30, 2000
Common Stock, $.20 par value	164,059,978 shares

This Amendment No. 1 is being filed to correct two items contained in the Company's Form 10-Q for September 30, 2000 as follows:

- correct the line item called "Insured student loans purchased" for the nine months ended September 30, 2000 which appears in Part I, Item 1, "Consolidated Statements of Cash Flows" on page 7 of the Form 10-Q. The correct amount of "Insured student loans purchased" was ($8,426,740,000) rather than ($8,428,740,000); and

- correct the table summarizing the Company's common share repurchase and equity forward activity for the three and nine months ended September 30, 2000 which appears in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" on Page 32 of the Form 10-Q.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

USA EDUCATION, INC.

CONSOLIDATED BALANCE SHEETS

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

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
	(UNAUDITED)	
ASSETS		
Student loans	$35,949,209	$33,808,867
Warehousing advances	860,565	1,042,695
Academic facilities financings		
Bonds available-for-sale	521,576	640,498
Loans	361,286	387,267
Total academic facilities financings	882,862	1,027,765
Investments		
Available-for-sale	3,000,819	4,396,776
Held-to-maturity	912,638	788,180
Total investments	3,913,457	5,184,956
Cash and cash equivalents	704,559	589,750
Other assets, principally accrued interest receivable	3,333,362	2,370,751
Total assets	$45,644,014	$44,024,784
LIABILITIES		
Short-term borrowings	$30,900,143	$37,491,251
Long-term notes	11,522,577	4,496,267
Other liabilities, principally accrued interest payable	1,672,131	982,469
Total liabilities	44,094,851	42,969,987
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST IN SUBSIDIARY	213,883	213,883
STOCKHOLDERS' EQUITY		
Preferred stock, par value $.20 per share, 20,000,000 shares authorized: 3,300,000 and 3,300,000 shares, respectively, issued at stated value of $50 per share	165,000	165,000
Common stock, par value $.20 per share, 250,000,000 shares authorized: 187,593,000 and 186,069,619 shares issued, respectively	37,519	37,214
Additional paid-in capital	76,517	62,827
Unrealized gains on investments (net of tax of $160,986 and $160,319, respectively)	298,974	297,735
Retained earnings	1,743,593	1,462,034
Stockholders' equity before treasury stock	2,321,603	2,024,810
Common stock held in treasury at cost: 23,533,022 and 28,493,072 shares, respectively	986,323	1,183,896
Total stockholders' equity	1,335,280	840,914
Total liabilities and stockholders' equity	$45,644,014	$44,024,784

See accompanying notes to consolidated financial statements.

USA EDUCATION, INC.

CONSOLIDATED STATEMENTS OF INCOME

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
Interest income:				
Student loans	$769,965	$640,198	$2,072,087	$1,732,346
Warehousing advances	13,194	13,567	41,049	53,826
Academic facilities financings:				
Taxable	8,441	9,614	28,471	29,703
Tax-exempt	7,403	8,693	23,602	26,819
Total academic facilities financings	15,844	18,307	52,073	56,522
Investments	99,983	53,285	360,541	156,255
Total interest income	898,986	725,357	2,525,750	1,998,949
Interest expense:				
Short-term debt	587,214	448,343	1,704,215	1,206,056
Long-term debt	151,439	92,656	337,692	278,177
Total interest expense	738,653	540,999	2,041,907	1,484,233
Net interest income	160,333	184,358	483,843	514,716
Less: provision for losses	5,428	6,545	22,766	27,210
Net interest income after provision for losses	154,905	177,813	461,077	487,506
Other income:				
Gains on student loan securitizations	22,656	3,627	91,010	11,540
Servicing and securitization revenue	80,027	61,866	210,694	228,499
Gains on sales of student loans	122	--	122	--
Gains on sales of securities	25	8,706	43,817	9,779
Guarantor servicing fees	50,636	--	50,636	--
Other	52,450	21,111	110,542	63,762
Total other income	205,916	95,310	506,821	313,580
Operating expenses:				
Salaries and benefits	86,727	49,461	187,945	138,571
Other	80,389	42,059	170,454	125,627
Integration charge	53,000	--	53,000	--
Total operating expenses	220,116	91,520	411,399	264,198
Income before income taxes and minority interest in net earnings of subsidiary	140,705	181,603	556,499	536,888
Income taxes:				
Current	67,042	85,878	208,945	248,947
Deferred	(21,229)	(28,354)	(26,827)	(78,957)
Total income taxes	45,813	57,524	182,118	169,990
Minority interest in net earnings of subsidiary	2,674	2,674	8,021	8,021
NET INCOME	92,218	121,405	366,360	358,877
Preferred stock dividends	2,865	--	8,657	--
Net income attributable to common stock	$ 89,353	$121,405	$ 357,703	$ 358,877
Basic earnings per share	$ .56	$ .76	$ 2.26	$ 2.22
Average common shares outstanding	160,652	159,661	157,989	161,377
Diluted earnings per share	$ .55	$ .75	$ 2.20	$ 2.19
Average common and common equivalent shares outstanding	163,279	162,303	162,504	163,916

See accompanying notes to consolidated financial statements

USA EDUCATION, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)
(UNAUDITED)

	PREFERRED STOCK SHARES	COMMON STOCK SHARES ISSUED	COMMON STOCK SHARES TREASURY	COMMON STOCK SHARES OUTSTANDING	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL
BALANCE AT JUNE 30, 1999..........	--	184,976,111	(24,068,203)	160,907,908	$ --	$36,995	$ 34,964
Comprehensive income:							
Net income....................							
Other comprehensive income, net of tax:							
Change in unrealized gains (losses) on investments, net of tax................							
Comprehensive income............							
Cash dividends:							
Common stock ($.15 per share)......................							
Issuance of common shares.......		520,355		520,355		104	9,788
Premiums on equity forward purchase contracts............							(8,144)
Repurchase of common shares.....			(2,344,799)	(2,344,799)			
BALANCE AT SEPTEMBER 30, 1999.....	--	185,496,466	(26,413,002)	159,083,464	$ --	$37,099	$ 36,608
BALANCE AT JUNE 30, 2000..........	3,300,000	186,266,879	(31,063,031)	155,203,848	$165,000	$37,253	$ 52,742
Comprehensive income:							
Net income....................							
Other comprehensive income, net of tax:							
Change in unrealized gains (losses) on investments, net of tax................							
Comprehensive income............							
Cash dividends:							
Common stock ($.16 per share)......................							
Preferred stock ($.88 per share)......................							
Issuance of common shares.......		1,326,121	9,034,505	10,360,626		266	61,194
Premiums on equity forward purchase contracts............							(37,419)
Repurchase of common shares.....			(1,504,496)	(1,504,496)			
BALANCE AT SEPTEMBER 30, 2000.....	3,300,000	187,593,000	(23,533,022)	164,059,978	$165,000	$37,519	$ 76,517

	UNREALIZED GAINS (LOSSES) ON INVESTMENTS	RETAINED EARNINGS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
BALANCE AT JUNE 30, 1999..........	$330,973	$1,249,278	$ (992,827)	$ 659,383
Comprehensive income:				
Net income....................		121,405		121,405
Other comprehensive income, net of tax:				
Change in unrealized gains (losses) on investments, net of tax................	(25,776)			(25,776)
Comprehensive income............				95,629
Cash dividends:				
Common stock ($.15 per share)......................		(23,890)		(23,890)
Issuance of common shares.......				9,892
Premiums on equity forward purchase contracts............				(8,144)
Repurchase of common shares.....			(99,130)	(99,130)
BALANCE AT SEPTEMBER 30, 1999.....	$305,197	$1,346,793	$(1,091,957)	$ 633,740
BALANCE AT JUNE 30, 2000..........	$295,378	$1,680,283	$(1,292,645)	$ 938,011
Comprehensive income:				
Net income....................		92,218		92,218
Other comprehensive income, net of tax:				
Change in unrealized gains (losses) on investments, net of tax................	3,596			3,596
Comprehensive income............				95,814
Cash dividends:				
Common stock ($.16 per share)......................		(26,043)		(26,043)

Preferred stock ($.88 per share)		(2,865)		(2,865)
Issuance of common shares			370,000	431,460
Premiums on equity forward purchase contracts				(37,419)
Repurchase of common shares			(63,678)	(63,678)
BALANCE AT SEPTEMBER 30, 2000	$298,974	$1,743,593	$ (986,323)	$1,335,280

See accompanying notes to consolidated financial statements.

