
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 September 30, 2010

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 001-13251

SLM Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

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

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

20190
(Zip Code)

(703) 810-3000

(Registrant's telephone number, including area code)

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

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

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

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

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

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

Class	Outstanding at October 31, 2010
Voting common stock, \$.20 par value	485,590,403 shares

SLM CORPORATION
FORM 10-Q
INDEX
September 30, 2010

<u>Part I. Financial Information</u>	
Item 1. Financial Statements	2
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	64
Item 3. Quantitative and Qualitative Disclosures about Market Risk	136
Item 4. Controls and Procedures	141
<u>PART II. Other Information</u>	
Item 1. Legal Proceedings	142
Item 1A. Risk Factors	143
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	143
Item 3. Defaults Upon Senior Securities	143
Item 4. (Removed and Reserved)	143
Item 5. Other Information	143
Item 6. Exhibits	144
<u>Signatures</u>	145
<u>Glossary⁽¹⁾</u>	146
EX-10.1	
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	
EX-101 INSTANCE DOCUMENT	
EX-101 SCHEMA DOCUMENT	
EX-101 CALCULATION LINKBASE DOCUMENT	
EX-101 LABELS LINKBASE DOCUMENT	
EX-101 PRESENTATION LINKBASE DOCUMENT	
EX-101 DEFINITION LINKBASE DOCUMENT	

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2010	December 31, 2009
Assets		
FFELP Stafford and Other Student Loans (net of allowance for losses of \$120,386 and \$104,219, respectively)	\$ 46,026,138	\$ 42,978,874
FFELP Stafford Loans Held-for-Sale	20,655,561	9,695,714
FFELP Consolidation Loans (net of allowance for losses of \$68,880 and \$56,949, respectively)	79,911,599	68,378,560
Private Education Loans (net of allowance for losses of \$2,035,034 and \$1,443,440, respectively)	35,541,640	22,753,462
Investments:		
Available-for-sale	203,125	1,273,275
Other	913,986	740,553
Total investments	1,117,111	2,013,828
Cash and cash equivalents	5,875,510	6,070,013
Restricted cash and investments	5,837,546	5,168,871
Retained Interest in off-balance sheet securitized loans	—	1,828,075
Goodwill and acquired intangible assets, net	488,220	1,177,310
Other assets	10,653,449	9,920,591
Total assets	\$ 206,106,774	\$ 169,985,298
Liabilities		
Short-term borrowings	\$ 45,388,432	\$ 30,896,811
Long-term borrowings	153,003,935	130,546,272
Other liabilities	3,140,330	3,263,593
Total liabilities	201,532,697	164,706,676
Commitments and contingencies		
Equity		
Preferred stock, par value \$.20 per share, 20,000 shares authorized:		
Series A: 3,300 and 3,300 shares, respectively, issued at stated value of \$50 per share	165,000	165,000
Series B: 4,000 and 4,000 shares, respectively, issued at stated value of \$100 per share	400,000	400,000
Series C: 7.25% mandatory convertible preferred stock; 810 and 810 shares, respectively, issued at liquidation preference of \$1,000 per share	810,370	810,370
Common stock, par value \$.20 per share, 1,125,000 shares authorized: 553,787 and 552,220 shares issued, respectively	110,758	110,444
Additional paid-in capital	5,127,313	5,090,891
Accumulated other comprehensive loss (net of tax benefit of \$25,386 and \$23,448, respectively)	(44,159)	(40,825)
Retained earnings (loss)	(122,565)	604,467
Total SLM Corporation stockholders' equity before treasury stock	6,446,717	7,140,347
Common stock held in treasury at cost: 68,011 and 67,222 shares, respectively	1,872,640	1,861,738
Total SLM Corporation stockholders' equity	4,574,077	5,278,609
Noncontrolling interest	—	13
Total equity	4,574,077	5,278,622
Total liabilities and equity	\$ 206,106,774	\$ 169,985,298

Supplemental information — assets and liabilities of consolidated variable interest entities:

	September 30, 2010	December 31, 2009
FFELP Stafford and Other Student Loans, net	\$ 65,557,473	\$ 51,067,680
FFELP Consolidation Loans, net	78,396,367	67,664,019
Private Education Loans, net	24,511,699	10,107,298
Restricted cash and investments	5,522,584	4,596,147
Other assets	4,373,606	3,639,918
Short-term borrowings	36,806,456	23,384,051
Long-term borrowings	128,473,542	101,012,628
Net assets of consolidated variable interest entities	\$ 13,081,731	\$ 12,678,383

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Interest income:				
FFELP Stafford and Other Student Loans	\$ 320,234	\$ 303,192	\$ 928,713	\$ 969,947
FFELP Consolidation Loans	564,586	481,592	1,638,831	1,431,644
Private Education Loans	610,893	396,239	1,751,387	1,176,399
Other loans	7,190	11,042	23,440	45,930
Cash and investments	7,630	6,881	18,878	19,896
Total interest income	1,510,533	1,199,046	4,361,249	3,643,816
Total interest expense	638,599	673,870	1,738,916	2,519,876
Net interest income	871,934	525,176	2,622,333	1,123,940
Less: provisions for loan losses	358,110	321,127	1,099,469	849,518
Net interest income after provisions for loan losses	513,824	204,049	1,522,864	274,422
Other income (loss):				
Securitization servicing and Residual Interest revenue	—	155,065	—	147,248
Gains on sales of loans and securities, net	1,607	12,452	6,745	12,752
Gains (losses) on derivative and hedging activities, net	(344,458)	(111,556)	(331,552)	(569,326)
Contingency fee revenue	83,746	82,200	252,238	230,383
Collections revenue	13,097	21,241	52,282	88,830
Guarantor servicing fees	15,996	48,087	74,543	106,867
Other	90,502	150,006	445,811	741,229
Total other income (loss)	(139,510)	357,495	500,067	757,983
Expenses:				
Salaries and benefits	139,099	140,888	429,716	413,813
Other operating expenses	180,120	162,242	544,621	473,195
Goodwill and acquired intangible assets impairment and amortization expense	669,668	9,774	689,090	29,176
Restructuring expenses	11,082	2,492	55,030	9,598
Total expenses	999,969	315,396	1,718,457	925,782
Income (loss) from continuing operations, before income tax expense (benefit)	(625,655)	246,148	304,474	106,623
Income tax expense (benefit)	(127,558)	80,423	224,340	31,796
Net income (loss) from continuing operations	(498,097)	165,725	80,134	74,827
Income (loss) from discontinued operations, net of tax	3,211	(6,417)	3,211	(59,133)
Net income (loss)	(494,886)	159,308	83,345	15,694
Less: net income attributable to noncontrolling interest	61	198	334	690
Net income (loss) attributable to SLM Corporation	(494,947)	159,110	83,011	15,004
Preferred stock dividends	18,787	42,627	56,176	94,822
Net income (loss) attributable to SLM Corporation common stock	\$ (513,734)	\$ 116,483	\$ 26,835	\$ (79,818)
Net income (loss) attributable to SLM Corporation:				
Continuing operations	\$ (498,158)	\$ 165,527	\$ 79,800	\$ 74,137
Discontinued operations, net of tax	3,211	(6,417)	3,211	(59,133)
Net income (loss) attributable to SLM Corporation	\$ (494,947)	\$ 159,110	\$ 83,011	\$ 15,004
Basic earnings (loss) per common share attributable to SLM Corporation common shareholders:				
Continuing operations	\$ (1.07)	\$.26	\$.05	\$ (.04)
Discontinued operations	.01	(.01)	.01	(.13)
Total	\$ (1.06)	\$.25	\$.06	\$ (.17)
Average common shares outstanding	484,936	470,280	484,678	467,960
Diluted earnings (loss) per common share attributable to SLM Corporation common shareholders:				
Continuing operations	\$ (1.07)	\$.26	\$.05	\$ (.04)
Discontinued operations	.01	(.01)	.01	(.13)
Total	\$ (1.06)	\$.25	\$.06	\$ (.17)
Average common and common equivalent shares outstanding	484,936	471,058	486,209	467,960
Dividends per common share attributable to SLM Corporation common shareholders	\$ —	\$ —	\$ —	\$ —

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Preferred Stock Shares	Common Stock Shares			Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other			Total Stockholders' Equity	Noncontrolling Interest	Total Equity
		Issued	Treasury	Outstanding				Comprehensive Income (Loss)	Retained Earnings	Treasury Stock			
Balance at June 30, 2009	8,449,370	534,841,879	(67,128,199)	467,713,680	\$1,714,770	\$ 106,969	\$4,709,053	\$ (48,683)	\$ 229,865	\$ (1,860,440)	\$ 4,851,534	\$ 5	\$ 4,851,539
Comprehensive income:													
Net income (loss)									159,110		159,110	198	159,308
Other comprehensive income (loss), net of tax:													
Change in unrealized gains (losses) on investments, net of tax									1,420		1,420		1,420
Change in unrealized gains (losses) on derivatives, net of tax									3,346		3,346		3,346
Defined benefit pension plans adjustment									(256)		(256)		(256)
Comprehensive income (loss)											163,650	198	163,848
Cash dividends:													
Preferred stock, series A (\$5.87 per share)									(2,875)		(2,875)		(2,875)
Preferred stock, series B (\$5.34 per share)									(1,299)		(1,299)		(1,299)
Preferred stock, series C (\$18.13 per share)									(17,906)		(17,906)		(17,906)
Restricted stock dividend									(1)		(1)		(1)
Issuance of common shares		15,048		15,048		(5)	279				274		274
Preferred stock issuance costs and related amortization							164		(164)				
Conversion of preferred shares	(137,400)	6,992,368		6,992,368	(137,400)	1,398	146,423		(20,383)		(9,962)		(9,962)
Tax benefit related to employee stock option and purchase plans									(2,843)		(2,843)		(2,843)
Stock-based compensation cost							8,995				8,995		8,995
Repurchase of common shares:													
Benefit plans			(30,876)	(30,876)						(549)	(549)		(549)
Noncontrolling interest — other												(196)	(196)
Balance at September 30, 2009	8,312,370	541,849,295	(67,159,075)	474,690,220	\$1,577,370	\$ 108,362	\$4,862,071	\$ (44,143)	\$ 346,347	\$ (1,860,989)	\$ 4,989,018	\$ 7	\$ 4,989,025
Balance at June 30, 2010	8,110,370	553,571,384	(67,774,802)	485,796,582	\$1,375,370	\$ 110,715	\$5,122,583	\$ (43,333)	\$ 391,169	\$ (1,869,760)	\$ 5,086,744	\$ 4	\$ 5,086,748
Comprehensive income:													
Net income (loss)									(494,947)		(494,947)	61	(494,886)
Other comprehensive income (loss), net of tax:													
Change in unrealized gains (losses) on investments, net of tax									(71)		(71)		(71)
Change in unrealized gains (losses) on derivatives, net of tax									(732)		(732)		(732)
Defined benefit pension plans adjustment									(23)		(23)		(23)
Comprehensive income											(495,773)	61	(495,712)
Cash dividends:													
Preferred stock, series A (\$5.87 per share)									(2,875)		(2,875)		(2,875)
Preferred stock, series B (\$5.32 per share)									(1,224)		(1,224)		(1,224)
Preferred stock, series C (\$18.13 per share)									(14,688)		(14,688)		(14,688)
Restricted stock dividend													
Issuance of common shares		215,962		215,962		43	2,417				2,460		2,460
Tax benefit related to employee stock option and purchase plans							(2,883)				(2,883)		(2,883)
Stock-based compensation cost							5,196				5,196		5,196
Repurchase of common shares:													
Benefit plans			(236,005)	(236,005)						(2,880)	(2,880)		(2,880)
Noncontrolling interest — other												(65)	(65)
Balance at September 30, 2010	8,110,370	553,787,346	(68,010,807)	485,776,539	\$1,375,370	\$ 110,758	\$5,127,313	\$ (44,159)	\$ (122,565)	\$ (1,872,640)	\$ 4,574,077	\$ —	\$ 4,574,077

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Preferred Stock Shares	Common Stock Shares			Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other			Total Stockholders' Equity	Noncontrolling Interest	Total Equity
		Issued	Treasury	Outstanding				Comprehensive Income (Loss)	Retained Earnings	Treasury Stock			
Balance at													
December 31, 2008	8,449,370	534,411,271	(66,958,400)	467,452,871	\$1,714,270	\$ 106,883	\$4,684,112	\$ (76,476)	\$ 426,175	\$(1,856,394)	\$ 4,999,070	\$ 7,270	\$ 5,006,340
Comprehensive income:													
Net income (loss)									15,004		15,004	690	15,694
Other comprehensive income (loss), net of tax:													
Change in unrealized gains (losses) on investments, net of tax									3,689		3,689		3,689
Change in unrealized gains (losses) on derivatives, net of tax									29,361		29,361		29,361
Defined benefit pension plans adjustment									(717)		(717)		(717)
Comprehensive income (loss)											47,337	690	48,027
Cash dividends:													
Preferred stock, series A (\$2.61 per share)									(8,625)		(8,625)		(8,625)
Preferred stock, series B (\$1.51 per share)									(5,742)		(5,742)		(5,742)
Preferred stock, series C (\$54.38 per share)									(59,586)		(59,586)		(59,586)
Restricted stock dividend									(10)		(10)		(10)
Issuance of common shares		445,656	98	445,754		81	2,505			5	2,591		2,591
Preferred stock issuance costs and related amortization							486		(486)				
Conversion of preferred shares	(137,400)	6,992,368		6,992,368	(137,400)	1,398	146,423		(20,383)		(9,962)		(9,962)
Tax benefit related to employee stock option and purchase plans								(8,662)			(8,662)		(8,662)
Stock-based compensation cost							37,207				37,207		37,207
Repurchase of common shares:													
Benefit plans			(200,773)	(200,773)						(4,600)	(4,600)		(4,600)
Sale of international Purchased Paper — Non-Mortgage business												(7,257)	(7,257)
Noncontrolling interest — other												(696)	(696)
Balance at													
September 30, 2009	8,312,370	541,849,295	(67,159,075)	474,690,220	\$1,577,370	\$ 108,362	\$4,862,071	\$ (44,143)	\$ 346,347	\$(1,860,989)	\$ 4,989,018	\$ 7	\$ 4,989,025
Balance at													
December 31, 2009	8,110,370	552,219,576	(67,221,942)	484,997,634	\$1,375,370	\$ 110,444	\$5,090,891	\$ (40,825)	\$ 604,467	\$(1,861,738)	\$ 5,278,609	\$ 13	\$ 5,278,622
Comprehensive income:													
Net income (loss)									83,011		83,011	334	83,345
Other comprehensive income, net of tax:													
Change in unrealized gains (losses) on investments, net of tax									1,607		1,607		1,607
Change in unrealized gains (losses) on derivatives, net of tax									(4,883)		(4,883)		(4,883)
Defined benefit pension plans adjustment									(58)		(58)		(58)
Comprehensive income											79,677	334	80,011
Cash dividends:													
Preferred stock, series A (\$2.61 per share)									(8,625)		(8,625)		(8,625)
Preferred stock, series B (\$1.50 per share)									(1,193)		(1,193)		(1,193)
Preferred stock, series C (\$54.38 per share)									(44,064)		(44,064)		(44,064)
Restricted stock dividend									(11)		(11)		(11)
Issuance of common shares		1,567,770		1,567,770		314	12,583				12,897		12,897
Preferred stock issuance costs and related amortization							294		(294)				
Tax benefit related to employee stock option and purchase plans							(7,688)				(7,688)		(7,688)
Stock-based compensation cost							31,233				31,233		31,233
Cumulative effect of accounting change (See Note 1)									(753,856)		(753,856)		(753,856)
Repurchase of common shares:													
Benefit plans			(788,865)	(788,865)						(10,902)	(10,902)		(10,902)
Noncontrolling interest — other												(347)	(347)
Balance at													
September 30, 2010	8,110,370	553,787,346	(68,010,807)	485,776,539	\$1,375,370	\$ 110,758	\$5,127,313	\$ (44,159)	\$(122,565)	\$(1,872,640)	\$ 4,574,077	\$ —	\$ 4,574,077

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended	
	September 30,	
	2010	2009
Operating activities		
Net income	\$ 83,345	\$ 15,694
Adjustments to reconcile net income to net cash used in operating activities:		
(Income) loss from discontinued operations, net of tax	(3,211)	59,133
Gains on sales of loans and securities, net	(6,745)	(12,752)
Goodwill and acquired intangible assets impairment and amortization expense	689,090	29,176
Stock-based compensation cost	31,392	40,073
Unrealized (gains)/losses on derivative and hedging activities	(305,683)	491,644
Provisions for loan losses	1,099,469	849,518
Student loans originated for sale, net	(10,959,847)	(15,846,043)
Decrease in restricted cash — other	48,003	44,201
(Increase) decrease in accrued interest receivable	(327,782)	241,377
Increase (decrease) in accrued interest payable	16,724	(439,920)
Adjustment for non-cash loss related to Retained Interest	—	333,951
Decrease in other assets	1,057,515	3,096
(Decrease) increase in other liabilities	(74,842)	40,870
Cash used in operating activities — continuing operations	(8,735,917)	(14,165,676)
Cash provided by operating activities — discontinued operations	—	233,130
Total net cash used in operating activities	(8,652,572)	(13,916,852)
Investing activities		
Student loans acquired	(6,762,110)	(7,211,675)
Loans purchased from securitized trusts	—	(5,030)
Reduction of student loans:		
Installment payments, claims and other	10,486,310	7,997,484
Proceeds from sales of student loans	359,955	515,140
Other loans — originated	—	(2,818)
Other loans — repaid	117,630	237,980
Other investing activities, net	(172,218)	(676,612)
Purchases of available-for-sale securities	(31,801,767)	(104,663,811)
Proceeds from sales of available-for-sale securities	—	100,056
Proceeds from maturities of available-for-sale securities	32,834,424	104,417,273
Purchases of other securities	(101,008)	—
Proceeds from maturities of held-to-maturity securities and other securities	111,200	68,991
Return of investment from Retained Interest	—	16,361
Decrease (increase) in restricted cash — on-balance sheet trusts	147,195	(1,318,410)
Net cash provided by (used in) investing activities	5,219,611	(525,071)
Financing activities		
Borrowings collateralized by loans in trust — issued	5,918,441	11,572,592
Borrowings collateralized by loans in trust — repaid	(8,245,191)	(4,196,889)
Asset-backed commercial paper conduits, net	(2,308,644)	(15,504,025)
ED Participation Program, net	11,219,632	15,499,015
ED Conduit Program facility, net	1,112,730	14,189,923
Other short-term borrowings issued	—	298,294
Other short-term borrowings repaid	(176,551)	(1,198,661)
Other long-term borrowings issued	1,463,542	4,333,173
Other long-term borrowings repaid	(7,227,300)	(8,335,181)
Other financing activities, net	1,537,754	(1,006,261)
Excess tax benefit from the exercise of stock-based awards	367	—
Common stock issued	194	6
Preferred dividends paid	(55,882)	(83,915)
Noncontrolling interest, net	(634)	(9,152)
Net cash provided by financing activities	3,238,458	15,558,919
Net (decrease) increase in cash and cash equivalents	(194,503)	1,116,996
Cash and cash equivalents at beginning of period	6,070,013	4,070,002
Cash and cash equivalents at end of period	\$ 5,875,510	\$ 5,186,998
Cash disbursements made (refunds received) for:		
Interest	\$ 1,762,789	\$ 3,070,349
Income taxes, net	\$ (451,099)	\$ 292,115

See accompanying notes to consolidated financial statements.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, consolidated financial statements of SLM Corporation (the "Company" or "Sallie Mae") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three and nine months ended September 30, 2010 are not necessarily indicative of the results for the year ending December 31, 2010. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 (the "2009 Form 10-K").

Reclassifications

Certain reclassifications have been made to the balances as of and for the three and nine months ended September 30, 2009 to be consistent with classifications adopted for 2010, and had no effect on net income, total assets, or total liabilities.

Recently Issued Accounting Standards

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

In June 2009, the Financial Accounting Standards Board ("FASB") issued topic updates to Accounting Standards Codification ("ASC") 860, "Transfers and Servicing," and to ASC 810, "Consolidation."

The topic update to ASC 860, among other things, (1) eliminates the concept of a qualifying special purpose entity ("QSPE"), (2) changes the requirements for derecognizing financial assets, (3) changes the amount of the recognized gain/loss on a transfer accounted for as a sale when beneficial interests are received by the transferor, and (4) requires additional disclosure. The topic update to ASC 860 is effective for transactions which occur after December 31, 2009. The impact of ASC 860 to future transactions will depend on how such transactions are structured. ASC 860 relates primarily to the Company's secured borrowing facilities. All of the Company's secured borrowing facilities entered into in 2008 and 2009, including securitization trusts, have been accounted for as on-balance sheet financing facilities. These transactions would have been accounted for in the same manner if ASC 860 had been effective during these years.

The topic update to ASC 810 significantly changes the consolidation model for variable interest entities ("VIEs"). The topic update amends ASC 810 and, among other things, (1) eliminates the exemption for QSPEs, (2) provides a new approach for determining which entity should consolidate a VIE that is more focused on control rather than economic interest, (3) changes when it is necessary to reassess who should consolidate a VIE and (4) requires additional disclosure. The topic update to ASC 810 is effective as of January 1, 2010.

Under ASC 810, if an entity has a variable interest in a VIE and that entity is determined to be the primary beneficiary of the VIE then that entity will consolidate the VIE. The primary beneficiary is the entity which has both: (1) the power to direct the activities of the VIE that most significantly impact the VIE's

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

1. Significant Accounting Policies (Continued)

economic performance and (2) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE. As it relates to the Company's securitized assets, the Company is the servicer of the securitized assets and owns the Residual Interest of the securitization trusts. As a result, the Company is the primary beneficiary of its securitization trusts and consolidated those trusts that were previously off-balance sheet at their historical cost basis on January 1, 2010. The historical cost basis is the basis that would exist if these securitization trusts had remained on-balance sheet since they settled. ASC 810 did not change the accounting of any other VIEs the Company had a variable interest in as of January 1, 2010. These new accounting rules will also apply to new transactions entered into from January 1, 2010 forward.

Upon prospective adoption of topic updates to ASC 810, the Company removed the \$1.8 billion of Residual Interests (associated with its previously off-balance sheet securitization trusts as of December 31, 2009) from the consolidated balance sheet and the Company consolidated \$35.0 billion of assets (\$32.6 billion of which are student loans, net of an approximate \$550 million allowance for loan loss) and \$34.4 billion of liabilities (primarily trust debt), which resulted in an approximate \$750 million after-tax reduction of stockholders' equity (recorded as a cumulative effect adjustment to retained earnings). After the adoption of topic updates to ASC 810, the Company's results of operations no longer reflect securitization servicing and Residual Interest revenue related to these securitization trusts, but instead report interest income, provisions for loan losses associated with the securitized assets and interest expense associated with the debt issued from the securitization trusts to third parties, consistent with the Company's accounting treatment of prior on-balance securitization trusts. As of January 1, 2010, there are no longer differences between the Company's GAAP and "Core Earnings" presentation for securitization accounting. As a result, effective January 1, 2010, the Company's Managed and on-balance sheet (GAAP) student loan portfolios are the same.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

1. Significant Accounting Policies (Continued)

The following table summarizes the change in the consolidated balance sheet resulting from the consolidation of the off-balance sheet securitization trusts following the adoption of topic updates to ASC 810.