USA EDUCATION, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)
(UNAUDITED)

	PREFERRED STOCK SHARES	COMMON STOCK SHARES ISSUED	TREASURY	OUTSTANDING	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL
BALANCE AT DECEMBER 31, 1998......	--	184,453,866	(20,327,213)	164,126,653	$ --	$36,891	$ 26,871
Comprehensive income:							
Net income....................							
Other comprehensive income, net of tax:							
Unrealized gains (losses) on investments, net of tax..................							
Comprehensive income............							
Cash dividends:							
Common stock ($.45 per share)......................							
Issuance of common shares.......		1,042,600		1,042,600		208	27,585
Tax benefit related to employee stock option and purchase plan............							2,497
Premiums on equity forward purchase contracts............							(20,345)
Repurchase of common shares.....			(6,085,789)	(6,085,789)			
BALANCE AT SEPTEMBER 30, 1999.....	--	185,496,466	(26,413,002)	159,083,464	$ --	$37,099	$ 36,608
BALANCE AT DECEMBER 31, 1999......	3,300,000	186,069,619	(28,493,072)	157,576,547	$165,000	$37,214	$ 62,827
Comprehensive income:							
Net income....................							
Other comprehensive income, net of tax:							
Change in unrealized gains (losses) on investments, net of tax................							
Comprehensive income............							
Cash dividends:							
Common stock ($.48 per share)......................							
Preferred stock ($2.64 per share)......................							
Issuance of common shares.......		1,523,381	9,084,505	10,607,886		305	70,088
Premiums on equity forward purchase contracts............							(56,398)
Repurchase of common shares.....			(4,124,455)	(4,124,455)			
BALANCE AT SEPTEMBER 30, 2000.....	3,300,000	187,593,000	(23,533,022)	164,059,978	$165,000	$37,519	$ 76,517

	UNREALIZED GAINS (LOSSES) ON INVESTMENTS	RETAINED EARNINGS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
BALANCE AT DECEMBER 31, 1998......	$371,739	$1,060,334	$ (842,209)	$ 653,626
Comprehensive income:				
Net income....................		358,877		358,877
Other comprehensive income, net of tax:				
Unrealized gains (losses) on investments, net of tax..................	(66,542)			(66,542)
Comprehensive income............				292,335
Cash dividends:				
Common stock ($.45 per share)......................		(72,418)		(72,418)
Issuance of common shares.......				27,793
Tax benefit related to employee stock option and purchase plan............				2,497
Premiums on equity forward purchase contracts............				(20,345)
Repurchase of common shares.....			(249,748)	(249,748)
BALANCE AT SEPTEMBER 30, 1999.....	$305,197	$1,346,793	$(1,091,957)	$ 633,740
BALANCE AT DECEMBER 31, 1999......	$297,735	$1,462,034	$(1,183,896)	$ 840,914
Comprehensive income:				
Net income....................		366,360		366,360
Other comprehensive income, net of tax:				
Change in unrealized gains (losses) on investments,				

net of tax................	1,239			1,239

Comprehensive income............				367,599
Cash dividends:				
Common stock ($.48 per share)......................		(76,144)		(76,144)
Preferred stock ($2.64 per share)......................		(8,657)		(8,657)
Issuance of common shares.......			372,366	442,759
Premiums on equity forward purchase contracts............				(56,398)
Repurchase of common shares.....			(174,793)	(174,793)
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BALANCE AT SEPTEMBER 30, 2000.....	$298,974	$1,743,593	$ (986,323)	$1,335,280
	========	==========	===========	==========

See accompanying notes to consolidated financial statements.

USA EDUCATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30, 2000 (UNAUDITED)	NINE MONTHS ENDED SEPTEMBER 30, 1999 (UNAUDITED)
OPERATING ACTIVITIES		
Net income	$ 366,360	$ 358,877
Adjustments to reconcile net income to net cash provided by operating activities:		
Gains on student loan securitizations	(91,010)	(11,540)
Gains on sales of student loans	(122)	--
Gains on sales of securities	(43,817)	(9,779)
Provision for losses	22,766	27,210
(Increase) in accrued interest receivable	(49,294)	(132,911)
Increase (decrease) in accrued interest payable	3,592	(68,880)
(Increase) decrease in other assets	(160)	27,001
Increase in other liabilities	455,532	146,654
Total adjustments	297,487	(22,245)
Net cash provided by operating activities	663,847	336,632
INVESTING ACTIVITIES		
Insured student loans purchased	(8,426,740)	(9,427,361)
Reduction of insured student loans purchased:		
Installment payments	1,723,354	2,136,388
Claims and resales	375,137	366,261
Proceeds from securitization of student loans	8,734,901	2,031,320
Proceeds from sales of student loans	126,172	--
Warehousing advances made	(800,324)	(577,459)
Warehousing advance repayments	982,454	810,365
Academic facilities financings made	(11,609)	(35,919)
Academic facilities financings reductions	155,075	118,733
Investments purchased	(32,888,320)	(7,958,809)
Proceeds from sale or maturity of investments	34,302,642	8,351,871
Purchase of subsidiaries, net of cash acquired (Note 6)	(448,754)	(317,722)
Net cash provided by (used in) investing activities	3,823,988	(4,502,332)
FINANCING ACTIVITIES		
Short-term borrowings issued	580,847,220	409,501,619
Short-term borrowings repaid	(584,160,609)	(406,398,210)
Long-term notes issued	13,523,596	10,283,891
Long-term notes repaid	(14,710,000)	(8,907,072)
Equity forward contracts and common stock issued	386,361	9,945
Common stock repurchased	(174,793)	(249,748)
Common dividends paid	(76,144)	(72,418)
Preferred dividends paid	(8,657)	--
Net cash (used in) provided by financing activities	(4,373,026)	4,168,007
Net increase in cash and cash equivalents	114,809	2,307
Cash and cash equivalents at beginning of period	589,750	115,912
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 704,559	$ 118,219
Cash disbursements made for:		
Interest	$ 1,788,202	$ 1,323,214
Income taxes	$ 95,000	$ 248,500

See accompanying notes to consolidated financial statements.

(INFORMATION AT SEPTEMBER 30, 2000 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999 IS UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNT OR AS OTHERWISE NOTED)

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of USA Education, Inc. (the "Company"), formerly SLM Holding Corporation, have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three and nine months ended September 30, 2000 are not necessarily indicative of the results for the year ending December 31, 2000.

2. NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," which requires that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS 133, as amended by Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of Effective Date of FASB Statement No. 133," and Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," is effective for the Company's financial statements beginning January 1, 2001. SFAS 133, as amended, requires that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for derivative financial instruments that qualify as fair value hedges allows a derivative instrument's gains and losses to offset related fair value changes on the hedged item in the income statement. Derivative financial instruments that qualify as cashflow hedges are reported as adjustments to stockholders' equity as a component of other comprehensive income and require that a company formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment. SFAS 133 could result in increased period to period volatility in reported net income. Management is continuing to assess the potential impact of SFAS 133 on the Company's reported results of operations and financial position. The Company will implement the new standard on January 1, 2001.

On March 16, 2000, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 00-7 ("EITF No. 00-7"), "Application of Issue No. 96-13, 'Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock,' to Equity Derivative Instruments That Contain Certain Provisions That Require Net Cash Settlement If Certain Events Occur." The EITF announced a consensus that any equity derivative contract that could require net cash settlement (as defined in EITF Issue No. 96-13) must be accounted for as an asset or liability and cannot be included in the permanent equity of the Company. In addition, any equity derivative contracts that could require physical settlement by a cash payment to the counterparty in exchange for the issuer's shares, must be accounted for as temporary equity as defined by the SEC under Accounting Series Release (ASR)

2. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

No. 268, "Presentation in Financial Statements of 'Redeemable Preferred Stocks.' " EITF No. 00-7 is effective immediately for all new contracts entered into after March 16, 2000. The EITF met on July 19, 2000 to discuss various issues and questions concerning EITF No. 00-7. Following that meeting, the EITF issued EITF Issue No. 00-19 ("EITF No. 00-19"), "Determination of Whether Share Settlement is within the Control of the Issuer for Purposes of Applying Issue No. 96-13." On September 20, 2000, the EITF reached a final consensus on EITF Issue No. 00-19. EITF Issue No. 00-19 provides that in order for the contract to be accounted for as permanent equity, the contract's provisions should put the company's counterparty in no better position than the company's common shareholders. The EITF also confirmed the effective date of EITF Issue No. 00-7 to be June 30, 2001 for contracts entered into before September 20, 2000. If the contract is entered into after September 20, 2000, EITF Issue No. 00-19 is applicable at contract inception.

The Company currently accounts for its equity forward contracts through equity in accordance with EITF Issue No. 96-13. The Company is reviewing potential amendments on its equity forward contracts in place at March 16, 2000 to satisfy the requirements of EITF No. 00-7 and EITF No. 00-19 to allow accounting through permanent equity. If the Company cannot amend the contracts and does not terminate such positions, EITF No. 00-7 and EITF No. 00-19 could, depending upon the Company's share price at and after the effective date, materially affect the Company's capital position as well as its future earnings. Management is continuing to assess the potential impact of EITF No. 00-7 and EITF No. 00-19 on the Company's reported results of operations and financial position.

In October 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 140 ("SFAS 140"), "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities--a Replacement of FASB Statement No. 125." SFAS 140 requires new disclosures about securitizations and retained interests in securitized financial assets and revises the criteria involving qualifying special purpose entities. Under SFAS 140, entities will be required to disclose information about securitizations regarding accounting policies, securitization characteristics, key assumptions used and cash flows between the securitization special purpose entities and the transferor. Additionally, entities will be required to disclose information related to retained interests in securitized financial assets, regarding accounting policies for subsequent measuring of retained interests, key assumptions used in subsequent fair value measurements, sensitivity analysis showing hypothetical effects on fair values based on unfavorable variations from key assumptions and general characteristics of the securitized assets such as principal balances, delinquencies and credit losses. These new disclosure requirements are to be provided for fiscal years ending after December 15, 2000. Additionally, SFAS 140 revises the criteria involving qualifying special purpose entities. These revisions related to special purpose entities are to be applied prospectively to transfers of financial assets and extinguishments of liabilities occurring after March 31, 2001.

(INFORMATION AT SEPTEMBER 30, 2000 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999 IS UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNT OR AS OTHERWISE NOTED)

3. ALLOWANCE FOR LOSSES

The following table summarizes changes in the allowance for losses for the three and nine months ended September 30, 2000 and 1999, respectively.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
BALANCE AT BEGINNING OF PERIOD	$299,392	$298,704	$303,743	$293,185
Additions				
Provisions for losses	5,428	6,545	22,766	27,210
Recoveries	16,373	17,641	21,159	20,672
Deductions				
Reductions for sales of student loans	(3,679)	(1,668)	(16,648)	(2,735)
Write-offs	(5,990)	(13,582)	(19,496)	(30,692)
BALANCE AT END OF PERIOD	$311,524	$307,640	$311,524	$307,640

4. STUDENT LOAN SECURITIZATION

For the three months ended September 30, 2000 and 1999, the Company securitized $2.0 billion and $1.0 billion, respectively, of student loans and recorded pre-tax gains of $23 million and $4 million, respectively. For the nine months ended September 30, 2000 and 1999, the Company securitized $8.5 billion and $2.0 billion, respectively, of student loans and recorded pre-tax gains of $91 million and $12 million, respectively. At September 30, 2000 and December 31, 1999, outstanding securitized student loans that the Company continues to manage totaled $30.7 billion and $19.5 billion, respectively.

5. COMMON STOCK

Basic earnings per share are calculated using the weighted average number of shares of common stock outstanding during each period. Diluted earnings per share reflect the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options and warrants,

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNT OR AS OTHERWISE NOTED)

5. COMMON STOCK (CONTINUED)

determined by the treasury stock method, and equity forwards, determined by the reverse treasury stock method, as follows:

	NET INCOME	AVERAGE SHARES (THOUSANDS)	EARNINGS PER SHARE
THREE MONTHS ENDED SEPTEMBER 30, 2000			
Basic earnings per share	$ 89,353	160,652	$ .56
Dilutive effect of stock options, warrants and equity forwards	--	2,627	(.01)
Diluted earnings per share	$ 89,353	163,279	$ .55
THREE MONTHS ENDED SEPTEMBER 30, 1999			
Basic earnings per share	$121,405	159,661	$ .76
Dilutive effect of stock options, warrants and equity forwards	--	2,642	(.01)
Diluted earnings per share	$121,405	162,303	$ .75

	NET INCOME	AVERAGE SHARES (THOUSANDS)	EARNINGS PER SHARE
NINE MONTHS ENDED SEPTEMBER 30, 2000			
Basic earnings per share	$357,703	157,989	$2.26
Dilutive effect of stock options, warrants and equity forwards	--	4,515	(.06)
Diluted earnings per share	$357,703	162,504	$2.20
NINE MONTHS ENDED SEPTEMBER 30, 1999			
Basic earnings per share	$358,877	161,377	$2.22
Dilutive effect of stock options, warrants, and equity forwards	--	2,539	(.03)
Diluted earnings per share	$358,877	163,916	$2.19

6. ACQUISITIONS

In July 1999, the Company completed the purchase of Nellie Mae Corporation for $332 million in cash and stock in an acquisition accounted for as a purchase. As a result of the purchase, the Company recognized $90 million in goodwill. At the time of the acquisition, Nellie Mae had an outstanding student loan portfolio of $2.6 billion and in 1998, Nellie Mae originated more than $375 million in student loans. Nellie Mae's pro-forma results of operations for the years ended December 31, 1999 and

6. ACQUISITIONS (CONTINUED)

1998 were immaterial to the Company's financial position and its results of operations. The fair value of Nellie Mae's asset and liabilities at the date of acquisition are presented below (dollars in millions):

Student loans	$ 2,585
Cash and investments	15
Goodwill	90
Other assets	97
Short-term borrowings	(1,373)
Long-term notes	(1,029)
Other liabilities	(53)
Net assets acquired	$ 332

Effective as of July 7, 2000, the Company completed the acquisition of Student Loan Funding Resources, Inc. ("SLFR") from the Thomas J. Conlan Education Foundation for $117 million in cash. SLFR was the eighth largest holder of federal student loans in the nation with a $3.1 billion portfolio. Based on a preliminary allocation of the purchase price, the Company recognized $49 million in goodwill. SLFR's pro-forma results of operations for the year ended 1999 and for the nine months ended September 30, 2000 were immaterial to the Company's financial position and its results of operations. The fair value of SLFR's asset and liabilities at the date of acquisition are presented below (dollars in millions):

Student loans	$ 3,103
Cash and investments	368
Goodwill	49
Other assets	112
Short-term borrowings	(753)
Long-term notes	(2,692)
Other liabilities	(70)
Net assets acquired	$ 117

Effective as of July 31, 2000, the Company completed the acquisition of the guarantee servicing, student loan servicing and secondary market operations of USA Group, Inc. ("USA Group"). The Company did not acquire the operations of the sellers' affiliates, USA Group Funds, Inc. and Secondary Market Services--Hawaii. The acquisition price was $795 million in cash and stock. Based on a preliminary allocation of the purchase price, the Company recognized $458 million in goodwill. The purchase consideration included approximately one million shares of restricted stock with the exercise contingent upon the combined company's achievement of certain income and cost reduction goals. USA Group's pro-forma results of operations for the year ended 1999 and for the nine months ended September 30, 2000 were immaterial to the Company's financial position and its results of

(INFORMATION AT SEPTEMBER 30, 2000 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999 IS UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNT OR AS OTHERWISE NOTED)

6. ACQUISITIONS (CONTINUED)
operations. The fair value of USA Group's asset and liabilities at the date of acquisition are presented below (dollars in millions):

Student loans	$ 1,421
Cash and investments	217
Goodwill	458
Other assets	345
Long-term notes	(1,489)
Other liabilities	(157)
Net assets acquired	$ 795

7. SUBSEQUENT EVENTS

On October 3, 2000, the Company issued $500,000,000 of its Senior Notes due September 16, 2002. The proceeds to the Company from the sale of these notes, before expenses, were $498,750,000 and were used for general corporate purposes.

Effective October 27, 2000, the Company renewed its $600 million 364-day revolving credit facility for an additional 364-day period. Liquidity support for the Company's commercial paper program is provided by this $600 million 364-day revolving credit facility which matures on October 26, 2001 and a $400 million 5-year revolving credit facility which matures on October 29, 2004.

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 AND NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

OVERVIEW

SLM HOLDING CORPORATION ("SLM HOLDING") WAS FORMED ON FEBRUARY 3, 1997 AS A WHOLLY OWNED SUBSIDIARY OF THE STUDENT LOAN MARKETING ASSOCIATION (THE "GSE"). ON AUGUST 7, 1997, PURSUANT TO THE STUDENT LOAN MARKETING ASSOCIATION REORGANIZATION ACT OF 1996 (THE "PRIVATIZATION ACT") AND APPROVAL BY SHAREHOLDERS OF AN AGREEMENT AND PLAN OF REORGANIZATION, THE GSE WAS REORGANIZED INTO A SUBSIDIARY OF SLM HOLDING (THE "REORGANIZATION"). EFFECTIVE AS OF JULY 31, 2000, SLM HOLDING WAS RENAMED USA EDUCATION, INC. UPON THE COMPLETION OF THE ACQUISITION OF THE GUARANTEE SERVICING, STUDENT LOAN SERVICING AND SECONDARY MARKET OPERATIONS OF USA GROUP. THE COMPANY DID NOT ACQUIRE THE OPERATIONS OF THE SELLERS' AFFILIATES, USA GROUP FUNDS, INC. AND SECONDARY MARKET SERVICES--HAWAII. USA EDUCATION, INC. IS A HOLDING COMPANY THAT OPERATES THROUGH A NUMBER OF SUBSIDIARIES INCLUDING THE GSE. REFERENCES HEREIN TO THE "COMPANY" REFER TO THE GSE AND ITS SUBSIDIARIES FOR PERIODS PRIOR TO THE REORGANIZATION AND TO USA EDUCATION, INC. AND ITS SUBSIDIARIES FOR PERIODS AFTER THE REORGANIZATION.