(Dollars in millions)	At January 1, 2010
FFELP Stafford Loans (net of allowance of \$15)	\$ 5,500
FFELP Consolidation Loans (net of allowance of \$10)	14,797
Private Education Loans (net of allowance of \$524)	12,341
Total student loans	32,638
Restricted cash and investments	1,041
Other assets	1,370
Total assets consolidated	35,049
Long-term borrowings	34,403
Other liabilities	6
Total liabilities consolidated	34,409
Net assets consolidated on-balance sheet	640
Less: Residual Interest removed from balance sheet	1,828
Cumulative effect of accounting change before taxes	(1,188)
Tax effect	434
Cumulative effect of accounting change after taxes	\$ (754)

Management allocates capital on a Managed Basis. As a result, this accounting change did not affect management's view of capital adequacy for the Company. The Company's unsecured revolving credit facility and its asset-backed credit facilities contain two principal financial covenants related to tangible net worth and net revenue. The tangible net worth covenant requires the Company to maintain consolidated tangible net worth of at least \$1.38 billion at all times. Consolidated tangible net worth as calculated for purposes of this covenant was \$3.5 billion as of December 31, 2009. Upon adoption of topic updates to ASC 810 on January 1, 2010, consolidated tangible net worth as calculated for this covenant was \$2.7 billion. Because the transition adjustment upon adoption of topic updates to ASC 810 is recorded through retained earnings, the net revenue covenant was not affected by the adoption of topic updates to ASC 810. The ongoing net revenue covenant will not be affected by ASC 810's impact on the Company's securitization trusts as the net revenue covenant treated all off-balance sheet trusts as on-balance sheet for purposes of calculating net revenue.

Fair Value Measurements

In January 2010, the FASB issued a topic update to ASC 820, "Fair Value Measurements and Disclosures." The update requires separate disclosures of the amounts of significant transfers in and out of Level 1 and 2 of fair value measurements and a description of the reasons for the transfers. In addition, a reporting unit should report separately information about purchases, sales, issuances, and settlements within the reconciliation of activity in Level 3 fair value measurements. Finally, the update clarifies existing disclosure requirements regarding the level of disaggregation in reporting classes of assets and liabilities and discussion of the inputs and valuation techniques used for Level 2 and 3 fair values. This topic update is

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

1. Significant Accounting Policies (Continued)

effective for annual and interim periods beginning January 1, 2010, except for disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for annual and interim periods beginning January 1, 2011.

Disclosures Regarding Credit Quality of Receivables

In July 2010, the FASB issued an update to the accounting guidance for receivables. This update requires companies to provide additional disclosures about the credit quality of receivables as well as additional information related to the allowance for loan losses. These new rules are effective for the Company's annual reporting period ending December 31, 2010. Other than requiring additional disclosures regarding the credit quality of its loan portfolio, this standard will not have an impact on the Company's financial statements.

2. Allowance for Loan Losses

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

The following table summarizes the total loan loss provisions for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Private Education Loans	\$329,981	\$287,315	\$1,004,214	\$732,619
FFELP Stafford and Other Student Loans	24,582	20,918	76,191	80,911
Mortgage and consumer loans	3,547	12,894	19,064	35,988
Total provisions for loan losses	<u>\$358,110</u>	<u>\$321,127</u>	<u>\$1,099,469</u>	<u>\$849,518</u>

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

2. Allowance for Loan Losses (Continued)

Allowance for Private Education Loan Losses

The following table summarizes changes in the allowance for loan losses for Private Education Loans for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Allowance at beginning of period	\$ 2,042,413	\$ 1,396,707	\$ 1,443,440	\$ 1,308,043
Provision for Private Education Loan losses	329,981	287,315	1,004,214	732,619
Charge-offs	(348,511)	(292,845)	(968,755)	(670,603)
Reclassification of interest reserve	11,151	10,319	32,085	31,437
Consolidation of off-balance sheet trusts ⁽¹⁾	—	—	524,050	—
Allowance at end of period	<u>\$ 2,035,034</u>	<u>\$ 1,401,496</u>	<u>\$ 2,035,034</u>	<u>\$ 1,401,496</u>
Charge-offs as a percentage of average loans in repayment (annualized)	5.4%	9.6%	5.1%	7.7%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	5.1%	8.9%	4.9%	7.1%
Allowance as a percentage of the ending total loan balance	5.3%	5.7%	5.3%	5.7%
Allowance as a percentage of ending loans in repayment	7.9%	11.4%	7.9%	11.4%
Allowance coverage of charge-offs (annualized)	1.5	1.2	1.6	1.6
Ending total loans ⁽²⁾	\$ 38,449,556	\$ 24,439,749	\$ 38,449,556	\$ 24,439,749
Average loans in repayment	\$ 25,616,442	\$ 12,082,965	\$ 25,150,567	\$ 11,633,640
Ending loans in repayment	\$ 25,784,202	\$ 12,254,212	\$ 25,784,202	\$ 12,254,212

(1) Upon the adoption of topic updates to ASC 810 on January 1, 2010, the Company consolidated all of its previously off-balance sheet securitization trusts. (See Note 1, "Significant Accounting Policies — Recently Issued Accounting Standards — Transfers of Financial Assets and the VIE Consolidation Model" for further discussion.)

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

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

2. Allowance for Loan Losses (Continued)**Private Education Loan Delinquencies**

The table below presents the Company's Private Education Loan delinquency trends as of September 30, 2010, December 31, 2009, and September 30, 2009.

(Dollars in millions)	Private Education Loan Delinquencies					
	September 30, 2010		December 31, 2009		September 30, 2009	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$10,517		\$ 8,910		\$10,899	
Loans in forbearance ⁽²⁾	1,170		967		851	
Loans in repayment and percentage of each status:						
Loans current	22,926	88.9%	12,421	86.4%	10,458	85.3%
Loans delinquent 31-60 days ⁽³⁾	907	3.5	647	4.5	551	4.5
Loans delinquent 61-90 days ⁽³⁾	489	1.9	340	2.4	353	2.9
Loans delinquent greater than 90 days ⁽³⁾	1,462	5.7	971	6.7	892	7.3
Total Private Education Loans in repayment	25,784	100.0%	14,379	100.0%	12,254	100.0%
Total Private Education Loans, gross	37,471		24,256		24,004	
Private Education Loan unamortized discount	(873)		(559)		(543)	
Total Private Education Loans	36,598		23,697		23,461	
Private Education Loan receivable for partially charged-off loans	979		499		435	
Private Education Loan allowance for losses	(2,035)		(1,443)		(1,401)	
Private Education Loans, net	\$35,542		\$ 22,753		\$22,495	
Percentage of Private Education Loans in repayment		68.8%		59.3%		51.1%
Delinquencies as a percentage of Private Education Loans in repayment		11.1%		13.6%		14.7%
Loans in forbearance as a percentage of loans in repayment and forbearance		4.3%		6.3%		6.5%

(1) Loans for borrowers who may be attending school or engaging in other permitted educational activities and are not yet required to make payments on 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 generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

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

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

2. Allowance for Loan Losses (Continued)**Allowance for FFELP Loan Losses**

The following table summarizes changes in the allowance for loan losses for the FFELP loan portfolio for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Allowance at beginning of period	\$ 188,685	\$ 153,038	\$ 161,168	\$ 137,543
Provision for FFELP loan losses	24,582	20,918	76,191	80,911
Charge-offs	(21,273)	(16,977)	(66,912)	(60,708)
Decrease for student loan sales and other	(2,728)	(1,252)	(6,330)	(2,019)
Consolidation of off-balance sheet trusts ⁽¹⁾	—	—	25,149	—
Allowance at end of period	\$ 189,266	\$ 155,727	\$ 189,266	\$ 155,727
Charge-offs as a percentage of average loans in repayment (annualized)	.1%	.1%	.1%	.1%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.1%	.1%	.1%	.1%
Allowance as a percentage of the ending total loan balance	.1%	.1%	.1%	.1%
Allowance as a percentage of ending loans in repayment	.2%	.2%	.2%	.2%
Allowance coverage of charge-offs (annualized)	2.2	2.3	2.1	1.9
Ending total loans, gross	\$ 144,090,015	\$ 134,087,420	\$ 144,090,015	\$ 134,087,420
Average loans in repayment	\$ 82,202,512	\$ 69,679,688	\$ 82,362,216	\$ 69,195,627
Ending loans in repayment	\$ 81,787,661	\$ 69,832,792	\$ 81,787,661	\$ 69,832,792

⁽¹⁾ Upon the adoption of topic updates to ASC 810 on January 1, 2010, the Company consolidated all of its previously off-balance sheet securitization trusts. (See Note 1, "Significant Accounting Policies — Recently Issued Accounting Standards - Transfers of Financial Assets and the VIE Consolidation Model" for further discussion.)

The Company maintains an allowance for Risk Sharing loan losses on its FFELP loan portfolio. The level of Risk Sharing has varied over the past few years with legislative changes. As of September 30, 2010, 49 percent of the FFELP loan portfolio was subject to 3 percent Risk Sharing, 50 percent was subject to 2 percent Risk Sharing and the remaining 1 percent was not subject to any Risk Sharing.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

2. Allowance for Loan Losses (Continued)

FFELP Loan Delinquencies

The table below shows the Company's FFELP loan delinquency trends as of September 30, 2010, December 31, 2009 and September 30, 2009.

(Dollars in millions)	FFELP Loan Delinquencies					
	September 30, 2010		December 31, 2009		September 30, 2009	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$ 42,852		\$ 35,079		\$ 50,795	
Loans in forbearance ⁽²⁾	19,450		14,121		13,459	
Loans in repayment and percentage of each status:						
Loans current	67,867	83.0%	57,528	82.4%	57,934	83.0%
Loans delinquent 31-60 days ⁽³⁾	5,054	6.2	4,250	6.1	4,225	6.0
Loans delinquent 61-90 days ⁽³⁾	2,241	2.7	2,205	3.1	2,041	2.9
Loans delinquent greater than 90 days ⁽³⁾	6,626	8.1	5,844	8.4	5,633	8.1
Total FFELP loans in repayment	81,788	100.0%	69,827	100.0%	69,833	100.0%
Total FFELP loans, gross	144,090		119,027		134,087	
FFELP loan unamortized premium	2,692		2,187		2,419	
Total FFELP loans	146,782		121,214		136,506	
FFELP loan allowance for losses	(189)		(161)		(156)	
FFELP loans, net	\$146,593		\$121,053		\$136,350	
Percentage of FFELP loans in repayment		56.8%		58.7%		52.1%
Delinquencies as a percentage of FFELP loans in repayment		17.0%		17.6%		17.0%
FFELP loans in forbearance as a percentage of loans in repayment and forbearance		19.2%		16.8%		16.2%

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

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

3. Investments

A summary of investments and restricted investments as of September 30, 2010 and December 31, 2009 follows:

	September 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investments				
<i>Available-for-sale:</i>				
U.S. Treasury securities	\$ 1,014	\$ —	\$ —	\$ 1,014
Other securities:				
Asset-backed securities	74,846	2,112	—	76,958
Commercial paper and asset-backed commercial paper	111,661	—	—	111,661
Municipal bonds	9,558	2,440	—	11,998
Other	1,568	—	(74)	1,494
Total investment securities available-for-sale	<u>\$198,647</u>	<u>\$ 4,552</u>	<u>\$ (74)</u>	<u>\$203,125</u>
Restricted Investments				
<i>Available-for-sale:</i>				
U.S. Treasury securities	\$ 38,113	\$ —	\$ —	\$ 38,113
Guaranteed investment contracts	29,456	—	—	29,456
Total restricted investments available-for-sale	<u>\$ 67,569</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 67,569</u>
<i>Held-to-maturity:</i>				
Guaranteed investment contracts	\$ 3,175	\$ —	\$ —	\$ 3,175
Total restricted investments held-to-maturity	<u>\$ 3,175</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,175</u>

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

3. Investments (Continued)

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investments				
<i>Available-for-sale:</i>				
U.S. Treasury securities	\$ 272	\$ —	\$ —	\$ 272
Other securities:				
Asset-backed securities	110,336	306	(893)	109,749
Commercial paper and asset-backed commercial paper	1,149,981	—	—	1,149,981
Municipal bonds	9,935	1,942	—	11,877
Other	1,550	—	(154)	1,396
Total investment securities available-for-sale	<u>\$1,272,074</u>	<u>\$ 2,248</u>	<u>\$ (1,047)</u>	<u>\$1,273,275</u>
Restricted Investments				
<i>Available-for sale:</i>				
U.S. Treasury securities	\$ 25,026	\$ —	\$ —	\$ 25,026
Guaranteed investment contracts	26,951	—	—	26,951
Total restricted investments available-for-sale	<u>\$ 51,977</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 51,977</u>
<i>Held-to-maturity:</i>				
Guaranteed investment contracts	\$ 3,550	\$ —	\$ —	\$ 3,550
Other	215	—	—	215
Total restricted investments held-to-maturity	<u>\$ 3,765</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,765</u>

In addition to the restricted investments detailed above, at September 30, 2010 and December 31, 2009, the Company had restricted cash and cash equivalents of \$5.7 billion and \$5.1 billion, respectively. As of September 30, 2010 and December 31, 2009, \$38 million (all of which is in restricted cash and investments on the balance sheet) and \$50 million (\$25 million of which is in restricted cash and investments on the balance sheet), respectively, of available-for-sale investment securities were pledged as collateral.

There were no sales of investments, including available-for-sale securities, during the three and nine months ended September 30, 2010 and the three months ended September 30, 2009. In the nine months ended September 30, 2009, the Company sold available-for-sale securities with a fair value of \$100 million, resulting in no realized gain or loss. The cost basis for the security sale was determined through specific identification of the securities sold.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

3. Investments (Continued)

As of September 30, 2010, the stated maturities for the investments (including restricted investments) are as follows:

Year of Maturity	September 30, 2010		
	Held-to-Maturity	Available-for-Sale ⁽¹⁾	Other
2010	\$ —	\$ 152,281	\$874,497
2011	—	—	4,878
2012	—	—	—
2013	—	528	—
2014	—	—	—
2015-2019	—	11,998	57,974
After 2019	3,175	105,887	869
Total	\$ 3,175	\$ 270,694	\$938,218

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

At September 30, 2010 and December 31, 2009, the Company also had other investments of \$938 million and \$741 million, respectively. At September 30, 2010 and December 31, 2009, other investments included \$850 million and \$636 million, respectively, of receivables for cash collateral posted with derivative counterparties. Other investments also included leveraged leases which at September 30, 2010 and December 31, 2009, totaled \$58 million and \$66 million, respectively, that are general obligations of American Airlines and Federal Express Corporation.

4. Goodwill and Acquired Intangible Assets**Goodwill**

All acquisitions must be assigned to a reporting unit or units. A reporting unit is the same as, or one level below, an operating segment. The following table summarizes the Company's historical allocation of goodwill to its reporting units, accumulated impairments and net goodwill for each reporting unit.

(Dollars in millions)	As of September 30, 2010		
	Gross	Accumulated Impairments	Net
Lending	\$ 411	\$ (24)	\$387
Asset Performance Group ("APG")	402	(402)	—
Guarantor Servicing	62	(62)	—
Upromise	140	(140)	—
Other	1	(1)	—
Total	\$1,016	\$ (629)	\$387

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

4. Goodwill and Acquired Intangible Assets (Continued)

(Dollars in millions)	December 31, 2009		
	Gross	Accumulated Impairments	Net
Lending	\$ 411	\$ (24)	\$387
APG	402	—	402
Guarantor Servicing	62	—	62
Upromise	140	—	140
Other	1	(1)	—
Total	<u>\$1,016</u>	<u>\$ (25)</u>	<u>\$991</u>

Impairment Testing

The Company performs its goodwill impairment testing annually in the fourth quarter or more frequently if an event occurs or circumstances change such that it is more likely than not that the fair value of a reporting unit or reporting units may be below their respective carrying values.

On March 30, 2010, President Obama signed into law H.R. 4872, the Health Care and Education Reconciliation Act of 2010 ("HCERA"), which included the SAFRA Act. Effective July 1, 2010, the legislation eliminated the authority to provide new loans under FFELP and requires that all new federal loans are to be made through the Direct Student Loan Program ("DSLPL"). The new law does not alter or affect the terms and conditions of existing FFELP loans. This restructuring will result in both a significant amount of restructuring expenses incurred as well as a significant reduction of on-going operating costs once the restructuring is complete. See Note 13, "Restructuring Activities" for further details.

In connection with HCERA becoming law on March 30, 2010, a triggering event occurred for the Lending, APG and Guarantor Servicing reporting units which required the Company to assess potential goodwill impairment as of March 31, 2010. As part of the impairment assessment, the Company considered the implications of the HCERA legislation to these reporting units as well as continued uncertainty in the economy and the tight credit markets during the first quarter of 2010. The impairment assessment methodology utilized either a market approach and/or a discounted cash flow analysis for each reporting unit affected by the new HCERA legislation. This assessment resulted in estimated fair values of the Company's reporting units in excess of their carrying values at March 31, 2010. Accordingly, there was no indicated impairment for these reporting units in the first quarter of 2010.

When the Company performed its annual impairment assessment in the fourth quarter of 2009, the cash flow projections for the Lending, APG and Guarantor Servicing reporting units were valued assuming the proposed HCERA legislation was passed. There was no indicated impairment for any of the reporting units in the fourth quarter of 2009.

During the second quarter of 2010, no triggering event occurred to warrant an interim impairment assessment.

During the third quarter of 2010, as part of a broad-based assessment of possible changes to the Company's business following the passage of HCERA the Company performed certain preliminary valuations which indicated there was possible impairment of goodwill and certain intangible assets in its Lending, APG, Upromise and Guarantor Servicing reporting units. The Company identified certain events that occurred during third quarter 2010 that it determined were triggering events because they either resulted in lower expected

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

4. Goodwill and Acquired Intangible Assets (Continued)

future cash flows or because they provided indications that market participants would value the Company's reporting units below previous estimates of fair value. The triggering events that occurred in the third quarter included:

- FFELP asset pricing information indicating market participants assume a greater uncertainty related to future cash flows and require a higher return on investment;
- market bids related to the sale of a non-affiliated Guarantor business indicated a higher discount rate and greater uncertainty of future cash flows assumed;
- the acquisition of FFELP assets by the Company that indicated a higher discount rate applied to future cash flows than previously estimated;
- Upromise sale of a business line that provided an indication of how market participants view risks associated with future cash flows;
- pricing pressures associated with new and existing business at the Upromise reporting unit; and
- uncertainties related to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") legislation.

Because of the triggering events that occurred during the quarter and the preliminary assessment, the Company retained a third-party appraisal firm to perform Step 1 impairment testing as prescribed in ASC 350, "Intangibles — Goodwill and Other." The fair value of each reporting unit was determined by weighting different valuation approaches, as applicable, with the primary approach being the income approach.

The income approach measures the value of each reporting unit's future economic benefit determined by its discounted cash flows derived from the Company's projections plus an assumed terminal growth rate adjusted for what it believes a market participant would assume in an acquisition. These projections are generally five-year projections that reflect the inherent risk a willing buyer would consider when valuing these businesses. If a component of a reporting unit is winding down or is assumed to wind down, the projections extend through the anticipated wind down period. These estimates may differ from how the Company views the prospective cash flows associated with the individual reporting units. As previously discussed, during the third quarter, new information regarding how market participants view the risks and uncertainties associated with future cash flows resulted in the Company adjusting down its forecasted cash flows and increasing the discount rates associated with these cash flows for the APG and Guarantor Servicing operating segments, resulting in a decline in value associated with these reporting units. With regard to Upromise, the Company determined that pricing pressures and certain risks associated with growing the business as well as the likelihood that a market participant would demand a higher discount rate and assume lower future expected cash flows than the Company's own assumptions resulted in a decline in the fair value of this reporting unit.

Under the Company's guidance, the third-party appraisal firm developed both an asset rate of return and an equity rate of return (or discount rate) for each reporting unit incorporating such factors as the risk free rate, a market rate of return, a measure of volatility (Beta) and a company specific and capital markets risk premium, as appropriate, to adjust for volatility and uncertainty in the economy and to capture specific risk related to the respective reporting units. The Company considered whether an asset sale or an equity sale would be the most likely sale structure for each reporting unit and valued each reporting unit based on the

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

4. Goodwill and Acquired Intangible Assets (Continued)

more likely hypothetical scenario. Resulting discount rates and growth rates used for the Lending, APG, Guarantor Servicing, and Upromise reporting units were:

	Third Quarter 2010		Fourth Quarter 2009	
	Discount Rate	Growth Rate	Discount Rate	Growth Rate
Lending(1)	13%	0.5%	11%	3%
APG(2)	14%	2.5%	10%	4%
Guarantor Servicing(2)	13%	0%	10%	0%
Upromise(2)	17%	2.5%	15%	4%

(1) Assumes an equity sale; therefore, the discount rate is used to value the entire reporting unit.

(2) Assumes an asset sale; therefore, the discount rate is used to value the assets of the reporting unit.

The discount rates reflect market based estimates of capital costs and are adjusted for management's assessment of a market participant's view with respect to execution, concentration and other risks associated with the projected cash flows of individual reporting units. The discount rates are higher than the ones used in the 2009 annual impairment test primarily due to new information received in the third quarter of 2010 related to implied discount rates of similar transactions that priced or settled in the third quarter of 2010. In addition, the Dodd-Frank Act, which became law in the third quarter of 2010, creates uncertainty over particular parts of the business. In addition, the Upromise reporting unit had a significant reduction in future revenue expectations during the third quarter of 2010 related to contract negotiations. Management reviewed and approved the discount rates provided by the third-party appraiser including the factors incorporated to develop the discount rates for each reporting unit. For the valuation of the Lending reporting unit, which assumed an equity sale, the discount rate was applied to the reporting unit's projected net cash flows and the residual or terminal value yielding the fair value of equity for the reporting unit. For valuations assuming an asset sale, the discount rates applicable to the individual reporting units were applied to the respective reporting units' projected asset cash flows and residual or terminal values, as applicable, yielding the fair value of the assets for the respective reporting units. The estimated proceeds from the hypothetical asset sale were then used to payoff any liabilities of the reporting unit with the remaining cash equaling the fair value of the reporting unit's equity.

The guideline company or market approach was also considered for the Company's Lending reporting unit. The market approach generally measures the value of a reporting unit as compared to recent sales or offerings of comparable companies. The secondary market approach indicates value based on multiples calculated using the market value of minority interests in publicly traded comparable companies or guideline companies. Whether analyzing comparable transactions or the market value of minority interests in publicly traded guideline companies, consideration is given to the line of business and the operating performance of the comparable companies versus the reporting unit being tested.

The following table illustrates the carrying value of equity for each reporting unit and the estimated fair value determined in conjunction with Step 1 impairment testing in the third quarter of 2010.

(Dollars in millions)	Carrying Value of Equity	Fair Value of Equity	\$ Difference	% Difference
Lending	\$ 3,530	\$ 6,201	\$ 2,671	76%
APG	641	405	(236)	(36)
Guarantor Servicing	97	91	(6)	(6)
Upromise	221	110	(111)	(50)

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

4. Goodwill and Acquired Intangible Assets (Continued)

The following table illustrates the book basis of equity for each reporting unit and the estimated fair value determined in conjunction with Step 1 impairment testing in the fourth quarter of 2009.

<u>(Dollars in millions)</u>	<u>Carrying Value of Equity</u>	<u>Fair Value of Equity</u>	<u>\$ Difference</u>	<u>% Difference</u>
Lending	\$ 1,474	\$ 3,270	\$ 1,796	122%
APG	1,390	1,690	300	22
Guarantor Servicing	142	221	79	56
Upromise	297	430	133	45

The estimated fair value of the Company resulting from its third-quarter 2010 Step 1 impairment test was 29 percent higher than its market capitalization as of the valuation date. The Company views this as a reasonable "control premium." Management reviewed and approved the valuation prepared by the appraisal firm for each reporting unit, including the valuation methods employed and the key assumptions used, such as the discount rates, growth rates and control premiums, as applicable, for each reporting unit. Management also performed stress tests of key assumptions using a range of discount rates and growth rates, as applicable. Based on the valuations performed in conjunction with Step 1 impairment testing and these stress tests, there was no indicated impairment for the Lending reporting unit and there was indicated impairment for the APG, Guarantor Services and Upromise reporting units in the third quarter testing.

Under the second step of the analysis, determining the implied fair value of goodwill requires valuation of a reporting unit's identifiable tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, goodwill is deemed impaired and is written down to the extent of the difference. As a result, the Company impaired the value of its goodwill by \$402 million in its APG reporting unit, \$140 million in its Upromise reporting unit and \$62 million in its Guarantor Servicing reporting unit, which has been recorded as a charge in the third quarter of 2010.

Management acknowledges that the economic slowdown could adversely affect the operating results of the Company's reporting units. If the forecasted performance of the Company's reporting units is not achieved, or if the Company's stock price declines to a depressed level resulting in deterioration in the Company's total market capitalization, the fair value of the Lending reporting unit (which is the only reporting unit that has goodwill as of September 30, 2010) could be significantly reduced, and the Company may be required to record a charge, which could be material, for an impairment of goodwill.

In connection with management's assessment of possible changes to the Company's business, the Company is planning to redefine its operating segments and revise its reportable segments presentation in the fourth quarter of 2010, once certain decisions have been finalized with respect to how management will view the business on a going-forward basis.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

4. Goodwill and Acquired Intangible Assets (Continued)

Goodwill by Reportable Segments

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

(Dollars in millions)	September 30, 2010	December 31, 2009
Lending	\$ 387	\$ 387
APG	—	402
Other	—	202
Total	<u>\$ 387</u>	<u>\$ 991</u>

Acquired Intangible Assets

Acquired intangible assets include the following:

(Dollars in millions)	Average Amortization Period	As of September 30, 2010		
		Cost Basis ⁽¹⁾	Accumulated Impairment and Amortization ⁽¹⁾	Net
Intangible assets subject to amortization:				
Customer, services and lending relationships	13 years	\$ 307	\$ (232)	\$ 75
Software and technology	7 years	93	(90)	3
Non-compete agreements		11	(11)	—
Total		411	(333)	78
Intangible assets not subject to amortization:				
Trade names and trademarks	Indefinite	23	—	23
Total acquired intangible assets		<u>\$ 434</u>	<u>\$ (333)</u>	<u>\$101</u>

(Dollars in millions)	Average Amortization Period	As of December 31, 2009		
		Cost Basis ⁽¹⁾	Accumulated Impairment and Amortization ⁽¹⁾	Net
Intangible assets subject to amortization:				
Customer, services, and lending relationships	12 years	\$ 332	\$ (208)	\$124
Software and technology	7 years	98	(89)	9
Non-compete agreements		11	(11)	—
Total		441	(308)	133
Intangible assets not subject to amortization:				
Trade names and trademarks	Indefinite	54	—	54
Total acquired intangible assets		<u>\$ 495</u>	<u>\$ (308)</u>	<u>\$187</u>

⁽¹⁾ Includes impairment amounts only if portion of the acquired intangible has been deemed impaired. When an acquired intangible is considered fully impaired the cost basis and any accumulated amortization related to the asset is written off.

Intangible asset impairment for the Upromise reporting unit totaled \$53 million for both the three and nine months ended September 30, 2010 and \$0 for the three and nine months ended September 30, 2009. Intangible asset impairment for the Lending reporting unit totaled \$3 million for both the three and nine

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

4. Goodwill and Acquired Intangible Assets (Continued)

months ended September 30, 2010 and \$0 for both the three and nine months ended September 30, 2009 (see previous discussion regarding reasons for goodwill impairment testing).

The Company recorded amortization of acquired intangible assets from continuing operations totaling \$10 million and \$10 million for the three months ended September 30, 2010 and 2009, respectively and \$29 million and \$29 million for the nine months ended September 30, 2010 and 2009, respectively. The Company will continue to amortize its intangible assets with definite useful lives over their remaining estimated useful lives.

5. Borrowings

The following table summarizes the Company's borrowings as of September 30, 2010 and December 31, 2009.

(Dollars in millions)	September 30, 2010			December 31, 2009		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Unsecured borrowings	\$ 3,422	\$ 19,177	\$ 22,599	\$ 5,185	\$ 22,797	\$ 27,982
Unsecured term bank deposits	1,618	3,263	4,881	842	4,795	5,637
FHLB-DM facility	525	—	525	—	—	—
ED Participation Program facility	20,226	—	20,226	9,006	—	9,006
ED Conduit Program facility	15,426	—	15,426	14,314	—	14,314
ABCP borrowings	1,152	4,827	5,979	—	8,801	8,801
Securitizations	—	120,720	120,720	—	89,200	89,200
Indentured trusts	2	1,330	1,332	64	1,533	1,597
Other ⁽¹⁾	2,745	—	2,745	1,472	—	1,472
Total before hedge accounting adjustments	45,116	149,317	194,433	30,883	127,126	158,009
Hedge accounting adjustments	272	3,687	3,959	14	3,420	3,434
Total	\$45,388	\$153,004	\$198,392	\$30,897	\$130,546	\$161,443

(1) At September 30, 2010, other primarily consists of \$1.6 billion of cash collateral held related to derivative exposures that are recorded as a short-term debt obligation, as well as \$1.1 billion of unsecured other bank deposits. At December 31, 2009, other primarily consisted of cash collateral held related to derivative exposures that are recorded as a short-term debt obligation.

Secured Borrowings

VIEs are required to be consolidated by their primary beneficiaries. The criteria to be considered the primary beneficiary changed on January 1, 2010 upon the adoption of topic updates to ASC 810 (see Note 1, "Significant Accounting Policies — Recently Issued Accounting Standards - Transfers of Financial Assets and the VIE Consolidation Model" for further discussion). A VIE exists when either the total equity investment at risk is not sufficient to permit the entity to finance its activities by itself, or the equity investors lack one of three characteristics associated with owning a controlling financial interest. Those characteristics are the direct or indirect ability to make decisions about an entity's activities that have a significant impact on the success of the entity, the obligation to absorb the expected losses of an entity, and the rights to receive the expected residual returns of the entity.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

5. Borrowings (Continued)

The Company currently consolidates a number of financing entities that are VIEs as a result of being the entities' primary beneficiary. As a result, these financing VIEs are accounted for as secured borrowings. The Company is the primary beneficiary of and currently consolidates the following financing VIEs as of September 30, 2010 and December 31, 2009:

(Dollars in millions)	September 30, 2010						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings:							
ED Participation Program facility	\$20,226	\$ —	\$ 20,226	\$ 20,656	\$ 162	\$ 434	\$ 21,252
ED Conduit Program facility	15,426	—	15,426	15,515	501	434	16,450
ABCP borrowings	1,152	4,827	5,979	6,418	94	54	6,566
Securitized trusts	—	120,720	120,720	124,269	4,605	3,436	132,310
Indentured trusts	2	1,330	1,332	1,608	160	16	1,784
Total before hedge accounting adjustments	36,806	126,877	163,683	168,466	5,522	4,374	178,362
Hedge accounting adjustments	—	1,597	1,597	—	—	—	—
Total	\$36,806	\$128,474	\$165,280	\$168,466	\$5,522	\$ 4,374	\$178,362

(Dollars in millions)	December 31, 2009						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings:							
ED Participation Program facility	\$ 9,006	\$ —	\$ 9,006	\$ 9,397	\$ 115	\$ 61	\$ 9,573
ED Conduit Program facility	14,314	—	14,314	14,594	478	372	15,444
ABCP borrowings	—	8,801	8,801	9,929	204	100	10,233
Securitized trusts	—	89,200	89,200	93,021	3,627	3,083	99,731
Indentured trusts	64	1,533	1,597	1,898	172	24	2,094
Total before hedge accounting adjustments	23,384	99,534	122,918	128,839	4,596	3,640	137,075
Hedge accounting adjustments	—	1,479	1,479	—	—	—	—
Total	\$23,384	\$101,013	\$124,397	\$128,839	\$4,596	\$ 3,640	\$137,075

The Department of Education ("ED") Funding Programs

In August 2008, ED implemented the Purchase Program and the Participation Program pursuant to The Ensuring Continued Access to Student Loans Act of 2008 ("ECASLA"). Under the Purchase Program, ED

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

5. Borrowings (Continued)

purchases eligible FFELP loans at a price equal to the sum of (i) par value, (ii) accrued interest, (iii) the one-percent origination fee paid to ED, and (iv) a fixed amount of \$75 per loan. Under the Participation Program, ED provides short-term liquidity to FFELP lenders by purchasing participation interests in pools of FFELP loans. FFELP lenders are charged a rate equal to the preceding quarter commercial paper rate plus 0.50 percent on the principal amount of participation interests outstanding. Loans eligible for the Participation or Purchase Programs are limited to FFELP Stafford or PLUS Loans, first disbursed on or after May 1, 2008 but no later than July 1, 2010, with no ongoing borrower benefits other than permitted rate reductions of 0.25 percent for automatic payment processing. In October 2010, the Company sold \$20.4 billion of loans to ED and paid off \$20.3 billion of advances outstanding under the Participation Program which concludes participation in the program.

Also pursuant to ECASLA, on January 15, 2009, ED published summary terms under which it will purchase eligible FFELP Stafford and PLUS Loans from a conduit vehicle established to provide funding for eligible student lenders (the "ED Conduit Program"). Loans eligible for the ED Conduit Program must be first disbursed on or after October 1, 2003, but not later than July 1, 2009, and fully disbursed before September 30, 2009, and meet certain other requirements, including those relating to borrower benefits. The ED Conduit Program was launched on May 11, 2009 and accepted eligible loans through July 1, 2010. The ED Conduit Program expires on January 19, 2014. Funding for the ED Conduit Program is provided by the capital markets at a cost based on market rates, with the Company being advanced 97 percent of the student loan face amount. If the conduit does not have sufficient funds to make the required payments on the notes issued by the conduit, then the notes will be repaid with funds from the Federal Financing Bank ("FFB"). The FFB will hold the notes for a short period of time and, if at the end of that time, the notes still cannot be paid off, the underlying FFELP loans that serve as collateral to the ED Conduit will be sold to ED through a put agreement at a price of 97 percent of the face amount of the loans. As of September 30, 2010, approximately \$15.2 billion face amount of the Company's Stafford and PLUS Loans were funded through the ED Conduit Program. For the third quarter of 2010, the average interest rate paid on this facility was approximately 0.77 percent.

Asset-Backed Financing Facilities

During the first quarter of 2008, the Company entered into three new asset-backed commercial paper financing facilities (the "2008 Asset-Backed Financing Facilities") to fund FFELP and Private Education Loans. In 2009, the FFELP facilities were subsequently amended and reduced and the Private Education facility was retired.

On January 15, 2010, the Company terminated the 2008 Asset-Backed Financing Facilities for FFELP and entered into new multi-year ABCP facilities (the "2010 Facility") which will continue to provide funding for the Company's federally guaranteed student loans. The 2010 Facility provides for maximum funding of \$10 billion for the first year, \$5 billion for the second year and \$2 billion for the third year. Upfront fees related to the 2010 Facility were approximately \$4 million. The underlying cost of borrowing under the 2010 Facility for the first year is expected to be commercial paper issuance cost plus 0.50 percent, excluding up-front commitment and unused fees.

Borrowings under the 2010 Facility are non-recourse to the Company. The maximum amount the Company may borrow under the 2010 Facility is limited based on certain factors, including market conditions and the fair value of student loans in the facility. In addition to the funding limits described above, funding under the 2010 Facility is subject to usual and customary conditions. The 2010 Facility is subject to termination under certain circumstances, including the Company's failure to comply with the principal financial covenants in its unsecured revolving credit facility. Increases in the borrowing rate of up to LIBOR

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

5. Borrowings (Continued)

plus 4.50 percent could occur if certain asset coverage ratio thresholds are not met. Failure to pay off the 2010 Facility on the maturity date or to reduce amounts outstanding below the annual maximum step downs will result in a 90-day extension of the 2010 Facility with the interest rate increasing from LIBOR plus 2.00 percent to LIBOR plus 3.00 percent over that period. If, at the end of the 90-day extension, these required paydown amounts have not been made, the collateral can be foreclosed upon. As of September 30, 2010, there was approximately \$6.0 billion outstanding in this facility. The book basis of the assets securing this facility at September 30, 2010 was \$6.6 billion.

Securizations

On February 6, 2009, the Federal Reserve Bank of New York published proposed terms for a program designed to facilitate renewed issuance of consumer and small business ABS at lower interest rate spreads. The Term Asset-Backed Securities Loan Facility ("TALF") was initiated on March 17, 2009 and provided investors who purchase eligible ABS with funding of up to five years. Eligible ABS include "AAA" rated student loan ABS backed by FFELP and Private Education Loans first disbursed since May 1, 2007. For student loan collateral, TALF expired on March 31, 2010.

In 2009, the Company completed four FFELP long-term ABS transactions totaling \$5.9 billion. The FFELP transactions were composed primarily of FFELP Consolidation Loans which were not eligible for the ED Conduit Program or TALF.

During 2009, the Company completed \$7.5 billion of Private Education Loan term ABS transactions, all of which were private placement transactions. On January 6, 2009, the Company closed a \$1.5 billion 12.5 year ABS based facility ("Total Return Swap Facility"). This facility is used to provide up to \$1.5 billion term financing for Private Education Asset-Backed Securities. The fully utilized cost of financing obtained under this facility is expected to be LIBOR plus 5.75 percent. In connection with this facility, the Company completed one Private Education Loan term ABS transaction totaling \$1.5 billion in the first quarter of 2009. The net funding received under the ABS based facility for this issuance was \$1.1 billion. The remaining \$6.0 billion of Private Education Loan term ABS transactions were TALF-eligible.

On March 3, 2010, the Company priced a \$1.6 billion Private Education Loan term ABS transaction which was TALF-eligible. The notes settled on March 11, 2010 and the issuance included one \$149 million tranche bearing a coupon of Prime minus 0.05 percent and a second \$1.401 billion tranche bearing a coupon of 1-month LIBOR plus 3.25 percent.

On April 12, 2010, the Company priced a \$1.2 billion FFELP long-term ABS transaction. The transaction settled on April 15, 2010 and includes \$1.2 billion A Notes bearing a coupon of 1-month LIBOR plus 0.40 percent and \$37 million B Notes bearing a coupon of 1-month LIBOR plus 0.90 percent. The B Notes were purchased by the Company in their entirety on the settlement date. This transaction was composed primarily of FFELP Stafford and PLUS loans.

On July 22, 2010, the Company redeemed its \$1.5 billion SLM Private Education Loan Trust 2009-A ABS issue and closed new offerings of its \$869 million SLM 2010-B and \$1.7 billion SLM 2010-C Private Education Loan Trust ABS issues. Approximately \$875 million of the 2010-B and 2010-C bonds were issued at a weighted average coupon of 1-month LIBOR plus 2.23 percent; the remaining \$1.7 billion of bonds were financed under the Company's Total Return Swap Facility. These concurrent transactions raised approximately \$1.0 billion of net additional cash for the Company.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

5. Borrowings (Continued)

On August 18, 2010, the Company priced a \$760 million FFELP ABS transaction. The transaction settled on August 26, 2010 and includes \$738 million A Notes bearing a coupon of 1-month LIBOR plus 0.50 percent and \$22 million B Notes bearing a coupon of 1-month LIBOR plus 0.90 percent. The B Notes were purchased by the Company in their entirety on the settlement date. This transaction was composed primarily of FFELP Stafford and PLUS loans.

The Company has \$5.3 billion face amount of Private Education Loan securitization bonds outstanding at September 30, 2010, where the Company has the ability to call the bonds at a discount to par between 2011 and 2014. The Company has concluded that it is probable it will call these bonds at the call date at the respective discount. Probability is based on the Company's assessment of whether these bonds can be refinanced at the call date at or lower than a breakeven cost of funds based on the call discount. As a result, the Company is accreting this call discount as a reduction to interest expense through the call date. If it becomes less than probable that the Company will call these bonds at a future date, it will result in the Company reversing this prior accretion as a cumulative catch-up adjustment. The Company has accreted approximately \$140 million, cumulatively, and \$27 million in the third quarter of 2010 as a reduction of interest expense.

Auction Rate Securities

At September 30, 2010, the Company had \$3.3 billion of taxable and \$1.0 billion of tax-exempt auction rate securities outstanding in securitizations and indentured trusts, respectively. Since February 2008, problems in the auction rate securities market as a whole led to failures of the auctions pursuant to which certain of the Company's auction rate securities' interest rates are set. As a result, \$3.4 billion of the Company's auction rate securities as of September 30, 2010 bore interest at the maximum rate allowable under their terms. The maximum allowable interest rate on the Company's taxable auction rate securities is generally LIBOR plus 1.50 percent. The maximum allowable interest rate on many of the Company's tax-exempt auction rate securities is a formula driven rate, which produced various maximum rates up to 0.81 percent during the third quarter of 2010. As of September 30, 2010, \$0.9 billion of auction rate securities with shorter weighted average terms to maturity have had successful auctions, resulting in an average rate of 1.67 percent.

Indentured Trusts

The Company has secured assets and outstanding bonds in indentured trusts resulting from the acquisition of various student loan providers in prior periods. The indentures were created and bonds issued to finance the acquisition of student loans guaranteed under the Higher Education Act. The bonds are limited obligations of the Company and are secured by and payable from payments associated with the underlying secured loans.

Federal Home Loan Bank of Des Moines ("FHLB-DM")

On January 15, 2010, HICA Education Loan Corporation ("HICA"), a subsidiary of the Company, entered into a lending agreement with the FHLB-DM. Under the agreement, the FHLB-DM will provide advances backed by Federal Housing Finance Agency approved collateral which includes federally-guaranteed student loans (but does not include Private Education Loans). The initial borrowing of \$25 million at a rate of 0.23 percent under this facility occurred on January 15, 2010 and matured on January 22, 2010. The amount, price and tenor of future advances will vary and will be determined at the time of each borrowing. The maximum amount that can be borrowed, as of September 30, 2010, subject to available collateral, is

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

5. Borrowings (Continued)

approximately \$10 billion. As of September 30, 2010, borrowing under the facility totaled \$525 million. The Company has provided a guarantee to the FHLB-DM for the performance and payment of HICA's obligations.

Other Funding Sources

Sallie Mae Bank

During the fourth quarter of 2008, Sallie Mae Bank, the Company's Utah industrial bank subsidiary, began expanding its deposit base to fund new Private Education Loan originations. Sallie Mae Bank raises deposits through intermediaries in the retail brokered Certificate of Deposit ("CD") market and through retail deposit channels. As of September 30, 2010, bank deposits totaled \$6.0 billion of which \$4.9 billion were brokered term deposits, \$0.8 billion were retail deposits and \$0.3 billion were other deposits. In addition, the bank has deposits from affiliates totaling \$0.5 billion that eliminate in the Company's consolidated balance sheet. Cash and liquid investments totaled \$2.7 billion as of September 30, 2010.

Under Sallie Mae Bank's 2010 business plan submitted to its regulators, Sallie Mae Bank is permitted to declare and pay a dividend to its parent, SLM Corporation. The dividend must be permitted by Utah law and the Bank must be in compliance with its capital standards at the time of payment and be projected to maintain sufficient capital over a period of time. On October 28, 2010, Sallie Mae Bank paid a cash dividend of \$400 million to the Company.

In addition to its deposit base, Sallie Mae Bank has borrowing capacity with the Federal Reserve Bank ("FRB") through a collateralized lending facility. Borrowing capacity is limited by the availability of acceptable collateral. As of September 30, 2010, borrowing capacity was approximately \$0.6 billion and there were no outstanding borrowings.

Unsecured Revolving Credit Facility

As of September 30, 2010, the Company had \$1.6 billion in an unsecured revolving credit facility which provides liquidity support for general corporate purposes. This facility matures in October 2011. On May 5, 2010, the \$1.9 billion revolving credit facility maturing in October 2010 was terminated.

The principal financial covenants in the unsecured revolving credit facility require the Company to maintain consolidated tangible net worth of at least \$1.38 billion at all times. Consolidated tangible net worth as calculated for purposes of this covenant was \$3.3 billion as of September 30, 2010. The covenants also require the Company to meet either a minimum interest coverage ratio or a minimum net adjusted revenue test based on the four preceding quarters' adjusted "Core Earnings" financial performance. The Company was compliant with both of the minimum interest coverage ratio and the minimum net adjusted revenue tests as of the quarter ended September 30, 2010. In the past, the Company has not relied upon its unsecured revolving credit facilities as a primary source of liquidity. Although the Company has never borrowed under these facilities, the revolving credit facility maturing October 2011 remains available to be drawn upon for general corporate purposes.

6. Student Loan Securitization

The Company securitizes its FFELP Stafford loans, FFELP Consolidation Loans and Private Education Loan assets. Prior to the adoption of topic updates to the FASB's ASC 810 on January 1, 2010, for transactions qualifying as sales, the Company retained a Residual Interest and servicing rights (as the Company retained the servicing responsibilities), all of which were 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

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

6. Student Loan Securitization (Continued)

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. As a result of adopting the topic updates to ASC 810, the Company removed the \$1.8 billion of Residual Interests (associated with its previously off-balance sheet securitization trusts as of December 31, 2009) from the consolidated balance sheet (see Note 1, "Significant Accounting Policies — Recently Issued Accounting Standards - Transfers of Financial Assets and the VIE Consolidation Model" for further details). While this accounting has changed, the Company's economic interest in these assets remains unchanged.

Securitization Activity

The following table summarizes the Company's securitization activity for the three and nine months ended September 30, 2010 and 2009. The securitizations in the periods presented below were accounted for as financings under ASC 860.

(Dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2010		2009		2010		2009	
	No. of Transactions	Loan Amount Securitized	No. of Transactions	Loan Amount Securitized	No. of Transactions	Loan Amount Securitized	No. of Transactions	Loan Amount Securitized
Securitizations:								
FFELP Stafford/PLUS Loans	1	\$ 754	—	\$ —	2	\$ 1,965	—	\$ —
FFELP Consolidation Loans	—	—	—	—	—	—	2	4,524
Private Education Loans	2	4,257	2	3,766	3	6,186	4	10,184
Total securitizations	3	\$ 5,011	2	\$ 3,766	5	\$ 8,151	6	\$ 14,708

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

(Dollars in millions)	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Net proceeds from new securitizations completed during the period	\$ —	\$ —
Cash distributions from trusts related to Residual Interests	100	368
Servicing fees received ⁽¹⁾	55	171
Purchases of previously transferred financial assets for representation and warranty violations	(1)	(6)
Reimbursements of borrower benefits	(9)	(26)
Purchases of delinquent Private Education Loans from securitization trusts using delinquent loan call option	—	—
Purchases of loans using clean-up call option	—	—

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

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

6. Student Loan Securitization (Continued)

Retained Interest in Securitized Receivables

The following tables summarize the fair value of the Company's Residual Interests, included in the Company's Retained Interest (and the assumptions used to value such Residual Interests), along with the underlying off-balance sheet student loans that relate to those securitizations in transactions that were treated as sales as of December 31, 2009. As noted previously, the Residual Interest was removed from the balance sheet on January 1, 2010.