The Company is the nation's largest private source of financing and servicing for education loans in the United States, primarily through its participation in the Federal Family Education Loan Program ("FFELP"), formerly the Guaranteed Student Loan Program. The Company's products and services include student loan purchases and commitments to purchase student loans, as well as operational support to originators of student loans and to post-secondary education institutions, guarantors and other education-related financial services. The Company also originates, purchases, and holds unguaranteed private loans.

The following Management's Discussion and Analysis contains forward-looking statements and information that are based on management's current expectations as of the date of this document. Discussions that utilize the words "intends," "anticipate," "believe," "estimate" and "expect" and similar expressions, as they relate to the Company's management, are intended to identify forward-looking statements. Such forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause the actual results of the Company to be materially different from those reflected in such forward-looking statements. Such factors include, among others, changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in such laws and regulations, which may reduce the volume, average term and costs of yields on student loans under the FFELP or result in loans being originated or refinanced under non-FFELP programs or may affect the terms upon which banks and others agree to sell FFELP loans to the Company. The Company could also be affected by changes in the demand for educational financing and consumer lending or in financing preferences of lenders, educational institutions, students and their families; and changes in the general interest rate environment and in the securitization markets for education loans, which may increase the costs or limit the availability of financings necessary to initiate, purchase or carry education loans.

Set forth below is Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company for the three and nine months ended September 30, 2000 and 1999. This section should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations for the years ended December 31, 1997-99 presented in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission. All dollar amounts are in millions, except per share amounts or as otherwise noted.

SELECTED FINANCIAL DATA

CONDENSED STATEMENTS OF INCOME

	THREE MONTHS ENDED SEPTEMBER 30,		INCREASE (DECREASE)		NINE MONTHS ENDED SEPTEMBER 30,		INCREASE (DECREASE)	
	2000	1999	$	%	2000	1999	$	%
Net interest income	$160	$184	$ (24)	(13)%	$ 484	$ 515	$(31)	(6)%
Less: provision for losses	5	6	(1)	(17)	23	27	(4)	(16)
Net interest income after provision for losses	155	178	(23)	(13)	461	488	(27)	(5)
Gains on student loan securitizations	23	4	19	525	91	12	79	689
Servicing and securitization revenue	80	62	18	29	211	229	(18)	(8)
Guarantor servicing fees	51	--	51	100	51	--	51	100
Other income	52	30	22	76	154	73	81	110
Operating expenses and integration charge	220	92	128	141	412	264	148	56
Income taxes	46	58	(12)	(20)	182	170	12	7
Minority interest in net earnings of subsidiary	3	3	--	--	8	9	(1)	--
Net income	92	121	(29)	(24)	366	359	7	2
Preferred dividends	3	--	3	100	8	--	8	100
Net income attributable to common stock	$ 89	$121	$ (32)	(26)%	$ 358	$ 359	$ (1)	--%
Basic earnings per share	$.56	$.76	$(.20)	(27)%	$2.26	$2.22	$.04	2%
Diluted earnings per share	$.55	$.75	$(.20)	(27)%	$2.20	$2.19	$.01	--%
Dividends per share	$.16	$.15	$ .01	7%	$ .48	$ .45	$.03	7%

CONDENSED BALANCE SHEETS

	SEPTEMBER 30, 2000	DECEMBER 31, 1999	INCREASE (DECREASE) $	%
ASSETS				
Student loans	$35,949	$33,809	$ 2,140	6%
Warehousing advances	861	1,043	(182)	(17)
Academic facilities financings	883	1,028	(145)	(14)
Cash and investments	4,618	5,775	(1,157)	(20)
Other assets	3,333	2,370	963	41
Total assets	$45,644	$44,025	$ 1,619	4%
LIABILITIES AND STOCKHOLDERS' EQUITY				
Short-term borrowings	$30,900	$37,491	$(6,591)	(18)%
Long-term notes	11,523	4,496	7,027	156
Other liabilities	1,672	983	689	70
Total liabilities	44,095	42,970	1,125	3
Minority interest in subsidiary	214	214	--	--
Stockholders' equity before treasury stock	2,321	2,025	296	15
Common stock held in treasury at cost	986	1,184	(198)	(17)
Total stockholders' equity	1,335	841	494	59
Total liabilities and stockholders' equity	$45,644	$44,025	$ 1,619	4%

RESULTS OF OPERATIONS

EARNINGS SUMMARY

For the three months ended September 30, 2000, the Company's "core cash basis" net income was $128 million ($.77 diluted earnings per share), versus "core cash basis" net income of $110 million ($.68 diluted earnings per share) in the third quarter of 1999. For the nine months ended September 30, 2000, the Company's "core cash basis" net income was $355 million ($2.13 diluted earnings per share) versus $298 million ($1.82 diluted earnings per share) for the nine months ended September 30, 1999. "Core cash basis" results measure only the recurring earnings of the Company. Accordingly, securitization transactions are treated as financings, not sales, and thereby gains on such sales are eliminated. In addition, the effect of floor revenue, certain one-time gains on sales of investment securities and student loans, certain integration charges and the amortization of goodwill are also excluded from net income calculated in accordance with generally accepted accounting principles ("GAAP"). See "Pro-forma Statements of Income" for a detailed discussion of "core cash basis" net income.

The increase in "core cash basis" net income in the third quarter of 2000 versus the third quarter of 1999 is due to the $11.7 billion increase in the average balance of the Company's managed portfolio of student loans partially offset by higher funding costs. The additional operating expenses from the acquisitions of both USA Group and SLFR are offset by the significant increase in fee income and net interest income due to these acquisitions. For the nine months ended September 30, 2000, the increase in "core cash basis" net income versus the year-ago period is mainly due to the $8.4 billion increase in the average balance of the Company's managed portfolio of student loans, partially offset by higher funding costs.

For the three months ended September 30, 2000, the Company's GAAP net income was $92 million ($.55 diluted earnings per share), versus GAAP net income of $121 million ($.75 diluted earnings per share) in the third quarter of 1999. The decrease in GAAP net income in the third quarter of 2000 versus the year-ago quarter is mainly due to a $32 million after-tax integration charge related to the USA Group acquisition and a decrease in after-tax floor revenue of $8 million, partially offset by an increase in after-tax securitization gains of $12 million and an increase in after-tax servicing and securitization revenue of $12 million. For the nine months ended September 30, 2000, the Company's GAAP net income was $366 million ($2.20 diluted earnings per share), versus GAAP net income of $359 million ($2.19 diluted earnings per share) for the nine months ended September 30, 1999. The increase in year-to-date 2000 GAAP net income versus year-to-date 1999 GAAP net income is due to a $1.9 billion increase in the average balance of the Company's on-balance sheet portfolio of student loans, an increase of $52 million in after-tax securitization gains, and an increase of $22 million in after-tax gains on sales of investment securities. The increase in GAAP net income for the first nine months of 2000 versus the year-ago period is partially offset by a decrease in after-tax floor revenue of $36 million, lower after-tax servicing and securitization revenue of $12 million, and a $32 million after-tax integration charge related to the USA Group acquisition.

As a result of the USA group acquisition, the Company issued approximately 10 million shares during the third quarter of 2000. The Company repurchased 1.5 million shares during the quarter through open market purchases. The net result was an increase in outstanding shares to 164 million at September 30, 2000.

NET INTEREST INCOME

Net interest income is derived largely from the Company's portfolio of student loans that remain on-balance sheet. Additional information regarding the return on the Company's student loan portfolio is set forth under "Student Loans--Student Loan Spread Analysis."

Taxable equivalent net interest income for the three months ended September 30, 2000 versus the three months ended September 30, 1999 decreased by $27 million while the net interest margin decreased by .41 percentage points. The $39 million decrease in taxable equivalent net interest income attributable to the change in rates for the three months ended September 30, 2000 versus the three months ended September 30, 1999 was partially due to the decreases in floor revenue and the student loan spread. In addition, the Higher Education Amendments of 1998 which decreased the spread for special allowance payments ("SAP") on student loans also contributed to the decrease in taxable equivalent net interest income as the percentage of student loans affected by this change continued to increase. The decrease in taxable equivalent net interest income attributable to the change in rates was partially offset by a $12 million increase to the change in volume due to the $2.5 billion increase in the average balance of investments over the year-ago quarter.

Taxable equivalent net interest income for the nine months ended September 30, 2000 versus the nine months ended September 30, 1999 decreased by $32 million while the net interest margin decreased by .32 percentage points. The $79 million decrease in taxable equivalent net interest income attributable to the change in rates for the nine months ended September 30, 2000 versus the nine months ended September 30, 1999 was partially due to the decreases in floor revenue, the SAP spread, and the student loan spread (discussed in more detail below). The decrease to taxable equivalent net interest income attributable to the change in rates was partially offset by a $47 million increase to the change in volume due to the $3.7 billion increase in the average balance of investments over the year-ago period.