(Dollars in millions)	As of December 31, 2009			
	FFELP Stafford and PLUS	Consolidation Loan Trusts(1)	Private Education Loan Trusts	Total
Fair value of Residual Interests	\$ 243	\$ 791	\$ 794	\$ 1,828
Underlying securitized loan balance	5,377	14,369	12,986	32,732
Weighted average life	3.3 yrs.	9.0 yrs.	6.3 yrs.	
Prepayment speed (annual rate)(2):				
Interim status	0%	N/A	0%	
Repayment status	0-14%	2-4%	2-15%	
Life of loan — repayment status	9%	3%	6%	
Expected remaining credit losses (% of outstanding student loan principal)(3)(4)	.10%	.25%	5.31%	
Residual cash flows discount rate	10.6%	12.3%	27.5%	

- (1) Includes \$569 million related to the fair value of the Embedded Floor Income as of December 31, 2009.
- (2) The Company uses Constant Prepayment Rate ("CPR") curves for Residual Interest valuations that are based on seasoning (the number of months since entering repayment). Under this methodology, a different CPR is applied to each year of a loan's seasoning. Repayment status CPR used is based on the number of months since first entering repayment (seasoning). Life of loan CPR is related to repayment status only and does not include the impact of the loan while in interim status. The CPR assumption used for all periods includes the impact of projected defaults.
- (3) Remaining expected credit losses as of the respective balance sheet date.
- (4) For Private Education Loan trusts, estimated defaults from settlement to maturity are 12.2 percent at December 31, 2009. These estimated defaults do not include recoveries related to defaults but do include prior purchases of loans at par by the Company when loans reached 180 days delinquent (prior to default) under a contingent call option. Although these loan purchases do not result in a realized loss to the trust, the Company has included them here. Not including these purchases in the disclosure would result in estimated defaults of 9.3 percent at December 31, 2009.

The Company recorded net unrealized mark-to-market gains/(losses) in "securitization servicing and Residual Interest revenue (loss)" of \$13 million and \$(338) million for the three and nine months ended September 30, 2009.

The \$13 million unrealized mark-to-market gain in the third quarter of 2009 was primarily a result of decreases in the discount rates used to value the Residual Interests, increases in the fair value of the Embedded Fixed Rate Floor Income component of the Residual Interest and reductions in the life of loan CPR which were partially offset by higher than modeled defaults on Private Education Loans.

The \$338 million mark-to-market loss for the nine months ended September 30, 2009 was primarily due to:

- Higher than modeled Private Education Loan defaults resulted in a \$262 million unrealized mark-to-market loss.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

6. Student Loan Securitization (Continued)

- Life of loan default rate assumptions for Private Education Loans were increased as a result of the continued weakening of the U.S. economy. This resulted in a \$49 million unrealized mark-to-market loss.
- The discount rate risk premium assumption related to the Private Education Loan Residual Interests was increased by 500 basis points to take into account the level of cash flow uncertainty and lack of liquidity that existed with the Residual Interests as of September 30, 2009. This resulted in a \$126 million unrealized mark-to-market loss.
- Decreases in life of loan CPR speeds used to value the Residual Interests resulted in a \$62 million mark-to-market gain.

The table below shows the Company's off-balance sheet Private Education Loan delinquencies as of September 30, 2009.

(Dollars in millions)	Off-Balance Sheet Private Education Loan Delinquencies	
	September 30, 2009	
	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$ 3,148	
Loans in forbearance ⁽²⁾	474	
Loans in repayment and percentage of each status:		
Loans current	8,516	90.0%
Loans delinquent 31-60 days ⁽³⁾	312	3.3
Loans delinquent 61-90 days ⁽³⁾	161	1.7
Loans delinquent greater than 90 days ⁽³⁾	469	5.0
Total off-balance sheet Private Education Loans in repayment	<u>9,458</u>	<u>100.0%</u>
Total off-balance sheet Private Education Loans, gross	<u>\$ 13,080</u>	

⁽¹⁾ Loans for borrowers who may be attending school or engaging in other permitted educational activities and are not yet required to make payments on 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 generally during employment transition or who have temporarily ceased making full payments due to hardships or other factors, consistent with established loan program servicing policies and procedures.

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

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

6. Student Loan Securitization (Continued)

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

(Dollars in millions)	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Charge-offs	\$ 150	\$ 329
Charge-offs as a percentage of average loans in repayment (annualized)	6.2%	4.6%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	5.9%	4.3%
Ending off-balance sheet total Private Education Loans ⁽¹⁾	\$ 13,280	\$ 13,280
Average off-balance sheet Private Education Loans in repayment	\$ 9,585	\$ 9,543
Ending off-balance sheet Private Education Loans in repayment	\$ 9,458	\$ 9,458

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

7. Derivative Financial Instruments

Derivative instruments are used as part of the Company's interest rate and foreign currency risk management strategy and include interest rate swaps, basis swaps, cross-currency interest rate swaps, interest rate futures contracts, and interest rate floor and cap contracts with indices that relate to the pricing of specific balance sheet assets and liabilities. (For a full discussion of the Company's risk management strategy and use of derivatives, please see the Company's 2009 Form 10-K, Note 9, "Derivative Financial Instruments," to the consolidated financial statements.) The accounting for the Company's derivatives requires that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. The Company's derivative instruments are classified and accounted for by the Company as fair value hedges, cash flow hedges or trading activities.

Fair Value Hedges

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

Cash Flow Hedges

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

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

7. Derivative Financial Instruments (Continued)

Trading Activities

When instruments do not qualify as hedges, they are accounted for as trading where all changes in fair value of the derivatives are recorded through earnings. In general, derivative instruments included in trading activities include Floor Income Contracts, basis swaps and various other derivatives that do not qualify for hedge accounting.

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments at September 30, 2010 and December 31, 2009, and their impact on other comprehensive income and earnings for the three and nine months ended September 30, 2010 and 2009.

Impact of Derivatives on Consolidated Balance Sheet

(Dollars in millions)	Hedged Risk Exposure	Cash Flow		Fair Value		Trading		Total	
		Sept. 30, 2010	Dec. 31, 2009	Sept. 30, 2010	Dec. 31, 2009	Sept. 30, 2010	Dec. 31, 2009	Sept. 30, 2010	Dec. 31, 2009
Fair Values⁽¹⁾									
<i>Derivative Assets</i>									
Interest rate swaps	Interest rate	\$ —	\$ —	\$ 1,447	\$ 684	\$ 208	\$ 133	\$ 1,655	\$ 817
	Foreign currency and interest rate	—	—	2,594	2,932	94	44	2,688	2,976
Cross currency interest rate swaps	Interest rate	—	—	—	—	32	—	32	—
Other ⁽²⁾	Interest rate	—	—	—	—	—	—	—	—
Total derivative assets ⁽³⁾		—	—	4,041	3,616	334	177	4,375	3,793
<i>Derivative Liabilities</i>									
Interest rate swaps	Interest rate	(92)	(78)	—	(6)	(282)	(639)	(374)	(723)
Floor Income Contracts	Interest rate	—	—	—	—	(1,578)	(1,234)	(1,578)	(1,234)
	Foreign currency and interest rate	—	—	(207)	(192)	(1)	(1)	(208)	(193)
Cross currency interest rate swaps	Interest rate	—	—	—	—	(1)	(20)	(1)	(20)
Other ⁽²⁾	Interest rate	—	—	—	—	—	—	—	—
Total derivative liabilities ⁽³⁾		(92)	(78)	(207)	(198)	(1,862)	(1,894)	(2,161)	(2,170)
Net total derivatives		\$ (92)	\$ (78)	\$ 3,834	\$ 3,418	\$ (1,528)	\$ (1,717)	\$ 2,214	\$ 1,623

(1) Fair values reported are exclusive of collateral held and pledged and accrued interest. Assets and liabilities are presented without consideration of master netting agreements. Derivatives are carried on the balance sheet based on net position by counterparty under master netting agreements, and classified in other assets or other liabilities depending on whether in a net positive or negative position.

(2) "Other" includes the fair value of Euro-dollar futures contracts, the embedded derivatives in asset-backed financings, and derivatives related to the Company's Total Return Swap Facility. The embedded derivatives are required to be accounted for as derivatives.

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

	Other Assets		Other Liabilities	
	September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
Gross position	\$ 4,375	\$ 3,793	\$ (2,161)	\$ (2,170)
Impact of master netting agreements	(1,084)	(1,009)	1,084	1,009
Derivative values with impact of master netting agreements (as carried on balance sheet)	3,291	2,784	(1,077)	(1,161)
Cash collateral (held) pledged	(1,666)	(1,268)	850	636
Net position	\$ 1,625	\$ 1,516	\$ (227)	\$ (525)

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

7. Derivative Financial Instruments (Continued)

(Dollars in billions)	Cash Flow		Fair Value		Trading		Total	
	Sept. 30, 2010	Dec. 31, 2009	Sept. 30, 2010	Dec. 31, 2009	Sept. 30, 2010	Dec. 31, 2009	Sept. 30, 2010	Dec. 31, 2009
Notional Values								
Interest rate swaps	\$ 1.7	\$ 1.7	\$ 13.5	\$ 12.4	\$128.6	\$148.2	\$143.8	\$162.3
Floor Income Contracts	—	—	—	—	39.3	47.1	39.3	47.1
Cross currency interest rate swaps	—	—	19.6	19.3	.3	.3	19.9	19.6
Other ⁽¹⁾	—	—	—	—	1.0	1.1	1.0	1.1
Total derivatives	<u>\$ 1.7</u>	<u>\$ 1.7</u>	<u>\$ 33.1</u>	<u>\$ 31.7</u>	<u>\$169.2</u>	<u>\$196.7</u>	<u>\$204.0</u>	<u>\$230.1</u>

(1) "Other" includes Euro-dollar futures contracts, embedded derivatives bifurcated from securitization debt, as well as derivatives related to the Company's Total Return Swap Facility.

Impact of Derivatives on Consolidated Statements of Income

(Dollars in millions)	Three Months Ended September 30,							
	Unrealized Gain (Loss) on Derivatives ⁽¹⁾⁽²⁾		Realized Gain (Loss) on Derivatives ⁽³⁾		Unrealized Gain (Loss) on Hedged Item ⁽¹⁾		Total Gain (Loss)	
	2010	2009	2010	2009	2010	2009	2010	2009
Fair Value Hedges								
Interest rate swaps	\$ 277	\$ 121	\$ 119	\$ 111	\$ (309)	\$ (132)	\$ 87	\$ 100
Cross currency interest rate swaps	1,855	813	87	124	(2,015)	(807)	(73)	130
Total fair value derivatives	2,132	934	206	235	(2,324)	(939)	14	230
Cash Flow Hedges								
Interest rate swaps	(1)	—	(14)	(38)	—	—	(15)	(38)
Total cash flow derivatives	(1)	—	(14)	(38)	—	—	(15)	(38)
Trading								
Interest rate swaps	85	91	(18)	70	—	—	67	161
Floor Income Contracts	(88)	(80)	(223)	(189)	—	—	(311)	(269)
Cross currency interest rate swaps	24	18	2	2	—	—	26	20
Other	33	(18)	34	(1)	—	—	67	(19)
Total trading derivatives	54	11	(205)	(118)	—	—	(151)	(107)
Total	2,185	945	(13)	79	(2,324)	(939)	(152)	85
Less: realized gains (losses) recorded in interest expense	—	—	192	197	—	—	192	197
Gains (losses) on derivative and hedging activities, net	<u>\$ 2,185</u>	<u>\$ 945</u>	<u>\$ (205)</u>	<u>\$ (118)</u>	<u>\$ (2,324)</u>	<u>\$ (939)</u>	<u>\$ (344)</u>	<u>\$ (112)</u>

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

(2) Represents ineffectiveness related to cash flow hedges.

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

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

7. Derivative Financial Instruments (Continued)

(Dollars in millions)	Nine Months Ended September 30,							
	Unrealized Gain (Loss) on Derivatives(1)(2)		Realized Gain (Loss) on Derivatives(3)		Unrealized Gain (Loss) on Hedged Item(1)		Total Gain (Loss)	
	2010	2009	2010	2009	2010	2009	2010	2009
Fair Value Hedges								
Interest rate swaps	\$ 769	\$ (549)	\$ 368	\$ 287	\$ (847)	\$ 583	\$ 290	\$ 321
Cross currency interest rate swaps	(1,227)	1,054	269	320	1,148	(1,308)	190	66
Total fair value derivatives	(458)	505	637	607	301	(725)	480	387
Cash Flow Hedges								
Interest rate swaps	(1)	—	(44)	(77)	—	—	(45)	(77)
Total cash flow derivatives	(1)	—	(44)	(77)	—	—	(45)	(77)
Trading								
Interest rate swaps	485	(511)	(18)	418	—	—	467	(93)
Floor Income Contracts	(111)	323	(656)	(500)	—	—	(767)	(177)
Cross currency interest rate swaps	51	(15)	5	3	—	—	56	(12)
Other	39	(68)	32	1	—	—	71	(67)
Total trading derivatives	464	(271)	(637)	(78)	—	—	(173)	(349)
Total	5	234	(44)	452	301	(725)	262	(39)
Less: realized gains (losses) recorded in interest expense	—	—	593	530	—	—	593	530
Gains (losses) on derivative and hedging activities, net	\$ 5	\$ 234	\$ (637)	\$ (78)	\$ 301	\$ (725)	\$ (331)	\$ (569)

- (1) Recorded in "Gains (losses) on derivative and hedging activities, net" in the consolidated statements of income.
 (2) Represents ineffectiveness related to cash flow hedges.
 (3) For fair value and cash flow hedges, recorded in interest expense. For trading derivatives, recorded in "Gains (losses) on derivative and hedging activities, net."

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

(Dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Total gains (losses) on cash flow hedges	\$ (10)	\$ (21)	\$ (36)	\$ (20)
Realized (gains) losses reclassified to interest expense(1)(2)(3)	9	24	31	49
Hedge ineffectiveness reclassified to earnings(1)(4)	—	—	—	—
Total change in stockholders' equity for unrealized gains (losses) on derivatives	\$ (1)	\$ 3	\$ (5)	\$ 29

- (1) Amounts included in "Realized gain (loss) on derivatives" in the "Impact of Derivatives on Consolidated Statements of Income" table above.
 (2) Includes net settlement income/expense.
 (3) The Company expects to reclassify \$.1 million of after-tax net losses from accumulated other comprehensive income to earnings during the next 12 months related to net settlement accruals on interest rate swaps.
 (4) Recorded in "Gains (losses) derivatives and hedging activities, net" in the consolidated statements of income.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

7. Derivative Financial Instruments (Continued)*Collateral*

Collateral held and pledged at September 30, 2010 and December 31, 2009 related to derivative exposures between the Company and its derivative counterparties are detailed in the following table:

(Dollars in millions)	September 30, 2010	December 31, 2009
Collateral held:		
Cash (obligation to return cash collateral is recorded in short-term borrowings)(1)	\$ 1,666	\$ 1,268
Securities at fair value — corporate derivatives (not recorded in financial statements)(2)	—	112
Securities at fair value — on-balance sheet securitization derivatives (not recorded in financial statements)(3)	702	717
Total collateral held	\$ 2,368	\$ 2,097
Derivative asset at fair value including accrued interest	\$ 3,613	\$ 3,119
Collateral pledged to others:		
Cash (right to receive return of cash collateral is recorded in investments)	\$ 850	\$ 636
Securities at fair value (recorded in investments)(4)	—	25
Securities at fair value (recorded in restricted investments)(5)	38	25
Securities at fair value re-pledged (not recorded in financial statements)(5)(6)	—	87
Total collateral pledged	\$ 888	\$ 773
Derivative liability at fair value including accrued interest and premium receivable	\$ 766	\$ 758

(1) At September 30, 2010 and December 31, 2009, \$205 million and \$447 million, respectively, were held in restricted cash accounts.

(2) Effective with the downgrade in the Company's unsecured credit ratings on May 13, 2009, certain counterparties restrict the Company's ability to sell or re-pledge securities it holds as collateral.

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

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

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

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

The Company's corporate derivatives contain credit contingent features. At the Company's current unsecured credit rating, it has fully collateralized its corporate derivative liability position (including accrued interest and net of premiums receivable) of \$718 million with its counterparties. Further downgrades would not result in any additional collateral requirements, except to increase the frequency of collateral calls. Two counterparties have the right to terminate the contracts with further downgrades. The Company currently has a liability position with these derivative counterparties (including accrued interest and net of premiums receivable) of \$80 million and has posted \$78 million of collateral to these counterparties. If the credit contingent feature was triggered for these two counterparties and the counterparties exercised their right to terminate, the Company would be required to deliver assets totaling \$2 million to settle the contracts. Trust related derivatives do not contain credit contingent features related to the Company's or trusts' credit ratings.

At December 31, 2009, \$381 million in collateral related to off-balance sheet trust derivatives were held by previously off-balance sheet trusts. Collateral posted by third parties to the off-balance sheet trusts cannot be sold or re-pledged by the trusts. As of January 1, 2010, the off-balance sheet trusts were consolidated with the adoption of topic updates to ASC 810. (See Note 1, "Significant Accounting Policies — *Recently Issued Accounting Standards* - Transfers of Financial Assets and the VIE Consolidation Model.")

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

8. Other Assets

The following table provides detail on the Company's other assets at September 30, 2010 and December 31, 2009.

	September 30, 2010		December 31, 2009	
	Ending Balance	% of Balance	Ending Balance	% of Balance
Accrued interest receivable	\$ 3,431,951	32%	\$ 2,566,984	26%
Derivatives at fair value	3,290,477	31	2,783,696	28
Income tax asset, net current and deferred	1,501,601	14	1,750,424	18
APG purchased paper receivables and real estate owned	183,160	2	286,108	3
Benefit and insurance-related investments	480,089	5	472,079	5
Fixed assets, net	312,932	3	322,481	3
Accounts receivable—general	686,932	6	807,086	8
Other loans	289,917	3	420,233	4
Other	476,390	4	511,500	5
Total	<u>\$ 10,653,449</u>	<u>100%</u>	<u>\$ 9,920,591</u>	<u>100%</u>

The "Derivatives at fair value" line in the above table represents the fair value of the Company's derivatives in a net gain position by counterparty, exclusive of accrued interest and collateral. At September 30, 2010 and December 31, 2009, these balances included \$3.8 billion and \$3.4 billion, respectively, of cross-currency interest rate swaps and interest rate swaps designated as fair value hedges that were offset by an increase in interest-bearing liabilities related to the hedged debt. As of September 30, 2010 and December 31, 2009, the cumulative mark-to-market adjustment to the hedged debt was \$(3.9) billion and \$(3.4) billion, respectively.

9. Stockholders' Equity

The following table summarizes the Company's common share repurchases and issuances for the three and nine months ended September 30, 2010 and 2009.

(Shares in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Common shares repurchased:				
Benefit plans ⁽¹⁾	.2	.1	.8	.2
Total shares repurchased	<u>.2</u>	<u>.1</u>	<u>.8</u>	<u>.2</u>
Average purchase price per share	<u>\$ 12.20</u>	<u>\$ 17.81</u>	<u>\$13.82</u>	<u>\$22.91</u>
Common shares issued	<u>.2</u>	<u>7.0</u>	<u>1.6</u>	<u>7.4</u>
Authority remaining at end of period for repurchases	<u>38.8</u>	<u>38.8</u>	<u>38.8</u>	<u>38.8</u>

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

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

9. Stockholders' Equity (Continued)

The closing price of the Company's common stock on September 30, 2010 was \$11.55.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss includes the after-tax change in unrealized gains and losses on available-for-sale investments, unrealized gains and losses on derivatives, and the defined benefit pension plans adjustment. The following table presents the cumulative balances of the components of other comprehensive loss as of September 30, 2010 and December 31, 2009.

	September 30, 2010	December 31, 2009
Net unrealized gains on investments ⁽¹⁾⁽²⁾	\$ 3,236	\$ 1,629
Net unrealized losses on derivatives ⁽³⁾	(58,782)	(53,899)
Net gain on defined benefit pension plans ⁽⁴⁾	11,387	11,445
Total accumulated other comprehensive loss	<u>\$ (44,159)</u>	<u>\$ (40,825)</u>

(1) Net of tax expense of \$2 million and \$1 million as of September 30, 2010 and December 31, 2009, respectively.

(2) Net unrealized gains (losses) on investments include currency translation gains of \$4 million and \$8 million as of September 30, 2010 and December 31, 2009, respectively.

(3) Net of tax benefit of \$34 million and \$31 million as of September 30, 2010 and December 31, 2009, respectively.

(4) Net of tax expense of \$7 million and \$7 million as of September 30, 2010 and December 31, 2009, respectively.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

10. Earnings (Loss) per Common Share

Basic earnings (loss) per common share ("EPS") are calculated using the weighted average number of shares of common stock outstanding during each period. A reconciliation of the numerators and denominators of the basic and diluted EPS calculations follows for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended		Nine Months Ended	
	September 30, 2010	2009	2010	2009
Numerator:				
Net income (loss) from continuing operations attributable to common stock	\$ (516,945)	\$ 122,900	\$ 23,624	\$ (20,685)
Adjusted for dividends of convertible preferred stock series C(1)	—	—	—	—
Net income (loss) from continuing operations attributable to common stock, adjusted	(516,945)	122,900	23,624	(20,685)
Net income (loss) from discontinued operations	3,211	(6,417)	3,211	(59,133)
Net income (loss) attributable to common stock, adjusted	<u>\$ (513,734)</u>	<u>\$ 116,483</u>	<u>\$ 26,835</u>	<u>\$ (79,818)</u>
Denominator (shares in thousands):				
Weighted average shares used to compute basic EPS	484,936	470,280	484,678	467,960
Effect of dilutive securities:				
Dilutive effect of convertible preferred stock series C(1)	—	—	—	—
Dilutive effect of stock options, nonvested deferred compensation, nonvested restricted stock, restricted stock units and Employee Stock Purchase Plan ("ESPP")(2)	—	778	1,531	—
Dilutive potential common shares(3)	—	778	1,531	—
Weighted average shares used to compute diluted EPS	<u>484,936</u>	<u>471,058</u>	<u>486,209</u>	<u>467,960</u>
Basic earnings (loss) per common share:				
Continuing operations	\$ (1.07)	\$.26	\$.05	\$ (.04)
Discontinued operations	.01	(.01)	.01	(.13)
Total	<u>\$ (1.06)</u>	<u>\$.25</u>	<u>\$.06</u>	<u>\$ (.17)</u>
Diluted earnings (loss) per common share:				
Continuing operations	\$ (1.07)	\$.26	\$.05	\$ (.04)
Discontinued operations	.01	(.01)	.01	(.13)
Total	<u>\$ (1.06)</u>	<u>\$.25</u>	<u>\$.06</u>	<u>\$ (.17)</u>

(1) The Company's 7.25 percent mandatory convertible preferred stock Series C was issued on December 31, 2007. The mandatory convertible preferred stock will automatically convert on December 15, 2010, into between approximately 34 million shares and 41 million shares of common stock, depending upon the Company's stock price at that time. Depending upon the amount of the mandatory convertible preferred stock outstanding as of that date, the actual number of shares of common stock issued may be less. These instruments were anti-dilutive for the three and nine months ended September 30, 2010 and 2009.