TAXABLE EQUIVALENT NET INTEREST INCOME

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

	THREE MONTHS ENDED SEPTEMBER 30,		INCREASE (DECREASE)		NINE MONTHS ENDED SEPTEMBER 30,		INCREASE (DECREASE)	
	2000	1999	$	%	2000	1999	$	%
Interest income								
Student loans	$770	$640	$130	20%	$2,072	$1,732	$340	20%
Warehousing advances	13	14	(1)	(3)	41	54	(13)	(24)
Academic facilities financings	16	18	(2)	(13)	52	56	(4)	(8)
Investments	100	53	47	88	361	156	205	131
Taxable equivalent adjustment	5	8	(3)	(40)	22	24	(2)	(7)
Total taxable equivalent interest income	904	733	171	23	2,548	2,022	526	26
Interest expense	739	541	198	37	2,042	1,484	558	38
Taxable equivalent net interest income	$165	$192	$(27)	(14)%	$ 506	$ 538	$(32)	(6)%

AVERAGE BALANCE SHEETS

The following table reflects the rates earned on earning assets and paid on liabilities for the three and nine months ended September 30, 2000 and 1999.

	THREE MONTHS ENDED SEPTEMBER 30,				NINE MONTHS ENDED SEPTEMBER 30,			
	2000		1999		2000		1999	
	BALANCE	RATE	BALANCE	RATE	BALANCE	RATE	BALANCE	RATE
AVERAGE ASSETS								
Student loans	$36,440	8.41%	$34,595	7.34%	$33,836	8.18%	$31,988	7.24%
Warehousing advances	737	7.12	913	5.90	798	6.87	1,267	5.68
Academic facilities financings	963	8.19	1,122	8.12	1,007	8.59	1,164	8.15
Investments	5,792	6.92	3,280	6.85	7,191	6.87	3,455	6.40
Total interest earning assets	43,932	8.18%	39,910	7.29%	42,832	7.95%	37,874	7.14%
Non-interest earning assets	2,926		2,229		2,476		2,079	
Total assets	$46,858		$42,139		$45,308		$39,953	
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY								
Six month floating rate notes	$ 4,310	6.58%	$ 4,625	5.29%	$ 4,538	6.41%	$ 4,520	5.23%
Other short-term borrowings	30,731	6.68	29,087	5.27	31,362	6.33	26,807	5.13
Long-term notes	9,038	6.67	6,514	5.64	6,927	6.51	6,748	5.51
Total interest bearing liabilities	44,079	6.67%	40,226	5.34%	42,827	6.37%	38,075	5.21%
Non-interest bearing liabilities	1,604		1,272		1,484		1,238	
Stockholders' equity	1,175		641		997		640	
Total liabilities and stockholders' equity	$46,858		$42,139		$45,308		$39,953	
Net interest margin		1.50%		1.91%		1.58%		1.90%

RATE/VOLUME ANALYSIS

The Rate/Volume Analysis below shows 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 SEPTEMBER 30, 2000 VS. THREE MONTHS ENDED SEPTEMBER 30, 1999			
Taxable equivalent interest income	$171	$ 95	$76
Interest expense	198	134	64
Taxable equivalent net interest income	$(27)	$(39)	$12

	TAXABLE EQUIVALENT INCREASE (DECREASE)	INCREASE (DECREASE) ATTRIBUTABLE TO CHANGE IN	
		RATE	VOLUME
NINE MONTHS ENDED SEPTEMBER 30, 2000 VS. NINE MONTHS ENDED SEPTEMBER 30, 1999			
Taxable equivalent interest income	$526	$252	$274
Interest expense	558	331	227
Taxable equivalent net interest income	$(32)	$(79)	$ 47

STUDENT LOANS

STUDENT LOAN SPREAD ANALYSIS

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
ON-BALANCE SHEET				
Adjusted student loan yields	9.10%	7.94%	8.84%	7.88%
Consolidated loan rebate fees	(.26)	(.22)	(.26)	(.22)
Offset fees	(.14)	(.15)	(.13)	(.14)
Borrower benefits	(.07)	(.07)	(.07)	(.06)
Premium amortization	(.22)	(.16)	(.20)	(.22)
Student loan income	8.41	7.34	8.18	7.24
Cost of funds	(6.62)	(5.29)	(6.34)	(5.18)
Student loan spread	1.79%	2.05%	1.84%	2.06%
OFF-BALANCE SHEET				
Servicing and securitization revenue	1.15%	1.37%	1.17%	1.74%
AVERAGE BALANCES				
Student loans	$36,440	$34,595	$33,836	$31,988
Securitized loans	27,756	17,888	24,124	17,585
Managed student loans	$64,196	$52,483	$57,960	$49,573

The Company's portfolio of student loans originated under the FFELP has a variety of unique interest rate characteristics. The Company generally earns interest at the greater of the borrower's rate or a floating rate determined by reference to the average of the weekly auctions of 91-day Treasury bills by the government, plus a fixed spread which is dependent upon when the loan was originated. If the floating rate exceeds the borrower rate, the Department of Education makes a payment directly to the Company based upon the SAP formula established under the Higher Education Act. If the floating rate is less than the rate the borrower is obligated to pay, the Company simply earns interest at the borrower rate. In all cases, the rate a borrower is obligated to pay sets a minimum rate for determining the yield the Company earns on a loan. The borrowers' interest rates are either fixed to term or are reset annually on July 1 of each year depending on when the loan was originated.

The Company generally finances its student loan portfolio with floating rate debt tied to the average of the 91-day Treasury bill auctions, either directly or through the use of derivative financial instruments, intended to mimic the interest rate characteristics of the student loans. Such borrowings float over all interest rate ranges. As a result, in periods of declining interest rates, the portfolio of managed student loans may be earning at the borrower rate while the Company's funding costs (exclusive of fluctuations in funding spreads) generally continue to decline along with Treasury bill rates. When this happens, the difference between the interest earned from the rate paid by the borrower and the interest that would have been earned under the SAP formula is referred to as "floor revenue." For loans where the borrower's interest rate is fixed to term, declining interest rates may benefit the spread earned on student loans for extended periods of time. For loans where the borrower's interest rate is reset annually, any benefit of a declining interest rate environment will only enhance student loan spreads through the next annual reset of the borrower's interest rates, which occurs on July 1 of each year.

Due to the continued rise in Treasury bill rates since the third quarter of 1999, the Company earned floor revenue of $0.01 million in the third quarter of 2000 versus $13 million of such revenue in the year-ago quarter. The floor revenue earned in the third quarter of 2000 was attributable to student loans whose minimum borrower rates adjust annually on July 1, while in the third quarter of 1999, $12 million of the floor revenue earned was from student loans whose borrower rates are fixed to term, and $0.4 million was from student loans whose borrower rates reset annually. The reduction in floor revenue decreased the third quarter 2000 on-balance sheet student loan spread by 15 basis points versus the year-ago quarter. For the nine months ended September 30, 2000, the Company earned floor revenue of $3 million of which $2 million was attributable to student loans whose minimum borrower rates are fixed to term and $1 million was attributable to student loans whose minimum borrower rates adjust annually on July 1. For the nine months ended September 30, 1999, the Company earned floor revenue of $58 million, of which $40 million was attributable to student loans whose minimum borrower rates are fixed to term and $18 million was attributable to student loans whose minimum borrower rates adjust annually on July 1. The reduction in floor revenue decreased the year-to-date 2000 on-balance sheet student loan spread by 23 basis points versus the year-ago period.

The Company's match funding of its student loan portfolio on a managed basis affects servicing and securitization revenue in the opposite direction from its effect on the on-balance sheet student loan spread. Specifically, the Company's on-balance sheet use of funding indexed to the July 1999 reset of the 52-week Treasury bill to fund off-balance sheet PLUS student loans decreased servicing and securitization revenue by $18 million for the nine months ended September 30, 2000 versus the prior year due to the rise in Treasury bill rates which increased off-balance sheet funding costs for debt indexed to the 91-day Treasury bill and funding PLUS loans. The opposite effect occurs on-balance sheet as the Company uses the excess of off-balance sheet 91-day Treasury bill funding to fund on-balance sheet student loans indexed to the 91-day Treasury bill.

The following table analyzes the ability of the FFELP student loans in the Company's managed student loan portfolio to earn at the minimum borrower interest rate at September 30, 2000 and 1999, based on the last Treasury bill auctions of September 2000 and September 1999 for fixed rate loans (6.18 percent and 4.86 percent, respectively), and based on the last Treasury bill auctions of May 2000 and May 1999 for variable rate loans (5.89 percent and 4.62 percent, respectively).