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

(3) For the three and nine months ended September 30, 2010, stock options covering approximately 16 million shares for each period were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive. For the three and nine months ended September 30, 2009, stock options covering approximately 43 million shares for each period were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

11. Stock-Based Compensation Plans and Arrangements*Stock Option Exchange Program*

On May 17, 2010, the Company launched a one-time stock option exchange program to allow certain eligible employees (excluding the Company's named executive officers and members of its Board of Directors) to exchange certain out-of-the-money options for new options with an exercise price equal to the fair market value of the Company's stock as of the grant date. To be eligible for the exchange, the options had to have been granted on or before January 31, 2008, had an exercise price that was greater than or equal to \$20.94 per share, had a remaining term that expired after January 1, 2011 and were outstanding as of the start date of the offer and at the time the offer expired. The offering period closed on June 14, 2010. On that date, 15.1 million options were tendered and exchanged for 8.0 million new options with an exercise price of \$11.39. None of the replacement options were vested on the date of grant. Replacement options will vest in six months, twelve months or two annual installments following the grant date, depending on the original vesting status and vesting terms of the eligible options, and will maintain the original contractual term of the eligible options for which they were exchanged. The exchange program was designed so that the fair market value of the new options would not be greater than the fair market value of the options exchanged, and as a result, this stock option exchange did not result in incremental compensation expense to the Company.

The following table summarizes stock option activity for the nine months ended September 30, 2010.

	<u>Number of Options</u>	<u>Weighted Average Exercise Price per Share</u>	<u>Weighted Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at December 31, 2009	43,294,720	\$ 28.77		
Granted	7,247,300	10.34		
Granted in stock option exchange	7,962,176	11.39		
Exercised	(623,713)	11.25		
Canceled	(4,601,952)	27.36		
Canceled in stock option exchange	(15,106,197)	35.87		
Outstanding at September 30, 2010	<u>38,172,334</u>	<u>\$ 19.72</u>	<u>6.36 yrs</u>	<u>\$ —</u>
Exercisable at September 30, 2010	<u>16,705,129</u>	<u>\$ 29.65</u>	<u>4.63 yrs</u>	<u>\$ —</u>

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

12. Other Income

The following table summarizes the components of "Other income" in the consolidated statements of income for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Gains on debt repurchases	\$ 18,025	\$ 74,367	\$199,156	\$463,416
Late fees and forbearance fees	33,687	38,588	111,454	107,351
Asset servicing and other transaction fees	28,421	27,872	86,320	79,318
Loan servicing fees	19,315	16,677	55,778	35,410
Foreign currency translation gains (losses), net	(18,779)	(23,164)	(37,172)	10,828
Other	9,833	15,666	30,275	44,906
Total	\$ 90,502	\$150,006	\$445,811	\$741,229

The change in other income over the prior periods presented was primarily the result of the gains on debt repurchases and foreign currency translation gains (losses). The Company began repurchasing its outstanding debt in the second quarter of 2008 in both open-market repurchases and public tender offers. The Company repurchased \$0.9 billion and \$1.4 billion face amount of its senior unsecured notes for the quarters ended September 30, 2010 and 2009, respectively, and repurchased \$3.6 billion and \$2.7 billion face amount of its senior unsecured notes for the nine months ended September 30, 2010 and 2009, respectively. Since the second quarter of 2008, the Company has repurchased \$8.9 billion face amount of its senior unsecured notes, with maturity dates ranging from 2008 to 2016. The foreign currency translation gains (losses) relate to a portion of the Company's foreign currency denominated debt that does not receive hedge accounting treatment. These gains (losses) were partially offset by the "gains (losses) on derivative and hedging activities, net" line item on the income statement related to the derivatives used to economically hedge these debt instruments.

13. Restructuring Activities

Restructuring expenses of \$11 million and \$2 million were recorded in the three months ended September 30, 2010 and 2009, respectively. The following details the Company's two restructuring efforts:

- On March 30, 2010, President Obama signed into law H.R. 4872, HCERA, which included the SAFRA Act. Effective July 1, 2010, the legislation eliminated the authority to provide new loans under FFELP and requires all new federal loans to be made through the DSLP. The new law did not alter or affect the terms and conditions of existing FFELP loans. The Company is currently in the process of restructuring its operations to reflect this change in law which will result in a significant reduction of operating costs due to the elimination of positions and facilities associated with the origination of FFELP loans.

In the third quarter of 2010, expenses associated with this restructuring plan were \$10 million. Restructuring expenses for the nine months ended September 30, 2010 were \$50 million, all of which was recorded in continuing operations. In connection with the HCERA restructuring effort, on July 1, 2010, the Company announced its corporate headquarters will be moving from Reston, VA to Newark, DE by March 31, 2011.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

13. Restructuring Activities (Continued)

The Company is currently finalizing this restructuring plan and expects to incur an estimated \$25 million of additional restructuring costs, including severance costs associated with job abolishments and other potential exit costs. The majority of these restructuring expenses incurred through September 30, 2010 and expected to be incurred in future periods are severance costs related to the planned elimination of approximately 2,500 positions, or approximately 30 percent of the current workforce.

- In response to the College Cost Reduction and Access Act of 2007 (“CCRAA”) and challenges in the capital markets, the Company initiated a restructuring plan in the fourth quarter of 2007. This plan focused on conforming our lending activities to the economic environment, exiting certain customer relationships and product lines, winding down or otherwise disposing of our debt purchased paper businesses, and significantly reducing our operating expenses. This restructuring plan was essentially completed in the fourth quarter of 2009. Under this plan, restructuring expenses of \$1 million were recognized in continuing operations in the third quarter of 2010. Restructuring expenses from the fourth quarter of 2007 through the third quarter of 2010 totaled \$133 million, of which \$124 million was recorded in continuing operations and \$9 million was recorded in discontinued operations. The majority of these restructuring expenses were severance costs related to the elimination of approximately 3,000 positions, or approximately 25 percent of the workforce prior to the restructuring. The Company estimates approximately \$4 million of additional restructuring expenses will be incurred in the future related to this restructuring plan.

The following table summarizes the restructuring expenses incurred during the three and nine months ended September 30, 2010 and 2009 and cumulative restructuring expenses incurred through September 30, 2010 associated with the HCERA and CCRAA restructuring plans as discussed above.

	Three Months Ended		Nine Months Ended		Cumulative
	September 30,		September 30,		Expense(2) as of
	2010	2009	2010	2009	September 30,
					2010
Severance costs	\$ 9,850	\$ 2,372	\$52,308	\$ 7,232	\$ 148,608
Lease and other contract termination costs	1,193	(12)	2,581	730	12,988
Exit and other costs	39	132	141	1,636	13,222
Total restructuring costs from continuing operations ⁽¹⁾	11,082	2,492	55,030	9,598	174,818
Total restructuring costs from discontinued operations	—	1,100	—	3,197	8,621
Total	\$ 11,082	\$ 3,592	\$55,030	\$12,795	\$ 183,439

- (1) Aggregate restructuring expenses from continuing operations incurred across the Company’s reportable segments during the three months ended September 30, 2010 and 2009 totaled \$10 million and \$2 million, respectively, in the Company’s Lending reportable segment, \$2 million and \$0, respectively, in the Company’s APG reportable segment, and \$(1) million and \$0, respectively, in the Company’s Other reportable segment. Aggregate restructuring expenses from continuing operations incurred across the Company’s reportable segments during the nine months ended September 30, 2010 and 2009 totaled \$47 million and \$8 million, respectively, in the Company’s Lending reportable segment, \$3 million and \$0, respectively, in the Company’s APG reportable segment, and \$5 million and \$2 million, respectively, in the Company’s Other reportable segment.
- (2) Cumulative expense incurred since the fourth quarter of 2007.

As of September 30, 2010 and 2009, since the fourth quarter of 2007, severance costs have been incurred in conjunction with the aggregate completed and planned position eliminations of approximately 5,500 and 2,800 positions, respectively, across all of the Company’s reportable segments, with position eliminations

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

13. Restructuring Activities (Continued)

ranging from senior executives to clerical personnel. Lease and other contract termination costs and exit and other costs incurred during the nine months ended September 30, 2010 and 2009, respectively, related primarily to terminated or abandoned facility leases and consulting costs incurred in conjunction with various cost reduction and exit strategies.

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

	Severance Costs	Lease and Other Contract Termination Costs	Exit and Other Costs	Total
Balance at December 31, 2008	\$ 15,124	\$ 2,798	\$ 60	\$ 17,982
Net accruals from continuing operations	11,196	890	1,681	13,767
Net accruals from discontinued operations	6,462	1,900	—	8,362
Cash paid	(23,587)	(1,807)	(1,741)	(27,135)
Balance at December 31, 2009	9,195	3,781	—	12,976
Net accruals from continuing operations	52,308	2,581	141	55,030
Net accruals from discontinued operations	—	—	—	—
Cash paid	(26,742)	(2,034)	(141)	(28,917)
Balance at September 30, 2010	<u>\$ 34,761</u>	<u>\$ 4,328</u>	<u>\$ —</u>	<u>\$ 39,089</u>

14. Fair Value Measurements

The Company uses estimates of fair value in applying various accounting standards for its financial statements. Under GAAP, fair value measurements are used in one of four ways:

- In the consolidated balance sheet with changes in fair value recorded in the consolidated statement of income;
- In the consolidated balance sheet with changes in fair value recorded in the accumulated other comprehensive income section of the consolidated statement of changes in stockholders' equity;
- In the consolidated balance sheet for instruments carried at lower of cost or fair value with impairment charges recorded in the consolidated statement of income; and
- In the notes to the financial statements.

Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, the Company's policy in estimating fair values is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates and credit spreads (including for the Company's liabilities), relying first on observable data from active markets. Additional adjustments may be made for factors including liquidity, credit, bid/offer spreads, etc., depending on current market conditions. Transaction costs are not included in the determination of fair value. When possible, the Company seeks to validate the model's output with market transactions. Depending on the availability of observable inputs and prices, different valuation

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

14. Fair Value Measurements (Continued)

models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable.

The Company categorizes its fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. Classification is based on the lowest level of input that is significant to the fair value of the instrument. The three levels are as follows:

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

During the three and nine months ended September 30, 2010, there were no significant transfers of financial instruments between levels.

Student Loans

The Company's FFELP loans and Private Education Loans are accounted for at cost or at the lower of cost or market if the loan is held-for-sale; however, the fair value is disclosed in compliance with GAAP. FFELP loans classified as held-for-sale are those which the Company has the ability and intent to sell under various ED loan purchase programs. In these instances, the FFELP loans are valued using the committed sales price under the programs. For all other FFELP loans and Private Education Loans, fair values were determined by modeling loan cash flows using stated terms of the assets and internally-developed assumptions to determine aggregate portfolio yield, net present value and average life. The significant assumptions used to project cash flows are prepayment speeds, default rates, cost of funds, required return on equity, and expected Repayment Borrower Benefits to be earned. In addition, the Floor Income component of the Company's FFELP loan portfolio is valued with option models using both observable market inputs and internally developed inputs. A number of significant inputs into the models are internally derived and not observable to market participants.

Other Loans

Facilities financings, and mortgage and consumer loans held for investment are accounted for at cost with fair values being disclosed. Mortgage loans held for sale are accounted for at lower of cost or market. Fair value was determined with discounted cash flow models using the stated terms of the loans and observable market yield curves. In addition, adjustments and assumptions were made for credit spreads, liquidity, prepayment speeds and defaults. A number of significant inputs into the models are not observable.

Cash and Investments (Including "Restricted Cash and Investments")

Cash and cash equivalents are carried at cost. Carrying value approximated fair value for disclosure purposes. Investments classified as trading or available-for-sale are carried at fair value in the financial statements. Investments in U.S. Treasury securities consisted of T-bills that trade in active markets. The fair value was

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

14. Fair Value Measurements (Continued)

determined using observable market prices. Investments in mortgage-backed securities are valued using observable market prices. These securities are primarily collateralized by real estate properties in Utah and are guaranteed by either a government sponsored enterprise or the U.S. government. Other investments (primarily municipal bonds) for which observable prices from active markets are not available were valued through standard bond pricing models using observable market yield curves adjusted for credit and liquidity spreads. These valuations are immaterial to the overall investment portfolio. The fair value of investments in Commercial Paper, Asset Backed Commercial Paper, or Demand Deposits that have a remaining term of less than 90 days when purchased are estimated at cost and, when needed, adjustments for liquidity and credit spreads are made depending on market conditions and counterparty credit risks. At September 30, 2010, these investments consisted of overnight/weekly instruments with highly-rated counterparties. No additional adjustments were deemed necessary.

Borrowings

Borrowings are accounted for at cost in the financial statements except when denominated in a foreign currency or when designated as the hedged item in a fair value hedge relationship. When the hedged risk is the benchmark interest rate and not full fair value, the cost basis is adjusted for changes in value due to benchmark interest rates only. Foreign currency denominated borrowings are re-measured at current spot rates in the financial statements. The full fair value of all borrowings is disclosed. Fair value was determined through standard bond pricing models and option models (when applicable) using the stated terms of the borrowings, observable yield curves, foreign currency exchange rates, volatilities from active markets or from quotes from broker-dealers. Credit adjustments for unsecured corporate debt are made based on indicative quotes from observable trades and spreads on credit default swaps specific to the Company. Credit adjustments for secured borrowings are based on indicative quotes from broker-dealers. These adjustments for both secured and unsecured borrowings are material to the overall valuation of these items and, currently, are based on inputs from inactive markets.

Derivative Financial Instruments

All derivatives are accounted for at fair value in the financial statements. The fair value of a majority of derivative financial instruments was determined by standard derivative pricing and option models using the stated terms of the contracts and observable market inputs. In some cases, management utilized internally developed inputs that are not observable in the market, and as such, classified these instruments as level 3 fair values. Complex structured derivatives or derivatives that trade in less liquid markets require significant adjustments and judgment in determining fair value that cannot be corroborated with market transactions. It is the Company's policy to compare its derivative fair values to those received by its counterparties in order to validate the model's outputs.

When determining the fair value of derivatives, the Company takes into account counterparty credit risk for positions where it is exposed to the counterparty on a net basis by assessing exposure net of collateral held. The net exposures for each counterparty are adjusted based on market information available for the specific counterparty, including spreads from credit default swaps. When the counterparty has exposure to the Company under derivatives with the Company, the Company fully collateralizes the exposure, minimizing the adjustment necessary to the derivative valuations for the Company's credit risk. While trusts that contain derivatives are not required to post collateral, when the counterparty is exposed to the trust the credit quality and securitized nature of the trusts minimizes any adjustments for the counterparty's exposure to the trusts. The net credit risk adjustment (adjustments for the Company's exposure to counterparties net of adjustments for the counterparties' exposure to the Company) decreased the valuations by \$70 million at September 30, 2010.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

14. Fair Value Measurements (Continued)

Inputs specific to each class of derivatives disclosed in the table below are as follows:

- Interest rate swaps — Derivatives are valued using standard derivative cash flow models. Derivatives that swap fixed interest payments for LIBOR interest payments (or vice versa) and derivatives swapping quarterly reset LIBOR for daily reset LIBOR were valued using the LIBOR swap yield curve which is an observable input from an active market. These derivatives are level 2 fair value estimates in the hierarchy. Other derivatives swapping LIBOR interest payments for another variable interest payment (primarily T-Bill or Prime) or swapping interest payments based on the Consumer Price Index for LIBOR interest payments are valued using the LIBOR swap yield curve and observable market spreads for the specified index. The markets for these swaps are generally illiquid as indicated by a wide bid/ask spread. The adjustment made for liquidity decreased the valuations by \$133 million at September 30, 2010. These derivatives are level 3 fair value estimates.
- Cross-currency interest rate swaps — Derivatives are valued using standard derivative cash flow models. Derivatives hedging foreign-denominated bonds are valued using the LIBOR swap yield curve (for both USD and the respective currency), cross-currency basis spreads, and forward foreign currency exchange rates. The derivatives are primarily British Pound Sterling and Euro denominated. These inputs are observable inputs from active markets. Therefore, the resulting valuation is a level 2 fair value estimate. Amortizing notional derivatives (derivatives whose notional amounts change based on changes in the balance of, or pool of assets or debt) hedging trust debt use internally derived assumptions for the trust assets' prepayment speeds and default rates to model the notional amortization. Management makes assumptions concerning the extension features of derivatives hedging rate-reset notes denominated in a foreign currency. These inputs are not market observable; therefore, these derivatives are level 3 fair value estimates.
- Floor Income Contracts — Derivatives are valued using an option pricing model. Inputs to the model include the LIBOR swap yield curve and LIBOR interest rate volatilities. The inputs are observable inputs in active markets and these derivatives are level 2 fair value estimates.

The carrying value of borrowings designated as the hedged item in an ASC 815 fair value hedge are adjusted for changes in fair value due to benchmark interest rates and foreign-currency exchange rates. These valuations are determined through standard bond pricing models and option models (when applicable) using the stated terms of the borrowings, and observable yield curves, foreign currency exchange rates, and volatilities.

Residual Interests

Prior to the adoption of topic updates to ASC 810 on January 1, 2010 (see Note 1, "Significant Accounting Policies — *Recently Issued Accounting Standards* — Transfers of Financial Assets and the VIE Consolidation Model"), the Residual Interests were carried at fair value in the financial statements. No active market exists for student loan Residual Interests; as such, the fair value was calculated using discounted cash flow models and option models. Observable inputs from active markets were used where available, including yield curves and volatilities. Significant unobservable inputs such as prepayment speeds, default rates, certain bonds' costs of funds and discount rates were used in determining the fair value and required significant judgment. These unobservable inputs were internally determined based upon analysis of historical data and expected industry trends. On a quarterly basis the Company back-tested its prepayment speeds, default rates and costs of funds assumptions by comparing those assumptions to actual results experienced. The Company used non-binding broker quotes and industry analyst reports which show changes in the indicative prices of

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

14. Fair Value Measurements (Continued)

the asset-backed securities tranches immediately senior to the Residual Interest as an indication of potential changes in the discount rate used to value the Residual Interests. Market transactions were not available to validate the models' results.

The following tables summarize the valuation of the Company's financial instruments that are marked-to-market on a recurring basis in the consolidated financial statements as of September 30, 2010 and December 31, 2009.

(Dollars in millions)	Fair Value Measurements on a Recurring Basis as of September 30, 2010			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale investments:				
U.S. Treasury securities	\$ 39	\$ —	\$ —	\$ 39
Asset-backed securities	—	77	—	77
Commercial paper and asset-backed commercial paper	—	112	—	112
Guaranteed investment contracts	—	29	—	29
Other	—	14	—	14
Total available-for-sale investments	39	232	—	271
Derivative instruments:(1)				
Interest rate swaps	—	1,524	131	1,655
Cross currency interest rate swaps	—	772	1,916	2,688
Other	—	—	32	32
Total derivative assets	—	2,296	2,079	4,375
Counterparty netting				(1,084)
Subtotal(3)				3,291
Cash collateral held				(1,666)
Net derivative assets				1,625
Total	\$ 39	\$ 2,528	\$ 2,079	\$ 1,896
Liabilities(2)				
Derivative instruments(1)				
Interest rate swaps	\$ —	\$ (142)	\$ (232)	\$ (374)
Floor Income Contracts	—	(1,578)	—	(1,578)
Cross currency interest rate swaps	—	(85)	(123)	(208)
Other	(1)	—	—	(1)
Total derivative instruments	(1)	(1,805)	(355)	(2,161)
Counterparty netting				1,084
Subtotal(3)				(1,077)
Cash collateral pledged				850
Net derivative liabilities				(227)
Total	\$ (1)	\$ (1,805)	\$ (355)	\$ (227)

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

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

(3) As carried on the balance sheet.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

14. Fair Value Measurements (Continued)

(Dollars in millions)	Fair Value Measurements on a Recurring Basis as of December 31, 2009						Net
	Level 1	Level 2	Level 3	Counterparty Netting	Total(4)	Cash Collateral	
Assets							
Available-for-sale investments	\$ —	\$ 1,330	\$ —	\$ —	\$ 1,330	\$ —	\$ 1,330
Retained Interest in off-balance sheet securitized loans	—	—	1,828	—	1,828	—	1,828
Derivative instruments(1)(2)	—	2,023	1,770	(1,009)	2,784	(1,268)	1,516
Total assets	\$ —	\$ 3,353	\$ 3,598	\$ (1,009)	\$ 5,942	\$ (1,268)	\$ 4,674
Liabilities(3)							
Derivative instruments(1)(2)	\$ (2)	\$ (1,650)	\$ (518)	\$ 1,009	\$ (1,161)	\$ 636	\$ (525)
Total liabilities	\$ (2)	\$ (1,650)	\$ (518)	\$ 1,009	\$ (1,161)	\$ 636	\$ (525)

- (1) Fair value of derivative instruments is comprised of market value less accrued interest and excludes collateral.
- (2) Level 1 derivatives include Euro-dollar futures contracts. Level 2 derivatives include derivatives indexed to interest rate indices and currencies that are considered liquid. Level 3 derivatives include derivatives indexed to illiquid interest rate indices and derivatives for which significant adjustments were made to observable inputs.
- (3) Borrowings which are the hedged items in a fair value hedge relationship and which are adjusted for changes in value due to benchmark interest rates only are not carried at full fair value and are not reflected in this table.
- (4) As carried on the balance sheet.

The following tables summarize the change in balance sheet carrying value associated with level 3 financial instruments carried at fair value on a recurring basis during the three and nine months ended September 30, 2010 and 2009.