	SEPTEMBER 30, 2000			SEPTEMBER 30, 1999		
(DOLLARS IN BILLIONS)	FIXED	VARIABLE	TOTAL	FIXED	VARIABLE	TOTAL
Student loans eligible to earn at the minimum borrower rate	$16.0	$36.9	$52.9	$13.0	$28.8	$41.8
Less notional amount of floor interest contracts	(4.7)	(2.0)	(6.7)	(3.5)	(3.1)	(6.6)
Net student loans eligible to earn at the minimum borrower rate	$11.3	$34.9	$46.2	$ 9.5	$25.7	$35.2
Net student loans earning at the minimum borrower rate	$ --	$ --	$ --	$ 7.7	$ --	$ 7.7

STUDENT LOAN FLOOR REVENUE CONTRACTS

For the three months ended September 30, 2000 and 1999, the amortization of the upfront payments received from the sale of Floor Revenue Contracts on the Company's on-balance sheet student loans with fixed borrower rates was $7 million and $5 million, respectively, and for Floor Revenue Contracts with annually reset borrower rates was $0.01 million and $0.4 million, respectively. For the nine months ended September 30, 2000 and 1999, the amortization of the upfront payments received from the sale of Floor Revenue Contracts on the Company's on-balance sheet student loans with fixed borrower rates was $17 million and $16 million, respectively, and for Floor Revenue Contracts with annually reset borrower rates was $1 million and $20 million, respectively.

At September 30, 2000, unamortized payments received from the sale of Floor Revenue Contracts totaled $72 million, substantially all of which related to contracts on fixed rate loans. At September 30, 2000, the Company had $4.7 billion of outstanding fixed borrower rate Floor Revenue Contracts with expiration dates through the year 2007, and $2.0 billion of annually reset borrower rate contracts that expire on December 31, 2000.

ON-BALANCE SHEET FUNDING COSTS

The Company's borrowings are generally variable rate indexed principally to the 91-day Treasury bill rate. The following table summarizes the average balance of on-balance sheet debt (by index, after giving effect to the impact of interest rate swaps) for the three and nine months ended September 30, 2000 and 1999.

	THREE MONTHS ENDED SEPTEMBER 30,				NINE MONTHS ENDED SEPTEMBER 30,			
	2000		1999		2000		1999	
	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE
Treasury bill, principally 91-day	$32,043	6.70%	$30,388	5.32%	$32,757	6.39%	$29,134	5.20%
LIBOR	2,468	6.71	2,597	5.12	1,886	6.38	2,551	4.99
Discount notes	4,365	6.48	4,286	5.04	4,270	6.11	4,137	4.87
Fixed	1,501	5.98	1,449	5.86	1,444	5.98	1,066	5.97
Zero coupon	174	11.17	155	11.14	169	11.17	151	11.14
Commercial paper	1,271	6.78	463	5.39	1,061	6.59	156	5.39
Auction rate securities	1,495	5.80	--	--	502	5.80	--	--
Other	762	6.82	888	5.20	738	6.20	880	4.90
Total	$44,079	6.67%	$40,226	5.34%	$42,827	6.37%	$38,075	5.21%

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
INDEXED BORROWINGS	2000	1999	2000	1999
TREASURY BILL				
Weighted average Treasury bill	6.19%	4.83%	5.87%	4.74%
Borrowing spread	.51	.49	.52	.46
Weighted average borrowing rate	6.70%	5.32%	6.39%	5.20%
LIBOR				
Weighted average LIBOR	6.85%	5.29%	6.57%	5.20%
Borrowing spread	(.14)	(.17)	(.19)	(.21)
Weighted average borrowing rate	6.71%	5.12%	6.38%	4.99%

SECURITIZATION PROGRAM

During the third quarter of 2000, the Company completed a securitization transaction in which a total of $2.0 billion of student loans were sold to a special purpose finance subsidiary and by that subsidiary to a trust that issued asset-backed securities to fund the student loans to term. For the nine months ended September 30, 2000, the Company securitized a total of $8.5 billion of student loans in four separate transactions.

During the third quarter of 1999, the Company securitized $1.0 billion of student loans for a total of $2.0 billion for the nine months ended September 30, 1999.

GAINS ON STUDENT LOAN SECURITIZATIONS

For the three months ended September 30, 2000 the Company recorded a pre-tax securitization gain of $23 million, which was 1.10 percent of the portfolio securitized, versus a pre-tax securitization gain of $4 million, which was 0.36 percent of the portfolio securitized in the third quarter of 1999. The increase in the 2000 third quarter securitization gain as a percentage of the portfolio securitized versus the year-ago quarter is mainly due to lower financing spreads. For the nine months ended September 30, 2000, the Company recorded pre-tax securitization gains of $91 million, which was 1.07 percent of the portfolios securitized, versus a pre-tax securitization gain of $12 million, which was .58 percent of the portfolio securitized in the nine months ended September 30, 1999. Gains on future securitizations will continue to vary depending on the size and the loan characteristics of the loan portfolios securitized and the funding costs prevailing in the securitization debt markets at the time of each transaction.

SERVICING AND SECURITIZATION REVENUE

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Servicing revenue less amortization of servicing asset	$58	$40	$157	$118
Securitization revenue	22	22	54	111
Total servicing and securitization revenue	$80	$62	$211	$229

In the three and nine months ended September 30, 2000, servicing and securitization revenue was 1.15 percent and 1.17 percent, respectively, of average securitized loans versus 1.37 percent and 1.74 percent, respectively, in the corresponding year-ago periods. The decrease in servicing and securitization revenue as a percentage of the average balance of securitized student loans in the three and nine months ended 2000 versus the corresponding year-ago periods is mainly due to the impact of the rise in Treasury bill rates since the second half of 1999, which decreased floor revenues from student loans in the trusts by $2 million and $40 million, respectively.

OTHER INCOME

Other income, exclusive of gains on student loan securitizations and servicing and securitization revenue, totaled $103 million and $30 million for the three months ended September 30, 2000 and 1999, respectively, and $205 million and $73 million for the nine months ended September 30, 2000 and 1999, respectively. Other income mainly includes late fees earned on student loans, gains and losses on sales of investment securities, guarantor servicing fees, revenue received from servicing third party portfolios of student loans, and commitment fees for letters of credit. The increase in other income for the third quarter of 2000 versus the third quarter of 1999 is mainly due to the inclusion of guarantor servicing, loan servicing and other fee revenue of $71 million from USA Group. The increase in other income for the nine months ended September 30, 2000 versus the nine months ended September 30, 1999 is mainly due to $34 million of additional gains on sales of investment securities, $7 million additional late fee revenue, $9 million additional fee revenue from SLM Financial, and $71 million fee revenue associated with the acquisition of USA Group's operations.

OPERATING EXPENSES

The following table summarizes the components of operating expenses:

	THREE MONTHS ENDED SEPTEMBER 30, 2000	THREE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
Servicing and acquisition expenses..........	$100	$59	$218	$181
General and administrative expenses.........	67	33	140	83
Integration charge..........................	53	--	53	--
Total operating expenses....................	$220	$92	$411	$264

Operating expenses include costs to service the Company's managed student loan portfolio, operational costs associated with its guarantor services operations, operational costs incurred in the process of acquiring student loan portfolios, and general and administrative expenses. The Company recorded an integration charge of $53 million in the third quarter of 2000 to cover severance costs, costs to close facilities and move functional responsibilities as well as costs to align system capabilities and move the data center. Exclusive of this one-time integration charge, operating expenses for the three months ended September 30, 2000 and 1999 were $167 million and $92 million, respectively. For the nine months ended September 30, 2000 and 1999, total operating expenses exclusive of this one-time integration charge were $358 million and $264 million, respectively. The increase in operating expenses for the three and nine months ended September 30, 2000 over the corresponding year-ago periods was mainly due to expenses related to SLFR and USA Group operations which the Company acquired in the third quarter of 2000, and to expenses of new business initiatives, specifically, SLM Financial, Sallie Mae Solutions, and e-commerce initiatives.

STUDENT LOAN PURCHASES

	THREE MONTHS ENDED SEPTEMBER 30, 2000	THREE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
ExportSS-Registered Trademark-, origination and servicing clients..................	$ 1,693	$1,438	$ 5,301	$ 6,174
Other commitment clients...	415	1,059	1,226	1,664
Spot purchases............	279	4	489	65
Consolidations............	219	207	586	749
Acquisitions..............	4,524	2,585	4,524	2,585
Other......................	262	268	824	775
Total......................	7,392	5,561	12,950	12,012
Managed loans acquired.....	5,165	--	5,165	--
Total managed loans acquired.................	$12,557	$5,561	$18,115	$12,012

For the three months ended September 30, 2000, the Company purchased $7.4 billion and acquired $5.2 billion of managed loans for a record total of $12.6 billion of student loans compared with $5.6 billion in the year-ago period. Included in the third quarter of 2000 purchases are $1.4 billion of student loans acquired from USA Group and $3.1 billion of student loans acquired from SLFR. Included in the third quarter of 1999 purchases are $2.6 billion of student loans acquired from Nellie Mae. For the nine months ended September 30, 2000, the Company acquired a total of $18 billion of managed student loans compared with $12 billion in the year-ago period. In the fourth quarter of 1998, the Company restructured its joint venture with Chase Manhattan Bank ("Chase") and now purchases all loans originated by Chase. The purchases in the nine months ended September 30, 1999 include $1.6 billion of loans from the joint venture that were previously owned by Chase.

In the third quarter of 2000, the Company's controlled channels of loan originations totaled $2.4 billion versus $1.6 billion in the year-ago quarter. The pipeline of loans currently serviced and committed for purchase by the Company was $3.2 billion at September 30, 2000 and 1999.