(Dollars in millions)	Three Months Ended September 30, 2010				
	Derivative instruments				
	Interest Rate Swaps	Floor Income Contracts	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments
Balance, beginning of period	\$ (162)	\$ —	\$ 423	\$ (9)	\$ 252
Total gains/(losses) (realized and unrealized):					
Included in earnings(1)	65	—	1,414	33	1,512
Included in other comprehensive income	—	—	—	—	—
Purchases, issuances and settlements	(4)	—	(44)	8	(40)
Transfers in and/or out of level 3	—	—	—	—	—
Balance, end of period	\$ (101)	\$ —	\$ 1,793	\$ 32	\$ 1,724
Change in unrealized gains/(losses) relating to instruments still held at the reporting date(3)	\$ (17)	\$ —	\$ 1,371	\$ 32	\$ 1,386

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

14. Fair Value Measurements (Continued)

(Dollars in millions)	Nine Months Ended September 30, 2010						
	Derivative Instruments						
	Residual Interests	Interest Rate Swaps	Floor Income Contracts	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments	Total
Balance, beginning of period	\$ 1,828	\$ (272)	\$ (54)	\$ 1,596	\$ (18)	\$ 1,252	\$ 3,080
Total gains/(losses) (realized and unrealized):							
Included in earnings ⁽¹⁾	—	169	3	328	37	537	537
Included in other comprehensive income	—	—	—	—	—	—	—
Purchases, issuances and settlements	—	2	51	(131)	13	(65)	(65)
Removal of Residual Interests ⁽²⁾	(1,828)	—	—	—	—	—	(1,828)
Transfers in and/or out of level 3	—	—	—	—	—	—	—
Balance, end of period	\$ —	\$ (101)	\$ —	\$ 1,793	\$ 32	\$ 1,724	\$ 1,724
Change in unrealized gains/(losses) relating to instruments still held at the reporting date ⁽³⁾	\$ —	\$ 45	\$ —	\$ 197	\$ 38	\$ 280	\$ 280

(Dollars in millions)	Three Months Ended September 30, 2009			Nine Months Ended September 30, 2009		
	Residual Interests	Derivative Instruments	Total	Residual Interests	Derivative Instruments	Total
	Balance, beginning of period	\$ 1,821	\$ 790	\$ 2,611	\$ 2,200	\$ (341)
Total gains/(losses) (realized and unrealized):						
Included in earnings ⁽¹⁾	—	117	357	18	233	251
Included in other comprehensive income	—	—	—	—	—	—
Purchases, issuances and settlements	(100)	131	31	(380)	318	(62)
Transfers in and/or out of level 3	—	—	—	—	1,068	1,068
Balance, end of period	\$ 1,838	\$ 1,278	\$ 3,116	\$ 1,838	\$ 1,278	\$ 3,116
Change in unrealized gains/(losses) relating to instruments still held at the reporting date	\$ 13 ⁽⁴⁾	\$ 474 ⁽³⁾	\$ 487	\$ (338) ⁽⁴⁾	\$ 552 ⁽³⁾	\$ 214

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

(Dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	Securitization servicing and Residual Interest revenue	\$ —	\$ 117	\$ —
Gains (losses) on derivative and hedging activities, net	1,470	414	411	386
Interest expense	42	(57)	126	(153)
Total	\$ 1,512	\$ 474	\$ 537	\$ 251

(2) Upon adoption of topic updates to ASC 810, on January 1, 2010, the Company consolidated all of its previously off-balance sheet securitization trusts. (See Note 1, "Significant Accounting Policies — Recently Issued Accounting Standards — Transfers of Financial Assets and the VIE Consolidation Model" for further discussion.)

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

(4) Recorded in "securitization servicing and Residual Interest revenue" in the consolidated statements of income.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

14. Fair Value Measurements (Continued)

The following table summarizes the fair values of the Company's financial assets and liabilities, including derivative financial instruments, as of September 30, 2010 and December 31, 2009.

(Dollars in millions)	September 30, 2010			December 31, 2009		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets						
FFELP loans	\$ 147,329	\$146,593	\$ 736	\$119,747	\$121,053	\$ (1,306)
Private Education Loans	31,075	35,542	(4,467)	20,278	22,753	(2,475)
Other loans (presented in "other assets" on the balance sheet)	97	290	(193)	219	420	(201)
Cash and investments	12,830	12,830	—	13,253	13,253	—
Total earning assets	<u>191,331</u>	<u>195,255</u>	<u>(3,924)</u>	<u>153,497</u>	<u>157,479</u>	<u>(3,982)</u>
Interest-bearing liabilities						
Short-term borrowings	45,369	45,388	19	30,988	30,897	(91)
Long-term borrowings	142,092	153,004	10,912	123,049	130,546	7,497
Total interest-bearing liabilities	<u>187,461</u>	<u>198,392</u>	<u>10,931</u>	<u>154,037</u>	<u>161,443</u>	<u>7,406</u>
Derivative financial instruments						
Floor Income/Cap contracts	(1,578)	(1,578)	—	(1,234)	(1,234)	—
Interest rate swaps	1,281	1,281	—	94	94	—
Cross currency interest rate swaps	2,480	2,480	—	2,783	2,783	—
Other	31	31	—	(20)	(20)	—
Other						
Retained Interest in off-balance sheet securitized loans	—	—	—	1,828	1,828	—
Excess of net asset fair value over carrying value			<u>\$ 7,007</u>			<u>\$ 3,424</u>

15. Commitments and Contingencies

On February 2, 2010, a putative class action suit was filed by a borrower in U.S. District Court for the Western District of Washington (*Mark A. Arthur et al. v. SLM Corporation*). The suit complains that the Company allegedly contacted "tens of thousands" of consumers on their cellular telephones without their prior express consent in violation of the Telephone Consumer Protection Act, § 227 et seq. ("TCPA"). Each violation under the TCPA provides for \$500 in statutory damages (\$1,500 if a willful violation is shown). Plaintiffs seek statutory damages, damages for willful violations, attorneys' fees, costs, and injunctive relief. On April 5, 2010, Plaintiffs filed a First Amended Class Action Complaint changing the defendant from SLM Corporation to Sallie Mae, Inc. The parties in this matter have reached a tentative settlement which is subject to court approval and other conditions. On September 14, 2010, the United States District Court for the Western District of Washington agreed to Plaintiff's Motion for Preliminary Approval of Settlement Agreement. The Company has vigorously denied all claims asserted against it, but agreed to the settlement to avoid the burden and expense of continued litigation. If the settlement receives final approval from the Court,

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

15. Commitments and Contingencies (Continued)

settlement awards will be made to eligible class members on a claims-made basis from a settlement fund of \$19.5 million, and class members may opt out of certain calls to their cellular telephones. The Court has set a final approval hearing for December 17, 2010. The Company recorded \$19.5 million of contingency expense in the second quarter of 2010 related to this matter.

In *U.S. ex rel. Oberg v. Nelnet, et al.*, the United States District Court for the Eastern District of Virginia entered a Stipulation of Dismissal on October 25, 2010. The Company was voluntarily dismissed from the case. Southwest Student Services Corporation vigorously denied all claims asserted against it, but agreed to a \$6 million settlement to avoid the burden and expense of continued litigation. The Company recorded \$6 million of contingency expense in the third quarter of 2010 related to this matter.

On September 24, 2010, the United States District Court for the Southern District of New York in *In Re SLM Corporation Securities Litigation*, denied in part and granted in part Defendants' Motion to Dismiss. The Court denied the Motion to Dismiss as to Mr. Albert Lord and the Company, but dismissed Mr. C.E. Andrews as a defendant in the action. At this time management does not believe it is possible to estimate a range of potential exposure.

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

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

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

The Company is required to establish reserves for litigation and regulatory matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, the Company does not establish reserves.

Based on current knowledge, reserves have been established for certain litigation or regulatory matters where the loss is both probable and estimable. Based on current knowledge, management does not believe that loss contingencies, if any, arising from pending investigations, litigation or regulatory matters will have a material adverse effect on the consolidated financial position, liquidity, results of operations or cash flows of the Company.

16. Income Taxes

Income tax expense from continuing operations was \$225 million in the nine months ended September 30, 2010 compared with income tax expense of \$32 million in the year-ago period, resulting in effective tax rates of 74 percent and 30 percent, respectively. The change in the effective tax rate in the first nine months of 2010 compared with the year-ago period was primarily driven by the impact of non-deductible goodwill impairments

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

16. Income Taxes (Continued)

recorded in the first nine months of 2010, state tax rate changes and state law changes recorded in both periods, and the reduction of tax and interest on state uncertain tax positions in the first nine months of 2009.

Accounting for Uncertainty in Income Taxes

The unrecognized tax benefits changed from \$104 million at December 31, 2009 to \$79 million at September 30, 2010, and accrued interest changed from \$7 million at December 31, 2009 to \$10 million at September 30, 2010. Included in the \$79 million are \$18 million of unrecognized tax benefits that if recognized, would favorably impact the effective tax rate. These changes result primarily from incorporating into the Company's unrecognized tax benefits analysis new information received from the IRS during the second quarter as a part of the 2007-2008 exam cycle, from adding a new issue related to a state filing position in the second quarter and the third quarter settlement of the 2004 audit which had been referred to Joint Committee by IRS Appeals. Several other less significant amounts of unrecognized tax benefits were also added during the quarter.

17. Segment Reporting

The Company has two primary operating segments — the Lending operating segment and the APG operating segment. The Lending and APG operating segments meet the quantitative thresholds for reportable segments. Accordingly, the results of operations of the Company's Lending and APG segments are presented below. The Company has smaller operating segments including the Guarantor Servicing, Loan Servicing, and Uprromise operating segments, as well as certain other products and services provided to colleges and universities which do not meet the required quantitative thresholds of reportable segments. Therefore, the results of operations for these operating segments and the revenues and expenses associated with these other products and services are combined within the Other reportable segment. As discussed in Note 4, "Goodwill and Acquired Intangible Assets," the Company is planning to redefine its operating segments and revise its reportable segments presentation in the fourth quarter of 2010.

In the first quarter of 2010, the Company changed its methodology to allocate corporate overhead to each business segment. In addition, the Company refined its methodology for allocating information technology expenses. Following these changes, all corporate overhead is allocated to a business segment. Previously, only certain overhead costs were specifically allocated and the rest remained in the Other reportable segment. The segment results for the three and nine months ended September 30, 2009 have been updated to reflect these changes in expense allocations.

The management reporting process measures the performance of the Company's operating segments based on the management structure of the Company, as well as the methodology used by management to evaluate performance and allocate resources. Management, including the Company's chief operating decision makers, evaluates the performance of the Company's operating segments based on their profitability. As discussed further below, management measures the profitability of the Company's operating segments based on "Core Earnings" net income. Accordingly, information regarding the Company's reportable segments is provided based on a "Core Earnings" basis. The Company's "Core Earnings" performance measures are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. "Core Earnings" net income reflects only current period adjustments to GAAP net income as described below. Unlike financial accounting, there is no comprehensive, authoritative guidance for management reporting. The management reporting process measures the performance of the operating segments based on the management structure of the Company and is not necessarily comparable with similar information for any other financial institution. The Company's operating segments are defined by the products and services

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

17. Segment Reporting (Continued)

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 nine months ended September 30, 2010 and 2009. United Student Aid Funds, Inc. ("USA Funds") is the Company's largest customer in both the APG and Other segments. For the three months ended September 30, 2010 and 2009, USA Funds accounted for 27 percent and 22 percent, respectively, of the aggregate revenues generated by the Company's APG and Other segments and 23 percent and 17 percent, respectively, for the nine months ended September 30, 2010 and 2009. No other customers accounted for more than 10 percent of total revenues in those segments for the periods mentioned.

Lending

In the Company's Lending operating segment, the Company originates and acquires both FFELP loans and Private Education Loans. As of September 30, 2010, the Company managed \$182 billion of student loans, of which \$147 billion or 80 percent are federally insured, and has 10 million student and parent customers. The Company's mortgage and other consumer loan portfolio totaled \$289 million at September 30, 2010.

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

The following table includes asset information for the Company's Lending segment.

	September 30, 2010	December 31, 2009
FFELP Stafford and Other Student Loans, net	\$ 46,026	\$ 42,979
FFELP Stafford Loans Held-for-Sale	20,655	9,696
FFELP Consolidation Loans, net	79,912	68,379
Private Education Loans, net	35,542	22,753
Cash and investments ⁽¹⁾	11,924	12,387
Retained Interest in off-balance sheet securitized loans	—	1,828
Other ⁽²⁾	10,699	9,818
Total assets	\$ 204,758	\$ 167,840

(1) Includes restricted cash and investments.

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

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

17. Segment Reporting (Continued)

APG

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

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

In 2008, the Company concluded that its purchased paper businesses were no longer a strategic fit. The Company sold its international Purchased Paper — Non-Mortgage business in the first quarter of 2009. The Company sold all of the assets in its Purchased Paper — Mortgage/Properties business in the fourth quarter of 2009. The Company continues to wind down the domestic side of its Purchased Paper — Non-Mortgage business. The Company will continue to consider opportunities to sell this business at acceptable prices in the future; however, the criteria for this business to be classified as held-for-sale have not been met.

Net income attributable to SLM Corporation from discontinued operations was \$3 million for the third quarter of 2010 compared with a net loss of \$6 million for the third quarter of 2009. The Company sold all of the assets in its Purchased Paper — Mortgage/Properties business in the fourth quarter of 2009 for \$280 million. Because of the sale, the Purchased Paper — Mortgage/Properties business is required to be presented separately as discontinued operations for all periods presented. The year-ago quarter included \$7 million of after-tax asset impairments.

The Company's domestic Purchased Paper — Non-Mortgage business has certain forward purchase obligations under which the Company was committed to buy purchased paper through April 2009. The Company has not bought any additional purchased paper in excess of these obligations. The Company recognized impairments of \$3 million and \$9 million in the third quarters of 2010 and 2009, respectively. The impairments are the result of the impact of the economy on the ability to collect on these assets. Similar to the Purchased Paper — Mortgage/Properties business discussion above, when the Purchased Paper — Non-Mortgage business either sells all of its remaining assets (or qualifies as held-for-sale) or completely winds down its operations, its results will be shown as discontinued operations.

At September 30, 2010 and December 31, 2009, the APG business segment had total assets of \$564 million and \$1.1 billion, respectively.

Other

The Company's Other segment includes the aggregate activity of its smaller operating segments, primarily its Guarantor Servicing, Loan Servicing and Upromise operating segments. The Other segment also includes several smaller products and services.

In the Guarantor Servicing operating segment, the Company provides a full complement of administrative services to FFELP Guarantors including guarantee issuance, account maintenance, and guarantee fulfillment.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

17. Segment Reporting (Continued)

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

Upromise markets and administers a consumer savings network and also provides program management, transfer and servicing agent services, and administration services for 529 college-savings plans. The Company's other products and services include comprehensive financing and loan delivery solutions that it provides to college financial aid offices and students to streamline the financial aid process.

At September 30, 2010 and December 31, 2009, the Other reportable segment had total assets of \$785 million and \$1.2 billion, respectively.

Measure of Profitability

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

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

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

17. Segment Reporting (Continued)

Segment Results and Reconciliations to GAAP

(Dollars in millions)	Three Months Ended September 30, 2010				
	Lending	APG	Other	Total "Core Earnings"	Total GAAP
Interest income:					
FFELP Stafford and Other Student Loans	\$ 319	\$ —	\$ —	\$ 319	\$ 1 \$ 320
FFELP Consolidation Loans	410	—	—	410	155 565
Private Education Loans	611	—	—	611	— 611
Other loans	7	—	—	7	— 7
Cash and investments	4	—	4	8	— 8
Total interest income	1,351	—	4	1,355	156 1,511
Total interest expense	599	—	—	599	40 639
Net interest income	752	—	4	756	116 872
Less: provisions for loan losses	358	—	—	358	— 358
Net interest income after provisions for loan losses	394	—	4	398	116 514
Contingency fee revenue	—	84	—	84	— 84
Collections revenue	—	13	—	13	— 13
Guarantor servicing fees	—	—	16	16	— 16
Other income (loss)	57	—	56	113	(366) (253)
Total other income (loss)	57	97	72	226	(366) (140)
Direct operating expenses	165	66	61	292	— 292
Overhead expenses	17	8	2	27	— 27
Operating expenses	182	74	63	319	— 319
Goodwill and acquired intangible assets impairment and amortization expense	—	—	—	—	670 670
Restructuring expenses	10	2	(1)	11	— 11
Total expenses	192	76	62	330	670 1,000
Income (loss) from continuing operations before income tax expense (benefit)	259	21	14	294	(920) (626)
Income tax expense (benefit) ⁽¹⁾	95	8	5	108	(236) (128)
Net income (loss) from continuing operations	164	13	9	186	(684) (498)
Income from discontinued operations, net of tax	—	3	—	3	— 3
Net income (loss) attributable to SLM Corporation	\$ 164	\$ 16	\$ 9	\$ 189	\$ (684) \$ (495)
Economic Floor Income (net of tax) not included in "Core Earnings"	\$ 12	\$ —	\$ —	\$ 12	

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

(2) "Core Earnings" adjustments to GAAP:

(Dollars in millions)	Three Months Ended September 30, 2010			
	Net Impact of Derivative Accounting	Net Impact of Floor Income	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	\$ 183	\$ (67)	\$ —	\$ 116
Total other income (loss)	(366)	—	—	(366)
Total expenses	—	—	670	670
Loss from continuing operations, before income tax benefit	(183)	(67)	(670)	(920)
Income from discontinued operations, net of tax	—	—	—	—
Total "Core Earnings" adjustments to GAAP	\$ (183)	\$ (67)	\$ (670)	(920)
Income tax benefit	—	—	—	(236)
Net loss attributable to SLM Corporation				\$ (684)

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

17. Segment Reporting (Continued)

(Dollars in millions)	Three Months Ended September 30, 2009					
	Lending	APG	Other	Total "Core Earnings"	Total GAAP	
Interest income:						
FFELP Stafford and Other Student Loans	\$ 340	\$ —	\$ —	\$ 340	\$ (37)	\$ 303
FFELP Consolidation Loans	430	—	—	430	52	482
Private Education Loans	561	—	—	561	(165)	396
Other loans	11	—	—	11	—	11
Cash and investments	3	—	5	8	(1)	7
Total interest income	1,345	—	5	1,350	(151)	1,199
Total interest expense	660	—	—	660	14	674
Net interest income	685	—	5	690	(165)	525
Less: provisions for loan losses	448	—	—	448	(127)	321
Net interest income after provisions for loan losses	237	—	5	242	(38)	204
Contingency fee revenue	—	82	—	82	—	82
Collections revenue	—	21	—	21	—	21
Guarantor servicing fees	—	—	48	48	—	48
Other income	129	—	56	185	21	206
Total other income	129	103	104	336	21	357
Direct operating expenses	144	75	56	275	—	275
Overhead expenses	17	9	3	29	—	29
Operating expenses	161	84	59	304	—	304
Goodwill and acquired intangible assets impairment and amortization expense	—	—	—	—	9	9
Restructuring expenses	2	—	—	2	—	2
Total expenses	163	84	59	306	9	315
Income from continuing operations before income tax expense	203	19	50	272	(26)	246
Income tax expense	75	9	18	102	(21)	81
Net income from continuing operations	128	10	32	170	(5)	165
Loss from discontinued operations, net of tax	—	(6)	—	(6)	—	(6)
Net income attributable to SLM Corporation	\$ 128	\$ 4	\$ 32	\$ 164	\$ (5)	\$ 159
Economic Floor Income (net of tax) not included in "Core Earnings"	\$ 23	\$ —	\$ —	\$ 23	—	—

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

(2) "Core Earnings" adjustments to GAAP:

(Dollars in millions)	Three Months Ended September 30, 2009				
	Net Impact of Securitization Accounting	Net Impact of Derivative Accounting	Net Impact of Floor Income	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income (loss)	\$ (232)	\$ 75	\$ (8)	\$ —	\$ (165)
Less: provisions for loan losses	(127)	—	—	—	(127)
Net interest income (loss) after provisions for loan losses	(105)	75	(8)	—	(38)
Total other income (loss)	133	(112)	—	—	21
Total expenses	—	—	—	10	10
Income (loss) from continuing operations, before income tax benefit	\$ 28	\$ (37)	\$ (8)	\$ —	(10)
Loss from discontinued operations, net of tax	—	—	—	—	—
Total "Core Earnings" adjustments to GAAP	28	(37)	(8)	(10)	(27)
Income tax benefit	—	—	—	—	(22)
Net loss attributable to SLM Corporation	—	—	—	—	\$ (45)

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

17. Segment Reporting (Continued)

(Dollars in millions)	Nine Months Ended September 30, 2010					
	Lending	APG	Other	Total "Core Earnings"	Total GAAP	
Interest income:						
FFELP Stafford and Other Student Loans	\$ 918	\$ —	\$ —	\$ 918	\$ 11	\$ 929
FFELP Consolidation Loans	1,192	—	—	1,192	447	1,639
Private Education Loans	1,751	—	—	1,751	—	1,751
Other loans	23	—	—	23	—	23
Cash and investments	6	—	13	19	—	19
Total interest income	3,890	—	13	3,903	458	4,361
Total interest expense	1,686	—	—	1,686	53	1,739
Net interest income	2,204	—	13	2,217	405	2,622
Less: provisions for loan losses	1,099	—	—	1,099	—	1,099
Net interest income after provisions for loan losses	1,105	—	13	1,118	405	1,523
Contingency fee revenue	—	252	—	252	—	252
Collections revenue	—	52	—	52	—	52
Guarantor servicing fees	—	—	75	75	—	75
Other income	327	—	165	492	(371)	121
Total other income	327	304	240	871	(371)	500
Direct operating expenses	477	217	176	870	—	870
Overhead expenses	65	30	9	104	—	104
Operating expenses	542	247	185	974	—	974
Goodwill and acquired intangible assets impairment and amortization expense	—	—	—	—	689	689
Restructuring expenses	47	3	5	55	—	55
Total expenses	589	250	190	1,029	689	1,718
Income from continuing operations before income tax expense	843	54	63	960	(655)	305
Income tax expense	309	20	23	352	(127)	225
Net income from continuing operations	534	34	40	608	(528)	80
Income from discontinued operations, net of tax	—	3	—	3	—	3
Net income attributable to SLM Corporation	\$ 534	\$ 37	\$ 40	\$ 611	\$ (528)	\$ 83
Economic Floor Income (net of tax) not included in "Core Earnings"	\$ 16	\$ —	\$ —	\$ 16	—	—

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

(2) "Core Earnings" adjustments to GAAP:

(Dollars in millions)	Nine Months Ended September 30, 2010			
	Net Impact of Derivative Accounting	Net Impact of Floor Income	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	\$ 610	\$ (205)	\$ —	\$ 405
Total other income (loss)	(371)	—	—	(371)
Total expenses	—	—	689	689
Income (loss) from continuing operations, before income tax benefit	239	(205)	(689)	(655)
Income from discontinued operations, net of tax	—	—	—	—
Total "Core Earnings" adjustments to GAAP	\$ 239	\$ (205)	\$ (689)	(655)
Income tax benefit	—	—	—	(127)
Net loss attributable to SLM Corporation	—	—	—	\$ (528)

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

17. Segment Reporting (Continued)

(Dollars in millions)	Nine Months Ended September 30, 2009					
	Lending	APG	Other	Total "Core Earnings"	Total GAAP	
Interest income:						
FFELP Stafford and Other Student Loans	\$ 1,012	\$ —	\$ —	\$ 1,012	\$ (42)	\$ 970
FFELP Consolidation Loans	1,263	—	—	1,263	169	1,432
Private Education Loans	1,683	—	—	1,683	(507)	1,176
Other loans	46	—	—	46	—	46
Cash and investments	8	—	14	22	(2)	20
Total interest income	4,012	—	14	4,026	(382)	3,644
Total interest expense	2,450	—	—	2,450	70	2,520
Net interest income	1,562	—	14	1,576	(452)	1,124
Less: provisions for loan losses	1,199	—	—	1,199	(349)	850
Net interest income after provisions for loan losses	363	—	14	377	(103)	274
Contingency fee revenue	—	230	—	230	—	230
Collections revenue	—	88	—	88	1	89
Guarantor servicing fees	—	—	107	107	—	107
Other income	591	—	152	743	(410)	333
Total other income	591	318	259	1,168	(409)	759
Direct operating expenses	401	235	154	790	—	790
Overhead expenses	58	30	9	97	—	97
Operating expenses	459	265	163	887	—	887
Goodwill and acquired intangible assets impairment and amortization expense	—	—	—	—	29	29
Restructuring expenses	8	—	2	10	—	10
Total expenses	467	265	165	897	29	926
Income from continuing operations, before income tax expense	487	53	108	648	(541)	107
Income tax expense(1)	180	20	40	240	(208)	32
Net income from continuing operations	307	33	68	408	(333)	75
Loss from discontinued operations, net of tax	—	(59)	—	(59)	—	(59)
Net income (loss) attributable to SLM Corporation	\$ 307	\$ (26)	\$ 68	\$ 349	\$ (333)	\$ 16
Economic Floor Income (net of tax) not included in "Core Earnings"	\$ 191	\$ —	\$ —	\$ 191	—	—

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

(2) "Core Earnings" adjustments to GAAP:

(Dollars in millions)	Nine Months Ended September 30, 2009				
	Net Impact of Securitization Accounting	Net Impact of Derivative Accounting	Net Impact of Floor Income	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income (loss)	\$ (705)	\$ 92	\$ 161	\$ —	\$ (452)
Less: provisions for loan losses	(349)	—	—	—	(349)
Net interest income (loss) after provisions for loan losses	(356)	92	161	—	(103)
Collections revenue	1	—	—	—	1
Other income (loss)	159	(569)	—	—	(410)
Total other income (loss)	160	(569)	—	—	(409)
Total expenses	—	—	—	29	29
Income (loss) from continuing operations, before income tax benefit	(196)	(477)	161	(29)	(541)
Loss from discontinued operations, net of tax	—	—	—	—	—
Total "Core Earnings" adjustments to GAAP	\$ (196)	\$ (477)	\$ 161	\$ (29)	\$ (541)
Income tax benefit	—	—	—	—	(208)
Net loss attributable to SLM Corporation	—	—	—	—	\$ (333)

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Information at September 30, 2010 and for the three and nine months ended
 September 30, 2010 and 2009 is unaudited)
 (Dollars in thousands, except per share amounts, unless otherwise noted)

17. Segment Reporting (Continued)

Summary of "Core Earnings" Adjustments to GAAP

The adjustments required to reconcile from the Company's "Core Earnings" results to its GAAP results of operations relate to differing treatments for securitization transactions, derivatives, Floor Income, and certain other items that management does not consider in evaluating the Company's operating results. The following table reflects aggregate adjustments associated with these areas for the three and nine months ended September 30, 2010 and 2009.

(Dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
"Core Earnings" adjustments to GAAP:				
Net impact of securitization accounting ⁽¹⁾	\$ —	\$ 28	\$ —	\$ (196)
Net impact of derivative accounting ⁽²⁾	(183)	(37)	239	(477)
Net impact of Floor Income ⁽³⁾	(67)	(8)	(205)	161
Net impact of goodwill and acquired intangibles ⁽⁴⁾	(670)	(10)	(689)	(29)
Net tax effect ⁽⁵⁾	236	22	127	208
Total "Core Earnings" adjustments to GAAP	<u>\$ (684)</u>	<u>\$ (5)</u>	<u>\$ (528)</u>	<u>\$ (333)</u>

⁽¹⁾ **Securitization Accounting:** Under GAAP, prior to the adoption of topic updates to ASC 810, "Consolidation," on January 1, 2010, certain securitization transactions in our Lending operating segment were accounted for as sales of assets. Under "Core Earnings" for the Lending operating segment, the Company presented all securitization transactions as long-term non-recourse financings. The upfront "gains" on sale from securitization transactions, as well as ongoing "securitization servicing and Residual Interest revenue (loss)" presented in accordance with GAAP, were excluded from "Core Earnings" and were replaced by interest income, provisions for loan losses, and interest expense as earned or incurred on the securitization loans. The Company also excluded transactions with our off-balance sheet trusts from "Core Earnings" as they were considered intercompany transactions on a "Core Earnings" basis. On January 1, 2010, upon the adoption of topic updates to ASC 810, which resulted in the consolidation of these previously off-balance sheet securitization trusts, there are no longer differences between the Company's GAAP and "Core Earnings" presentation for securitization accounting (see "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — VIE Consolidation Model").

⁽²⁾ **Derivative Accounting:** "Core Earnings" exclude periodic unrealized gains and losses that are caused primarily by the mark-to-market derivative valuations on derivatives that do not qualify for hedge accounting treatment under GAAP. These unrealized gains and losses occur in our Lending operating segment. In our "Core Earnings" presentation, the Company recognized the economic effect of these hedges, which generally results in any cash paid or received being recognized ratably as an expense or revenue over the hedged item's life.

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

⁽⁴⁾ **Goodwill and Acquired Intangibles:** The Company excludes goodwill and intangible impairment and amortization of acquired intangibles.

⁽⁵⁾ **Net Tax Effect:** Such tax effect is based upon the Company's "Core Earnings" effective tax rate for the year.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

18. Discontinued Operations

In the fourth quarter of 2009, the Company sold all of the assets in its Purchased Paper — Mortgage/Properties business for \$280 million, resulting in an after-tax loss of \$95 million. The Purchased Paper — Mortgage/Properties business was considered a “Component” of the Company’s APG reporting unit as the business comprises operations and cash flows that can be clearly distinguished operationally and for financial reporting purposes, from the rest of the Company. In accordance with ASC 205, this Component is presented as discontinued operations as (1) the operations and cash flows of the Component have been eliminated from the ongoing operations of the Company as of December 31, 2009, and (2) the Company will have no continuing involvement in the operations of this Component subsequent to the sale.

The following table summarizes the discontinued assets and liabilities of the Purchased Paper — Mortgage/Properties business at September 30, 2010 and December 31, 2009, respectively.

	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Assets:		
Cash and cash equivalents	\$ 158	\$ 351
Other assets	<u>10,338</u>	<u>34,072</u>
Assets of discontinued operations	<u>\$ 10,496</u>	<u>\$ 34,423</u>
Liabilities:		
Liabilities of discontinued operations	<u>\$ 4,037</u>	<u>\$ 24,157</u>

At December 31, 2009, other assets of the Company’s discontinued operations consist of a receivable from SLM Corporation associated with the 2009 net operating loss generated by its discontinued operations, which has been utilized by SLM Corporation and its subsidiaries in its 2009 consolidated U.S. federal income tax return. In the third quarter of 2010, this receivable was settled with SLM Corporation and the remaining receivable at September 30, 2010 consists of refunds pending from states and a receivable from SLM Corporation for state unitary/combined returns.

The following table summarizes the discontinued operations for the three and nine months ended September 30, 2010 and 2009.

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Operations:				
Income (loss) from discontinued operations before income taxes	\$ 5,000	\$ (12,477)	\$ 5,000	\$ (94,813)
Income tax expense (benefit)	<u>1,789</u>	<u>(6,060)</u>	<u>1,789</u>	<u>(35,680)</u>
Income (loss) from discontinued operations, net of taxes	<u>\$ 3,211</u>	<u>\$ (6,417)</u>	<u>\$ 3,211</u>	<u>\$ (59,133)</u>

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

18. Discontinued Operations (Continued)

19. Legislative Developments

The Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, President Obama signed into law the Dodd-Frank Act, legislation to reform and strengthen the regulation of the financial services sector. Several components of the legislation will have an impact on the Company's business lines, including the new Consumer Financial Protection Bureau and new requirements for derivatives and securitizations. These effects are likely to be similar to those for other financial services companies substantially engaged in consumer lending and will largely depend on the implementing regulations. Management is currently evaluating the effect on the Company.

The Health Care and Education Reconciliation Act of 2010

On March 30, 2010, President Obama signed into law HCERA, which included the SAFRA Act. Effective July 1, 2010, the legislation eliminated the authority to provide new loans under FFELP and requires that all new federal loans are to be made through the DSLP. The new law does not alter or affect the terms and conditions of existing FFELP loans. The Company is currently in the process of restructuring its operations to reflect this change in law. This restructuring will result in both a significant amount of restructuring expenses incurred as well as a significant reduction of on-going operating costs once the restructuring is complete.

The following summarizes the expected impact on the Company's business as a result of HCERA:

1. The Company will no longer originate FFELP loans and therefore will no longer earn revenue on newly originated FFELP loan volume after 2010. The Company earned \$284 million in revenue in 2009 related to selling FFELP loans to ED as part of the Purchase Program and expects to earn approximately \$315 million of revenue in the fourth quarter of 2010 related to this program. The Company also earned \$40 million in 2009 and \$102 million during the nine months ended September 30, 2010 in net interest income on the loans before selling them to ED. The net interest income that the Company earns on its FFELP loan portfolio will decline over time as the FFELP loans on the Company's balance sheet pay down.
2. The Company earns revenue collecting on delinquent and defaulted FFELP loans as well as guarantor account maintenance fees which are based on the size of the underlying guarantor portfolio. This revenue totaled \$265 million in 2009 and \$232 million during the nine months ended September 30, 2010. Because there will no longer be any new FFELP loan originations, this collections revenue and guarantor account maintenance fee revenue will decline over time as the underlying guarantor portfolios wind down. These revenues are recorded in contingency fee revenue and guarantor servicing fees.
3. Prior to July 1, 2010, the Company earned guarantor issuance fees on new FFELP guarantees. This revenue totaled \$64 million in 2009 and \$31 million for the nine months ended September 30, 2010 and was recorded in guarantor servicing fees. The Company will no longer earn this revenue.

20. Subsequent Events

Department of Education Funding Programs and Servicing Contract

On October 11, 2010, the Company sold to the Department of Education ("ED") approximately \$20.4 billion face amount of loans as part of the Loan Purchase Commitment Program ("Purchase Program") (see "LIQUIDITY AND CAPITAL RESOURCES — ED Funding Programs"). Outstanding debt of

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended
September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

20. Subsequent Events (Continued)

\$20.3 billion has been paid down related to the Loan Purchase Participation Program (the "Participation Program") in connection with this loan sale. The Company is servicing approximately 3.3 million accounts (\$42 billion of loans) under the ED Servicing Contract after the sale of these loans.

Asset Purchase Agreement with the Student Loan Corporation

On September 17, 2010, the Company announced that it had reached an agreement to purchase an interest in \$28 billion of securitized federal student loans and related assets from the Student Loan Corporation ("SLC"), a subsidiary of Citibank, N.A. The assets to be purchased include the residual interest in 13 of SLC's 14 FFELP loan securitizations and its interest in SLC Funding Note Issuer related to ED's Straight-A Funding asset-backed commercial paper conduit. The transaction also involves the right to service the underlying FFELP loans and administer the securitization trusts. The Company expects to be the primary beneficiary of these trusts and therefore expects to consolidate the trusts onto the Company's balance sheet at closing. In addition, the Company contracted the right to service approximately \$1.1 billion of additional FFELP securitized assets from SLC. (The Company does not expect to consolidate the underlying trusts because it does not expect to be the primary beneficiary of these trusts.) In the aggregate, approximately \$28 billion in FFELP loans are involved. The aggregate purchase price is expected to be approximately \$1.1 billion and will be payable in cash at the closing of the transaction. The Company anticipates the closing to occur in the fourth quarter of 2010 subject to receipt of necessary approvals.

The transaction will be funded by a 5-year term loan provided by Citibank in an amount equal to the purchase price. The loan will be secured by the purchased assets and guaranteed by SLM Corporation. The loan will bear interest at a rate of LIBOR plus 4.50 percent, and be subject to scheduled quarterly payments of the lesser of (i) 2.50 percent of the original principal amount of the term loan or (ii) the residual cash flow derived from the assets securing the loan.

The asset purchase agreement includes customary representations, warranties and covenants. Additional covenants require that each of the parties use commercially reasonable efforts to cause the closing of the transactions to be completed including with regard to receiving SLC shareholder, ED and other requisite approvals and restricting SLC's ability to solicit alternative acquisition proposals or provide information or engage in discussions with third parties related thereto. Citibank has also agreed to facilitate the transaction by providing specific indemnifications to the Company.

As part of the transaction, the Company will enter into agreements with each of the securitization trusts to become the servicer and administrator for these trusts. The Company contemplates converting all of the underlying loans to its servicing platform shortly after closing.

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, 2010 and 2009
(Dollars in millions, except per share amounts, unless otherwise noted)**

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This quarterly report contains forward-looking statements and information based on management's current expectations as of the date of this document. Statements that are not historical facts, including statements about our beliefs or expectations and statements that assume or are dependent upon future events, are forward-looking statements. Forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause actual results to be materially different from those reflected in such forward-looking statements. These factors include, among others, increases in financing costs; limits on liquidity; any adverse outcomes in any significant litigation to which we are a party; our derivative counterparties terminating their positions with the Company if permitted by their contracts and the Company substantially incurring additional costs to replace any terminated positions; and changes in the terms of student loans and the educational credit marketplace (including changes resulting from new laws and the implementation of existing laws). The Company could be affected by: changes in or the termination of various liquidity programs implemented by the federal government; changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; changes in the composition of our Managed FFELP and Private Education Loan portfolios; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments, and in the securitization markets, which may increase the costs or limit the availability of financings necessary to initiate, purchase or carry education loans; changes in projections of losses from loan defaults; changes in general economic conditions; changes in prepayment rates and credit spreads; and changes in the demand for debt management services. The preparation of our consolidated financial statements also requires management to make certain estimates and assumptions including estimates and assumptions about future events. These estimates or assumptions may prove to be incorrect. All forward-looking statements contained in this quarterly report are qualified by these cautionary statements and are made only as of the date of this document. The Company does not undertake any obligation to update or revise these forward-looking statements to conform the statement to actual results or changes in the Company's expectations.

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

RECENT DEVELOPMENTS

Department of Education Funding Programs and Servicing Contract

On October 11, 2010, the Company sold to the Department of Education ("ED") approximately \$20.4 billion face amount of loans as part of the Loan Purchase Commitment Program ("Purchase Program") (see "LIQUIDITY AND CAPITAL RESOURCES — ED Funding Programs"). Outstanding debt of \$20.3 billion has been paid down related to the Loan Purchase Participation Program (the "Participation Program") in connection with this loan sale. The Company is servicing approximately 3.3 million accounts (\$42 billion of loans) under the ED Servicing Contract after the sale of these loans.

Asset Purchase Agreement with the Student Loan Corporation

On September 17, 2010, the Company announced that it had reached an agreement to purchase an interest in \$28 billion of securitized federal student loans and related assets from the Student Loan Corporation ("SLC"), a subsidiary of Citibank, N.A. The assets to be purchased include the residual interest in 13 of SLC's 14 FFELP loan securitizations and its interest in SLC Funding Note Issuer related to ED's Straight-A Funding asset-backed commercial paper conduit. The transaction also involves the right to service the underlying

FFELP loans and administer the securitization trusts. The Company expects to be the primary beneficiary of these trusts and therefore expects to consolidate the trusts onto the Company's balance sheet at closing. In addition, the Company contracted the right to service approximately \$1.1 billion of additional FFELP securitized assets from SLC. (The Company does not expect to consolidate the underlying trusts because it does not expect to be the primary beneficiary of these trusts.) In the aggregate, approximately \$28 billion in FFELP loans are involved. The aggregate purchase price is expected to be approximately \$1.1 billion and will be payable in cash at the closing of the transaction. The Company anticipates the closing to occur in the fourth quarter of 2010 subject to receipt of necessary approvals.

The transaction will be funded by a 5-year term loan provided by Citibank in an amount equal to the purchase price. The loan will be secured by the purchased assets and guaranteed by SLM Corporation. The loan will bear interest at a rate of LIBOR plus 4.50 percent, and be subject to scheduled quarterly payments of the lesser of (i) 2.50 percent of the original principal amount of the term loan or (ii) the residual cash flow derived from the assets securing the loan.

The Asset Purchase Agreement includes customary representations, warranties and covenants. Additional covenants require that each of the parties use commercially reasonable efforts to cause the closing of the transactions to be completed including with regard to receiving SLC shareholder, ED and other requisite approvals and restricting SLC's ability to solicit alternative acquisition proposals or provide information or engage in discussions with third parties related thereto. Citibank has also agreed to facilitate the transaction by providing specific indemnifications to the Company.

As part of the transaction, the Company will enter into agreements with each of the securitization trusts to become the subservicer and administrator for these trusts. The Company contemplates converting all of the underlying loans to its servicing platform shortly after closing.

Legislative and Regulatory Developments

The Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), legislation to reform and strengthen the regulation of the financial services sector. Several components of the legislation will have an impact on the Company's business lines, including the new Consumer Financial Protection Bureau and new requirements for derivatives and securitizations. These effects are likely to be similar to those for other financial services companies substantially engaged in consumer lending and will largely depend on the implementing regulations. Management is currently evaluating the effect on the Company.

The Health Care and Education Reconciliation Act of 2010

On March 30, 2010, President Obama signed into law H.R. 4872, the Health Care and Education Reconciliation Act of 2010 ("HCERA"), which included the SAFRA Act. Effective July 1, 2010, the legislation eliminated the authority to provide new loans under FFELP and requires that all new federal loans are to be made through the Direct Student Loan Program ("DSL"). The new law does not alter or affect the terms and conditions of existing FFELP loans. The Company is currently in the process of restructuring its operations to reflect this change in law. This restructuring will result in both a significant amount of restructuring expenses incurred as well as a significant reduction of on-going operating costs once the restructuring is complete.

The following summarizes the expected impact on the Company's business as a result of HCERA:

1. We will no longer originate FFELP loans and therefore will no longer earn revenue on newly originated FFELP loan volume after July 1, 2010. We earned \$284 million in revenue in 2009 related to selling FFELP loans to ED as part of the Purchase Program and expect to earn approximately \$315 million of revenue in the fourth quarter of 2010 related to this program. We also earned \$40 million in 2009 and \$102 million during the nine months ended September 30, 2010 in net interest income on the loans

before selling them to ED. The net interest income that we earn on our FFELP loan portfolio will decline over time as the FFELP loans on the Company's balance sheet pay down.

2. We earn revenue collecting on delinquent and defaulted FFELP loans as well as guarantor account maintenance fees which are based on the size of the underlying guarantor portfolio. This revenue totaled \$265 million in 2009 and \$232 million during the nine months ended September 30, 2010. Because there will no longer be any new FFELP loan originations, this collections revenue and guarantor account maintenance fee revenue will decline over time as the underlying guarantor portfolios wind down. These revenues are recorded in contingency fee revenue and guarantor servicing fees.
3. Prior to July 1, 2010, we earned guarantor issuance fees on new FFELP guarantees. This revenue totaled \$64 million in 2009 and \$31 million for the nine months ended September 30, 2010 and was recorded in guarantor servicing fees. We will no longer earn this revenue.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A discussion of the Company's critical accounting policies, which include allowance for loan losses, premium and discount amortization related to our loan portfolio, fair value measurement, securitization and Retained Interest accounting, derivative accounting and goodwill and intangible assets can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

Recently Adopted Accounting Standards — Transfers of Financial Assets and the Variable Interest Entity ("VIE") Consolidation Model

In June 2009, the Financial Accounting Standards Board ("FASB") issued topic updates to Accounting Standards Codification ("ASC") 860, "Transfers and Servicing," and to ASC 810, "Consolidation."

The topic update to ASC 860, among other things, (1) eliminates the concept of a qualifying special purpose entity ("QSPE"), (2) changes the requirements for derecognizing financial assets, (3) changes the amount of the recognized gain/loss on a transfer accounted for as a sale when beneficial interests are received by the transferor, and (4) requires additional disclosure. The topic update to ASC 860 is effective for transactions which occur after December 31, 2009. The impact of ASC 860 to future transactions will depend on how such transactions are structured. ASC 860 relates primarily to the Company's secured borrowing facilities. All of the Company's secured borrowing facilities entered into in 2008 and 2009, including securitization trusts, have been accounted for as on-balance sheet financing facilities. These transactions would have been accounted for in the same manner if ASC 860 had been effective during these years.

The topic update to ASC 810 significantly changes the consolidation model for variable interest entities ("VIEs"). The topic update amends ASC 810 and, among other things, (1) eliminates the exemption for QSPEs, (2) provides a new approach for determining which entity should consolidate a VIE that is more focused on control rather than economic interest, (3) changes when it is necessary to reassess who should consolidate a VIE and (4) requires additional disclosure. The topic update to ASC 810 is effective as of January 1, 2010.

Under ASC 810, if an entity has a variable interest in a VIE and that entity is determined to be the primary beneficiary of the VIE then that entity will consolidate the VIE. The primary beneficiary is the entity which has both: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE. As it relates to the Company's securitized assets, the Company is the servicer of the securitized assets and owns the Residual Interest of the securitization trusts. As a result, the Company is the primary beneficiary of its securitization trusts and consolidated those trusts that were previously off-balance sheet at their historical cost basis on January 1, 2010. The historical cost basis is the basis that would exist if these securitization trusts had remained on balance sheet since they settled. ASC 810 did not change the accounting of any other VIEs the Company has a variable interest in as of January 1, 2010. These new accounting rules will also apply to new transactions entered into from January 1, 2010 forward.

[Table of Contents](#)

On January 1, 2010, upon the prospective adoption of topic updates to the FASB's ASC 810, "Consolidation," the Company consolidated its off-balance sheet securitization trusts at their historical cost basis. As a result, the Company removed the \$1.8 billion of Residual Interests (associated with its off-balance sheet securitization trusts as of December 31, 2009) from the consolidated balance sheet and the Company consolidated \$35.0 billion of assets (\$32.6 billion of which are student loans, net of a \$550 million allowance for loan losses) and \$34.4 billion of liabilities (primarily trust debt), which resulted in an approximate \$750 million after-tax reduction of stockholders' equity (recorded as a cumulative effect adjustment to retained earnings). After the adoption of topic updates to ASC 810, the Company's results of operations no longer reflect securitization servicing and Residual Interest revenue related to these securitization trusts, but instead report interest income, provisions for loan losses associated with the securitized assets and interest expense associated with the debt issued from the securitization trusts to third parties, consistent with the Company's accounting treatment of prior on-balance sheet securitization trusts. As of January 1, 2010, there are no longer differences between the Company's GAAP and "Core Earnings" presentation for securitization accounting. As a result, our Managed and on-balance sheet (GAAP) student loan portfolios are the same.

The following table summarizes the change in the consolidated balance sheet resulting from the consolidation of the off-balance sheet securitization trusts following the adoption of topic updates to ASC 810.

	At January 1, 2010
FFELP Stafford Loans (net of allowance of \$15)	\$ 5,500
FFELP Consolidation Loans (net of allowance of \$10)	14,797
Private Education Loans (net of allowance of \$524)	12,341
Total student loans	32,638
Restricted cash and investments	1,041
Other assets	1,370
Total assets consolidated	35,049
Long-term borrowings	34,403
Other liabilities	6
Total liabilities consolidated	34,409
Net assets consolidated on-balance sheet	640
Less: Residual Interest removed from balance sheet	1,828
Cumulative effect of accounting change before taxes	(1,188)
Tax effect	434
Cumulative effect of accounting change after taxes	\$ (754)

Management allocates capital on a Managed Basis. As a result, this accounting change did not affect management's view of capital adequacy for the Company. The Company's unsecured revolving credit facility and its asset-backed credit facilities contain two principal financial covenants related to tangible net worth and net revenue. The tangible net worth covenant requires the Company to maintain consolidated tangible net worth of at least \$1.38 billion at all times. Consolidated tangible net worth as calculated for purposes of this covenant was \$3.5 billion as of December 31, 2009. Upon adoption of topic updates to ASC 810 on January 1, 2010, consolidated tangible net worth as calculated for this covenant was \$2.7 billion. Because the transition adjustment upon adoption of topic updates to ASC 810 is recorded through retained earnings, the net revenue covenant was not affected by the adoption of topic updates to ASC 810. The ongoing net revenue covenant will not be affected by ASC 810's impact on the Company's securitization trusts as the net revenue covenant treated all off-balance sheet trusts as on-balance sheet for purposes of calculating net revenue.