The Department of Education offers existing FFELP borrowers the opportunity to refinance FFELP loans into Federal Direct Student Loan Program ("FDSLP") consolidation loans. During the three months ended September 30, 2000 and 1999, approximately $165 million and $92 million, respectively, of the Company's managed student loans were accepted for refinancing into the FDSLP. During the nine months ended September 30, 2000 and 1999, approximately $382 million and $690 million, respectively, of the Company's managed student loans were accepted for refinancing into the FDSLP. The relatively high balance in the nine months ended September 30, 1999 was the result of legislation passed in 1998 that allowed borrowers to submit applications by January 31, 1999 for consolidated student loans under the FDSLP at advantageous interest rates.

The following table summarizes the activity in the Company's managed portfolio of student loans for the three and nine months ended September 30, 2000 and 1999.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
BEGINNING BALANCE	$55,947	$49,516	$53,276	$46,342
Purchases	12,557	5,561	18,115	12,012
Capitalized interest on securitized loans	208	112	479	279
Repayments, claims, other	(1,614)	(1,224)	(4,187)	(3,840)
Loan sales	--	--	(126)	--
Loans consolidated from USA Education	(410)	(185)	(869)	(1,013)
Ending balance	$66,688	$53,780	$66,688	$53,780

PRO-FORMA STATEMENTS OF INCOME

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

Management believes that in addition to results of operations as reported in accordance with GAAP, another important performance measure is pro-forma results of operations under the assumption that the securitization transactions are financings and that the securitized student loans were not sold. The pro-forma results of operations also exclude the effect of floor revenue, certain one-time gains on sales of investment securities and student loans, certain integration charges and the amortization of goodwill. The following pro-forma statements of income present the Company's results of operations under the assumption that the securitization transactions are financings and that the securitized student loans were not sold. As such, no gain on sale or subsequent servicing and securitization revenue is recognized. Instead, the earnings of the student loans in the trusts and related financing costs are reflected over the life of the underlying pool of loans. The effect of floor revenue and certain one-time gains on sales of investment securities and student loans are also excluded from net income. Management refers to these pro-forma results as "core cash basis" statements of income. Management monitors and reports the periodic "core cash basis" earnings of the Company's managed student loan portfolio and believes that they assist in a better understanding of the Company's student loan business.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
"CORE CASH BASIS" STATEMENTS OF INCOME:				
Insured student loans	$1,366	$ 953	$ 3,574	$ 2,612
Advances/Facilities/Investments	139	86	466	269
Total interest income	1,505	1,039	4,040	2,881
Interest expense	(1,238)	(795)	(3,274)	(2,200)
Net interest income	267	244	766	681
Less: provision for losses	11	11	39	40
Net interest income after provision for losses	256	233	727	641
OTHER INCOME:				
Gains on student loan securitizations	--	--	--	--
Servicing and securitization revenue	--	--	--	--
Gains on sales of student loans	--	--	--	--
Gains on sales of securities	--	--	1	1
Guarantor servicing fees	51	--	51	--
Other	52	21	110	63
Total other income	103	21	162	64
Total operating expenses	161	90	349	263
Income before taxes and minority interest in earnings of subsidiary	198	164	540	442
Income taxes	67	51	177	136
Minority interest in earnings of subsidiary	3	3	8	8
"Core cash basis" net income	$ 128	$ 110	$ 355	$ 298
Preferred dividends	3	--	9	--
"Core cash basis" net income attributable to common stock	$ 125	$ 110	$ 346	$ 298
"Core cash basis" diluted earnings per share	$ .77	$ .68	$ 2.13	$ 1.82

	THREE MONTHS ENDED SEPTEMBER 30, 2000	THREE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
RECONCILIATION OF GAAP NET INCOME TO "CORE CASH BASIS" NET INCOME:				
GAAP net income	$ 92	$ 121	$ 366	$ 359
"Cash basis" adjustments:				
Gains on student loan securitizations	(22)	(4)	(91)	(12)
Gains on sales of student loans	--	--	--	--
Servicing and securitization revenue	(80)	(62)	(211)	(228)
Net interest income	107	75	285	265
Goodwill amortization	6	1	9	1
Provision for losses	(6)	(4)	(16)	(13)
Total "cash basis" adjustments	5	6	(24)	13
Net tax effect (A)	(1)	(1)	10	(4)
"Cash basis" net income	96	126	352	368
"Core cash basis" adjustments:				
Floor income	--	(15)	(3)	(99)
Integration charge	53	--	53	--
Gains/losses on sales of securities	--	(9)	(43)	(9)
Total "core cash basis" adjustments	53	(24)	7	(108)
Net tax effect (A)	(21)	8	(4)	38
"Core cash basis" net income	$ 128	$ 110	$ 355	$ 298

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

"CORE CASH BASIS" STUDENT LOAN SPREAD AND NET INTEREST INCOME

The following table analyzes the reported earnings from the Company's portfolio of managed student loans, which includes those on-balance sheet and those off-balance sheet in securitization trusts. The line captioned "Cash basis adjusted student loan yields" reflects contractual student loan yields.

	THREE MONTHS ENDED SEPTEMBER 30, 2000	THREE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
"Cash basis" adjusted student loan yields	9.10%	7.91%	8.85%	7.91%
Consolidated loan rebate fees	(.18)	(.16)	(.17)	(.15)
Offset fees	(.08)	(.10)	(.08)	(.09)
Borrower benefits	(.10)	(.10)	(.10)	(.08)
Premium amortization	(.27)	(.23)	(.26)	(.28)
Student loan income	8.47	7.32	8.24	7.31
Cost of funds	(6.80)	(5.39)	(6.51)	(5.26)
"Cash basis" student loan spread	1.67%	1.93%	1.73%	2.05%
"Core cash basis" student loan spread	1.67%	1.81%	1.73%	1.78%
AVERAGE BALANCES				
Managed student loans	$64,196	$52,483	$57,960	$49,573

The Company earns interest at the greater of the borrower's rate or a floating rate determined by reference to the average of the weekly auctions of the 91-day Treasury bills by the government, plus a fixed spread, which is dependent upon when the loan was originated. In all cases, the rate the borrower pays sets a minimum rate for determining the yield the Company earns on the loan. The Company generally finances its student loan portfolio with floating rate debt tied to the average of the 91-day Treasury bill auctions, either directly or through the use of derivative financial instruments, to mimic the interest rate characteristics of the student loans. Such borrowings, however, generally do not have minimum rates. As a result, in periods of declining interest rates, the portfolio of managed student loans may be earning at the minimum borrower rate while the Company's funding costs (exclusive of funding spreads) will generally decline along with Treasury bill rates. For loans in which the borrower's interest rate is fixed to term, declining interest rates may benefit the spread earned on student loans for extended periods of time. For loans in which the borrower's interest rate is reset annually, any benefit of a low interest rate environment will only enhance student loan spreads through the next annual reset of the borrowers interest rates, which occurs on July 1 of each year. Due to the continued rise in Treasury bill rates since the second quarter of 1999, the Company earned only $0.01 million from student loans earning at the minimum borrower rate in the third quarter of 2000 versus $15 million of such earnings in the year-ago quarter. The negative impact of the rise in Treasury bill rates on student loans earning at the minimum borrower rate decreased the "cash basis" student loan spread by 11 basis points versus the year-ago quarter. These earnings have been excluded from student loan income to calculate the "core cash basis" student loan spread.

For the three and nine months ended September 30, 2000, the amortization of the upfront payments received from the sale of Floor Revenue Contracts with annually reset borrower rates was $0.01 million and $1 million, respectively, versus $0.4 million and $24 million, respectively, for the three and nine months ended September 30, 1999. At September 30, 2000, the unamortized balance of upfront payments received from the sale of fixed borrower rate Floor Revenue Contracts totaled $72 million. There was substantially no unamortized balance of upfront payments received on annually reset borrower rate contracts.

In the three months ended September 30, 2000, "core cash basis" net interest income was $267 million compared with $244 million in the year-ago period. In the nine months ended September 30, 2000, "core cash basis" net interest income was $766 million compared with $681 million in the year-ago period. The increase in "core cash basis" net interest income earned in the three and nine months ended September 30, 2000 versus the year-ago periods was due to the increase in the average balance of managed student loans, and the increase in student loans as a percentage of average earning assets.

FEDERAL AND STATE TAXES

The Company maintains a portfolio of tax-advantaged assets principally to support education-related financing activities. That portfolio was primarily responsible for the decrease in the effective federal income tax rate from the statutory rate of 35 percent to 33 percent for the three and nine months ended September 30, 2000. The effective federal income tax rate was 32 percent for the three and nine months ended September 30, 1999. The GSE is exempt from all state, local and District of Columbia income, franchise, sales and use, personal property and other taxes, except for real property taxes. However, this tax exemption applies only to the GSE and does not apply to USA Education, Inc. or its other operating subsidiaries that are subject to taxation at the state and local level. State taxes were immaterial in the three and nine months ended September 30, 2000 and 1999 as the majority of the Company's business activities were conducted in the GSE.

LIQUIDITY AND CAPITAL RESOURCES

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

The Company's unsecured financing requirements are driven by three principal factors: refinancing of existing liabilities as they mature; financing of student loan portfolio growth; and the Company's level of securitization activity. Market conditions for Treasury bill indexed debt improved in the first nine months of 2000 and the Company has begun to lengthen the term of its GSE debt.

In the first nine months of 2000, the Company completed four securitization transactions totaling $8.5 billion in student loans and issued $8.2 billion in LIBOR-based asset-backed securities. The Company manages the resulting off-balance sheet basis risk with on-balance sheet financing and derivative instruments, principally basis swaps and Eurodollar futures.

During the first nine months of 2000, the Company used the net proceeds from student loan securitizations of $8.7 billion, net proceeds from the sale or maturity of investments of $1.4 billion, and repayments and claim payments on student loans of $2.1 billion to purchase student loans of $8.4 billion, to reduce total debt by $4.5 billion, and to repurchase $175 million of the Company's common stock.

Operating activities provided net cash inflows of $664 million in the first nine months of 2000, an increase of $327 million from the net cash inflows of $337 million in the corresponding year-ago period.

During the first nine months of 2000, the Company issued $13.5 billion of long-term notes to refund maturing and repurchased obligations. At September 30, 2000, the Company had $11.5 billion of outstanding long-term debt issues of which $281 million had stated maturities that could be accelerated through call provisions. The Company uses interest rate and foreign currency swaps (collateralized where appropriate), purchases of U.S. Treasury securities and other hedging techniques to reduce its exposure to interest rate and currency fluctuations that arise from its financing activities and to match the variable interest rate characteristics of its earning assets. See "Interest Rate Risk Management."

On January 1, 2000 the GSE's minimum required statutory capital adequacy ratio was increased from 2.00 percent to 2.25 percent. At September 30, 2000, the GSE was in compliance with the new ratio with a statutory capital adequacy ratio, after the effect of the dividends to be paid in the fourth quarter of 2000, of 2.25 percent.

INTEREST RATE RISK MANAGEMENT

INTEREST RATE GAP ANALYSIS

The Company's principal objective in financing its operations is to minimize its sensitivity to changing interest rates by matching the interest rate characteristics of its borrowings to specific assets in order to lock in spreads. The Company funds its floating rate managed loan assets (most of which have weekly rate resets) with variable rate debt and fixed rate debt converted to variable rates with interest rate swaps. The Company also uses interest rate cap agreements, foreign currency swaps, options on securities, and financial futures contracts to further reduce interest rate risk and foreign currency exposure on certain of its borrowings. Investments are funded on a "pooled" approach, i.e., the pool of liabilities that funds the investment portfolio has an average rate and maturity or reset date that corresponds to the average rate and maturity or reset date of the investments which they fund.

In addition to term match funding, the Company's asset-backed securities generally match the interest rate characteristics of the majority of the student loans in the trusts by being indexed to the 91-day Treasury bill. However, at September 30, 2000, there were approximately $3.6 billion of PLUS student loans outstanding in the trusts, which have interest rates that reset annually based on the final auction of 52-week Treasury bills before each July 1. In addition, at September 30, 2000 approximately $16.4 billion of LIBOR-based asset-backed securities had been issued by the trusts, which have interest rates that generally reset quarterly. The Company manages this basis risk through its on-balance sheet financing and hedging activities.

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 September 30, 2000 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................	$33,871	$ --	$2,078	$ --	$ --	$ --
Warehousing advances.........	833	14	--	--	2	12
Academic facilities financings.................	7	6	73	79	308	410
Cash and investments.........	2,666	19	14	59	123	1,737
Other assets.................	27	32	64	118	349	2,743
Total assets...............	37,404	71	2,229	256	782	4,902
LIABILITIES AND STOCKHOLDERS' EQUITY						
Short-term borrowings........	29,104	961	835	--	--	--
Long-term notes..............	10,175	12	--	476	295	565
Other liabilities............	--	--	--	--	--	1,672
Minority interest in subsidiary.................	--	--	--	--	--	214
Stockholders' equity.........	--	--	--	--	--	1,335
Total liabilities and stockholders' equity.....	39,279	973	835	476	295	3,786
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS						
Interest rate swaps..........	3,014	972	(3,039)	100	(61)	(986)
Impact of securitized student loans......................	(3,576)	--	3,576	--	--	--
Total off-balance sheet financial instruments......	(562)	972	537	100	(61)	(986)
Period gap...................	$(2,437)	$ 70	$1,931	$(120)	$ 426	$ 130
Cumulative gap...............	$(2,437)	$(2,367)	$ (436)	$(556)	$ (130)	$ --
Ratio of interest-sensitive assets to interest-sensitive liabilities................	95.2%	4.0%	259.3%	29.0%	146.8%	382.1%
Ratio of cumulative gap to total assets...............	5.3%	5.2%	1.0%	1.2%	.3%	--%

INTEREST RATE SENSITIVITY ANALYSIS

The effect of short-term movements in interest rates on the Company's results of operations and financial position has been limited through the Company's risk management activities. The Company performed a sensitivity analysis to determine the effect of a hypothetical increase in market interest rates of 10 percent on the Company's variable rate assets and liabilities and a hypothetical 10 percent increase in spreads to their underlying index. Based on this analysis, there has not been a material change in market risk from December 31, 1999 as reported in the Company's Form 10-K.

AVERAGE TERMS TO MATURITY

The following table reflects the average terms to maturity for the Company's earning assets and liabilities at September 30, 2000 (in years):

	ON-BALANCE SHEET	OFF-BALANCE SHEET	MANAGED
EARNING ASSETS			
Student loans	7.1	4.3	5.8
Warehousing advances	5.9	--	5.9
Academic facilities financings	6.8	--	6.8
Cash and investments	5.8	--	5.8
Total earning assets	7.0	4.3	5.8
BORROWINGS			
Short-term borrowings	.4	--	.4
Long-term borrowings	3.8	4.3	4.2
Total borrowings	1.3	4.3	2.6

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 5.8 years. As student loans are securitized, the need for long-term on-balance sheet financing will decrease.

COMMON STOCK

As a result of the USA Group acquisition, the Company issued approximately 10 million shares during the third quarter of 2000. The Company repurchased 1.5 million shares during the quarter through open market purchases. The net result was an increase in outstanding shares to 164 million at September 30, 2000. At September 30, 2000, the total common shares that could potentially be acquired over the next five years under outstanding equity forward contracts was 21 million, and the Company has remaining authority to enter into additional share repurchases and equity forward contracts for 5 million shares.

The following table summarizes the Company's common share repurchase and equity forward activity for the three and nine months ended September 30, 2000 and 1999. (All amounts in the tables are common shares in millions.)

	THREE MONTHS ENDED SEPTEMBER 30, 2000	THREE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
Common shares repurchased:				
Open market	1.5	.9	1.5	1.8
Equity forwards	--	1.4	2.5	4.3
Total shares repurchased	1.5	2.3	4.0	6.1
Average purchase price per share	$42.32	$42.25	$42.53	$40.97
Equity forward contracts:				
Outstanding at beginning of period	20.6	20.6	21.4	20.5
New contracts	3.4	1.5	5.1	4.5
Exercises/Terminations	(3.4)	(1.4)	(5.9)	(4.3)
Outstanding at end of period	20.6	20.7	20.6	20.7
Board of director authority remaining at end of period	5.4	6.4	5.4	6.4

As of September 30, 2000, the expiration dates and range of purchase prices for outstanding equity forward contracts are as follows:

YEAR OF MATURITY	SEPTEMBER 30, 2000 OUTSTANDING CONTRACTS	SEPTEMBER 30, 2000 RANGE OF MARKET PRICES
2001	8.7	32.11 - 45.96
2002	5.0	41.01 - 45.55
2003	4.0	41.20 - 47.50
2004	1.7	39.82 - 45.62
2005	1.2	30.00 - 36.04
Total	20.6	

OTHER RELATED EVENTS AND INFORMATION

OTHER DEVELOPMENTS

Nothing to report.

SUBSEQUENT EVENTS

On October 3, 2000, the Company issued $500,000,000 of its Senior Notes due September 16, 2002. The proceeds to the Company from the sale of these notes, before expenses, were $498,750,000 and were used for general corporate purposes.

Effective October 27, 2000, the Company renewed its $600 million 364-day revolving credit facility for an additional 364-day period. Liquidity support for the Company's commercial paper program is provided by this $600 million 364-day revolving credit facility which matures on October 26, 2001 and a $400 million 5-year revolving credit facility which matures on October 29, 2004.

SIGNATURES

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

USA EDUCATION, INC.
(Registrant)

By: /s/ JOHN F. REMONDI

John F. Remondi
SENIOR VICE PRESIDENT, FINANCE
(Principal Financial and Accounting Officer and Duly Authorized Officer)

Date: November 20, 2000