Goodwill and Intangible Assets

During the third quarter, as part of a broad-based assessment of possible changes to the Company's business following the passage of HCERA, the Company performed certain preliminary valuations which indicated there was possible impairment of goodwill and certain intangible assets in its Lending, Asset Performance Group ("APG"), Upromise and Guarantor Servicing reporting units. The Company identified certain events that occurred during third quarter 2010 that it determined were triggering events because they either resulted in lower expected future cash flows or because they provided indications that market participants would value the Company's reporting units below previous estimates of fair value (see Note 4, "Goodwill and Acquired Intangible Assets," to the consolidated financial statements for a further discussion). Based upon these preliminary results, the Company performed a full goodwill impairment evaluation which resulted in a goodwill impairment of \$402 million in its APG reporting unit, \$140 million in its Upromise reporting unit and \$62 million in its Guarantor Servicing reporting unit. In addition, as part of this analysis, the Company determined that certain intangible assets were also impaired. As a result, the Company recorded \$56 million in intangible asset write-downs in the third quarter. In connection with management's assessment of possible changes to the Company's business, the Company is planning to redefine its operating segments and revise its reportable segments presentation in the fourth quarter of 2010, once certain decisions have been finalized with respect to how management will view the business on a going-forward basis.

In determining the amount of goodwill impairment to record during the quarter, the Company estimated the fair value of each of its operating segments based on its best estimate of the future cash flows and related inherent risk a willing buyer would consider when valuing these businesses. These estimates may differ from how the Company views the prospective cash flows associated with the individual reporting units. During the third quarter, new information regarding how investors view the risks and uncertainties associated with future cash flows resulted in the Company adjusting down its forecasted cash flows and increasing the discount rates associated with these cash flows for the APG and Guarantor Servicing reporting units, resulting in a decline in value associated with these reporting units. With regard to the Upromise reporting unit, the Company determined that pricing pressures and certain risks associated with growing the business as well as the likelihood that a market participant would demand a higher discount rate and assume lower future expected cash flows than the Company's own assumptions resulted in a decline in the fair value of this reporting unit.

The intangible asset impairments recorded in the third quarter resulted from the same factors described above with respect to goodwill impairment.

SELECTED FINANCIAL DATA

Condensed Statements of Income

	Three Months Ended				Nine Months Ended			
	September 30,		Increase (Decrease)		September 30,		Increase (Decrease)	
	2010	2009	\$	%	2010	2009	\$	%
Net interest income	\$ 872	\$ 525	\$ 347	66%	\$2,622	\$1,124	\$ 1,498	133%
Less: provisions for loan losses	358	321	37	12	1,099	850	249	29
Net interest income after provisions for loan losses	514	204	310	152	1,523	274	1,249	456
Securitization servicing and Residual Interest revenue (loss)	—	155	(155)	(100)	—	147	(147)	(100)
Gains on sales of loans and securities, net	1	12	(11)	(92)	7	13	(6)	(46)
Gains (losses) on derivative and hedging activities, net	(344)	(112)	(232)	(207)	(332)	(569)	237	42
Contingency fee revenue	84	82	2	2	252	230	22	10
Collections revenue	13	21	(8)	(38)	52	89	(37)	(42)
Guarantor servicing fees	16	48	(32)	(67)	75	107	(32)	(30)
Other income	90	151	(61)	(40)	446	742	(296)	(40)
Operating expenses	319	304	15	5	974	888	86	10
Goodwill and acquired intangible assets impairment and amortization	670	9	661	7,344	689	28	661	2,361
Restructuring expenses	11	2	9	450	55	10	45	450
Income (loss) from continuing operations before income tax expense (benefit)	(626)	246	(872)	(354)	305	107	198	185
Income tax expense (benefit)	(128)	81	(209)	(258)	225	32	193	603
Net income (loss) from continuing operations	(498)	165	(663)	(402)	80	75	5	7
Income (loss) from discontinued operations, net of tax benefit	3	(6)	9	150	3	(59)	62	(105)
Net income (loss)	(495)	159	(654)	(411)	83	16	67	419
Less net income attributable to noncontrolling interest	—	—	—	—	—	1	(1)	(100)
Net income (loss) attributable to SLM Corporation	(495)	159	(654)	(411)	83	15	68	453
Preferred stock dividends	19	43	(24)	(56)	56	95	(39)	(41)
Net income (loss) attributable to SLM Corporation common stock	\$ (514)	\$ 116	\$ (630)	(543)%	\$ 27	\$ (80)	\$ 107	134%
Net income (loss) attributable to SLM Corporation:								
Continuing operations, net of tax	\$ (498)	\$ 165	\$ (663)	(402)%	\$ 80	\$ 75	\$ 5	7%
Discontinued operations, net of tax	3	(6)	9	150	3	(59)	62	105
Net income (loss) attributable to SLM Corporation	\$ (495)	\$ 159	\$ (654)	(411)%	\$ 83	\$ 16	\$ 67	419%
Basic earnings (loss) per common share attributable to SLM Corporation common shareholders:								
Continuing operations	\$ (1.07)	\$.26	\$ (1.33)	(512)%	\$.05	\$ (.04)	\$.09	225%
Discontinued operations	.01	(.01)	.02	200	.01	(.13)	.14	108
Total	\$ (1.06)	\$.25	\$ (1.31)	524%	\$.06	\$ (.17)	\$.23	135%
Diluted earnings (loss) per common share attributable to SLM Corporation common shareholders:								
Continuing operations	\$ (1.07)	\$.26	\$ (1.33)	(512)%	\$.05	\$ (.04)	\$.09	225%
Discontinued operations	.01	(.01)	.02	200	.01	(.13)	.14	108
Total	\$ (1.06)	\$.25	\$ (1.31)	524%	\$.06	\$ (.17)	\$.23	135%
Dividends per common share attributable to SLM Corporation common shareholders	\$ —	\$ —	\$ —	—%	\$ —	\$ —	\$ —	—%

Condensed Balance Sheets

	September 30, 2010	December 31, 2009	Increase (Decrease)	
			\$	%
Assets				
FFELP Stafford and Other Student Loans, net	\$ 46,026	\$ 42,979	\$ 3,047	7%
FFELP Stafford Loans Held-for-Sale	20,655	9,696	10,959	113
FFELP Consolidation Loans, net	79,912	68,379	11,533	17
Private Education Loans, net	35,542	22,753	12,789	56
Cash and investments	6,993	8,084	(1,091)	(13)
Restricted cash and investments	5,838	5,169	669	13
Retained Interest in off-balance sheet securitized loans	—	1,828	(1,828)	(100)
Goodwill and acquired intangible assets, net	488	1,177	(689)	(59)
Other assets	10,653	9,920	733	7
Total assets	\$ 206,107	\$ 169,985	\$36,122	21%
Liabilities and Stockholders' Equity				
Short-term borrowings	\$ 45,389	\$ 30,897	\$14,492	47%
Long-term borrowings	153,004	130,546	22,458	17
Other liabilities	3,140	3,263	(123)	(4)
Total liabilities	201,533	164,706	36,827	22
SLM Corporation stockholders' equity before treasury stock	6,447	7,140	(693)	(10)
Common stock held in treasury	1,873	1,861	12	1
Total equity	4,574	5,279	(705)	(13)
Total liabilities and equity	\$ 206,107	\$ 169,985	\$36,122	21%

RESULTS OF OPERATIONS

Three Months Ended September 30, 2010 Compared with Three Months Ended September 30, 2009

For the three months ended September 30, 2010 and September 30, 2009, net loss attributable to SLM Corporation was \$495 million or \$1.06 diluted loss per common share and net income of \$159 million or \$.25 diluted earnings per common share, respectively. For the three months ended September 30, 2010 and September 30, 2009, net loss attributable to SLM Corporation from continuing operations was \$498 million or \$1.07 diluted loss from continuing operations per common share and a net income from continuing operations of \$165 million, or \$.26 diluted earnings per share from continuing operations per common share, respectively. For the three months ended September 30, 2010, net income from discontinued operations was \$3 million, or \$.01 diluted earnings per common share, compared with a net loss from discontinued operations of \$6 million, or \$.01 diluted loss per common share from discontinued operations for the three months ended September 30, 2009.

For the three months ended September 30, 2010, the Company's pre-tax loss from continuing operations was \$626 million compared with pre-tax income of \$246 million in the year-ago quarter. The decrease in pre-tax income of \$872 million was primarily due to a \$660 million goodwill and intangible asset impairment charge (discussed above), a \$232 million increase in net losses on derivative and hedging activities, a decrease in securitization servicing and Residual Interest revenue of \$155 million (as a result of an accounting change discussed below), a \$56 million decrease in gains on debt repurchases and a \$32 million decrease in guarantor servicing fees. This was partially offset by a \$310 million increase in net interest income after provisions for loan losses.

Net losses on derivative and hedging activities increased from a \$112 million net loss in the third quarter of 2009 to a \$344 million net loss in the third quarter of 2010. The change in net losses on derivative and hedging activities was primarily the result of changes in mark-to-market derivative valuations on derivatives that do not qualify for hedge accounting treatment under GAAP and ineffectiveness on foreign currency swaps hedging foreign-denominated debt.

Net interest income after provisions for loan losses increased by \$310 million in the third quarter of 2010 from the year-ago quarter. This increase was due to a \$347 million increase in net interest income offset by a \$37 million increase in provisions for loan losses. The increase in net interest income and provisions for loan losses was partially due to the adoption of topic updates to ASC 810 which resulted in the consolidation of \$35.0 billion of assets and \$34.4 billion of liabilities in certain securitizations trusts as of January 1, 2010. As discussed above, for securitization trusts that were consolidated on January 1, 2010, the Company's results of operations no longer reflect securitization servicing and residual interest revenue related to these securitization trusts, but instead report interest income, provisions for loan losses associated with the securitized assets and interest expense associated with the debt issued from the securitization trusts to third parties. The consolidation of these securitization trusts as of January 1, 2010 resulted in \$243 million of additional net interest income and \$86 million of additional provisions for loan losses in the third quarter of 2010. Excluding the results of the trusts consolidated as of January 1, 2010, net interest income would have increased \$104 million from the third quarter of 2009 and provisions for loan losses would have decreased \$49 million from the third quarter of 2009. The increase in net interest margin, excluding the impact of the ASC 810 securitization trust consolidations, was primarily the result of an increase in the student loan spread and a decrease in the 2008 Asset-Backed Financing Facilities fees (see "LENDING BUSINESS SEGMENT — Net Interest Income — *Net Interest Margin — On-Balance Sheet*"). The majority of the provisions for loan losses relates to the Private Education Loan loss provision (see "LENDING BUSINESS SEGMENT — Private Education Loan Losses — *Private Education Loan Delinquencies and Forbearance*" and "*— Allowance for Private Education Loan Losses*").

As discussed above, as a result of adopting topic updates to ASC 810, there was no securitization servicing and Residual Interest revenue in the third quarter of 2010, compared with \$155 million revenue in the third quarter of 2009.

[Table of Contents](#)

Gains on sales of loans and securities declined \$10 million from the year-ago period. The \$12 million gain on sales of loans and securities in the third quarter of 2009 related to the gain on sale of approximately \$840 million face amount of FFELP loans to ED as part of the ED Purchase Program.

For the third quarter of 2010, contingency fee revenue, collections revenue and guarantor servicing fees totaled \$113 million, a \$38 million decrease from \$151 million in the year-ago quarter. This decrease was primarily due to HCERA being effective as of July 1, 2010 which resulted in the Company no longer earning certain fee income from its guarantor clients on disbursed guaranteed FFELP loans as well as a lower balance of outstanding FFELP loans for which the Company earns additional fees (see "OTHER BUSINESS SEGMENT").

Restructuring expenses of \$11 million and \$2 million were recorded in the third quarters of 2010 and 2009, respectively. The following details the Company's two restructuring efforts:

- On March 30, 2010, President Obama signed into law H.R. 4872, HCERA, which included the SAFRA Act. Effective July 1, 2010, the legislation eliminated the authority to provide new loans under FFELP and requires all new federal loans to be made through the DSLP. The new law did not alter or affect the terms and conditions of existing FFELP loans. The Company is currently in the process of restructuring its operations to reflect this change in law which will result in a significant reduction of operating costs due to the elimination of positions and facilities associated with the origination of FFELP loans.

In the third quarter of 2010, expenses associated with this restructuring plan were \$10 million. Restructuring expenses for the nine months ended September 30, 2010 were \$50 million, all of which was recorded in continuing operations. In connection with the HCERA restructuring effort, on July 1, 2010, the Company announced its corporate headquarters will be moving from Reston, VA to Newark, DE by March 31, 2011.

The Company is currently finalizing this restructuring plan and expects to incur an estimated \$25 million of additional restructuring costs, including severance costs associated with job abolishments and other potential exit costs. The majority of these restructuring expenses incurred through September 30, 2010 and expected to be incurred in future periods are severance costs related to the planned elimination of approximately 2,500 positions, or approximately 30 percent of the workforce.

- In response to the College Cost Reduction and Access Act of 2007 ("CCRAA") and challenges in the capital markets, the Company initiated a restructuring plan in the fourth quarter of 2007. This plan focused on conforming our lending activities to the economic environment, exiting certain customer relationships and product lines, winding down or otherwise disposing of our debt purchased paper businesses, and significantly reducing our operating expenses. This restructuring plan was essentially completed in the fourth quarter of 2009. Under this plan, restructuring expenses of \$1 million were recognized in continuing operations in the third quarter of 2010. Restructuring expenses from the fourth quarter of 2007 through the third quarter of 2010 totaled \$133 million, of which \$124 million was recorded in continuing operations and \$9 million was recorded in discontinued operations. The majority of these restructuring expenses were severance costs related to the elimination of approximately 3,000 positions, or approximately 25 percent of the workforce. We estimate approximately \$4 million of additional restructuring expenses will be incurred in the future related to this restructuring plan.

For the three months ended September 30, 2010 and September 30, 2009, operating expenses were \$319 million compared with \$303 million, respectively. This \$16 million increase from the year-ago quarter was primarily due to higher legal contingency expenses, higher costs related to the ED Servicing Contract (see "OTHER BUSINESS SEGMENT"), higher collection costs from a greater number of loans in repayment and delinquent status, and higher marketing and technology enhancement costs related to Private Education Loans.

Goodwill and intangible asset impairment totaled \$660 million and \$0 for the three months ended September 30, 2010 and September 30, 2009, respectively. The amortization of acquired intangibles for continuing operations was \$10 million in the third quarters of 2010 and 2009. (See "CRITICAL

ACCOUNTING POLICIES AND ESTIMATES — Goodwill and Intangible Assets” and Note 4, “Goodwill and Acquired Intangible Assets,” to the consolidated financial statements).

Income tax (benefit) from continuing operations was \$(128) million in the third quarter of 2010 compared with income tax expense of \$80 million in the year-ago quarter, resulting in effective tax rates of 20 percent and 33 percent, respectively. The change in the effective tax rate in the third quarter of 2010 compared with the third quarter of 2009 was primarily driven by non-deductible goodwill impairments recorded in the third quarter of 2010, the impact of state tax rate changes and state law changes recorded in both periods, and the reduction of tax and interest on U.S. federal and state uncertain tax positions in the third quarter of 2009.

Nine Months Ended September 30, 2010 Compared with Nine Months Ended September 30, 2009

For the nine months ended September 30, 2010 and September 30, 2009, net income attributable to SLM Corporation was \$83 million or \$.06 diluted earnings per common share compared with a net income of \$15 million, or \$.17 diluted loss per common share, respectively. For the nine months ended September 30, 2010, net income attributable to SLM Corporation from continuing operations was \$80 million or \$.05 diluted earnings from continuing operations per common share compared with net income from continuing operations of \$75 million, or \$.04 diluted loss per share from continuing operations per common share for the nine months ended September 30, 2009. For the nine months ended September 30, 2010, net income from discontinued operations was \$3 million, or \$.01 diluted earnings from discontinued operations per common share compared with a net loss from discontinued operations of \$59 million, or \$.13 diluted loss from discontinued operations per common share for the nine months ended September 30, 2009.

For the nine months ended September 30, 2010, the Company’s pre-tax income from continuing operations was \$305 million compared with a pre-tax income of \$107 million in the prior-year period. The increase in pre-tax income of \$198 million was primarily due to a \$1.2 billion increase in net interest income after provisions for loan losses and a \$237 million decrease in net losses on derivative and hedging activities (from a \$569 million net loss for the nine months ended September 30, 2009 to a \$332 million net loss in the nine months ended September 30, 2010), partially offset by a \$660 million goodwill and intangible asset impairment charge in the third quarter. The change in derivative and hedging activities was primarily the result of the changes in mark-to-market derivative valuations on derivatives that do not qualify for hedge accounting treatment under GAAP and ineffectiveness on foreign currency swaps hedging foreign-denominated debt. This was partially offset by a \$264 million decrease in gains on debt repurchases and a decrease in securitization servicing and Residual Interest revenue of \$147 million (as a result of an accounting change discussed below).

Net interest income after provisions for loan losses increased by \$1.2 billion in the nine months ended September 30, 2010 from the year-ago period. This increase was due to a \$1.5 billion increase in net interest income offset by a \$249 million increase in provisions for loan losses. The increase in net interest income and provisions for loan losses was partially due to the adoption of topic updates to ASC 810 which resulted in the consolidation of \$35.0 billion of assets and \$34.4 billion of liabilities in certain securitizations trusts as of January 1, 2010 as discussed above. The consolidation of these securitization trusts as of January 1, 2010 resulted in \$749 million of additional net interest income and \$262 million of additional provisions for loan losses for the nine months ended September 30, 2010. Excluding the results of the trusts consolidated as of January 1, 2010, net interest income would have increased \$750 million from the first nine months of 2009 and provisions for loan losses would have decreased \$13 million from the first nine months of 2009. The increase in net interest income, excluding the impact of the ASC 810 securitization trust consolidations, was primarily the result of an increase in the student loan spread and a decrease in the 2008 Asset-Backed Financing Facilities fees (see “LENDING BUSINESS SEGMENT — Net Interest Income — *Net Interest Margin — On-Balance Sheet*”). The majority of the provisions for loan losses relates to the Private Education Loan loss provision (see “LENDING BUSINESS SEGMENT — Private Education Loan Losses — *Private Education Loan Delinquencies and Forbearance*” and “— *Allowance for Private Education Loan Losses*”).

[Table of Contents](#)

As discussed above, as a result of adopting topic updates to ASC 810, there was no securitization servicing or Residual Interest revenue in the nine months ended September 30, 2010, compared with \$147 million of revenue in the year-ago period.

In the nine months ended September 30, 2010, contingency fee revenue, collections revenue and guarantor servicing fees totaled \$379 million, a \$47 million decrease from \$426 million in the year-ago period. This decrease was primarily due to HCERA being effective as of July 1, 2010 which resulted in the Company no longer earning a guarantor issuance fees on disbursed guaranteed FFELP loans as well as a lower balance of outstanding FFELP loans in which the Company earns additional fees (see "OTHER BUSINESS SEGMENT"). In addition, the decline in revenue is due to a significantly smaller non-mortgage purchased paper portfolio year-over-year as a result of winding down this collections business.

Restructuring expenses of \$55 million and \$10 million were recognized in the nine months ended September 30, 2010 and 2009, respectively, as previously discussed.

For the nine months ended September 30, 2010 and September 30, 2009, operating expenses, excluding restructuring-related asset impairments of \$9 million and \$0, respectively, were \$965 million compared with \$887 million, respectively. The \$78 million increase from the year-ago period was primarily due to higher legal contingency expense, higher costs related to the ED Servicing Contract (see "OTHER BUSINESS SEGMENT"), higher collection costs from a higher number of loans in repayment and delinquent status, and higher marketing and technology enhancement costs related to Private Education Loans.

Goodwill and intangible asset impairment totaled \$660 million and \$0 for the nine months ended September 30, 2010 and September 30, 2009, respectively. The amortization of acquired intangibles for continuing operations totaled \$29 million in the nine months ended September 30, 2010 and 2009. (See "CRITICAL ACCOUNTING POLICIES AND ESTIMATES — Goodwill and Intangible Assets" and Note 4, "Goodwill and Acquired Intangible Assets," to the consolidated financial statements.)

Income tax expense from continuing operations was \$225 million in the nine months ended September 30, 2010 compared with income tax expense of \$32 million in the year-ago period, resulting in effective tax rates of 74 percent and 30 percent, respectively. The change in the effective tax rate in the first nine months of 2010 compared with the year-ago period was primarily driven by the impact of non-deductible goodwill impairments recorded in the first nine months of 2010, state tax rate changes and state law changes recorded in both periods, and the reduction of tax and interest on state uncertain tax positions in the first nine months of 2009.

Net income attributable to the Company from discontinued operations in the nine months ended September 30, 2010 was \$3 million compared with a net loss from discontinued operations of \$59 million for the year-ago period. The Company sold all of the assets in its Purchased Paper — Mortgage/Properties business in the fourth quarter of 2009 for \$280 million. Because of the sale, the Purchased Paper — Mortgage/Properties business is required to be presented separately as discontinued operations for all periods presented. After-tax impairment of the assets of \$56 million in the nine months ended September 30, 2009 was the primary reason for the net loss attributable to SLM Corporation from discontinued operations in the year-ago period.

Other Income

The following table summarizes the components of "Other income" in the consolidated statements of income for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Gains on debt repurchases	\$ 18	\$ 74	\$ 199	\$ 463
Late fees and forbearance fees	34	39	111	107
Asset servicing and other transaction fees	28	28	86	79
Loan servicing fees	19	17	56	35
Foreign currency translation gains (losses)	(19)	(23)	(37)	11
Other	10	16	31	47
Total	\$ 90	\$ 151	\$ 446	\$ 742

The change in other income over the prior periods presented was primarily the result of the gains on debt repurchases and foreign currency translation gains (losses). The Company began repurchasing its outstanding debt in the second quarter of 2008 in both open-market repurchases and public tender offers. The Company repurchased \$0.9 billion and \$1.4 billion face amount of its senior unsecured notes for the quarters ended September 30, 2010 and 2009, respectively, and repurchased \$3.6 billion and \$2.7 billion face amount of its senior unsecured notes for the nine months ended September 30, 2010 and 2009, respectively. Since the second quarter of 2008, the Company has repurchased \$8.9 billion face amount of its senior unsecured notes, with maturity dates ranging from 2008 to 2016. The foreign currency translation gains (losses) relate to a portion of the Company's foreign currency denominated debt that does not receive hedge accounting treatment. These gains (losses) were partially offset by the "gains (losses) on derivative and hedging activities, net" line item on the income statement related to the derivatives used to economically hedge these debt instruments.

BUSINESS SEGMENTS

The results of operations of the Company's Lending, APG and Other business segments are presented below, using our "Core Earnings" presentation.

The Lending business segment section includes discussion of income and related expenses associated with the net interest margin, the student loan spread and its components, the provisions for loan losses, and other fees earned on our Managed portfolio of student loans. The APG business segment reflects fees earned and expenses incurred in providing accounts receivable management and collection services. The Other business segment includes our remaining fee businesses that do not pertain directly to the primary segments identified above. In connection with management's assessment of possible changes to the Company's business, the Company is planning to redefine its operating segments and revise its reportable segments presentation in the fourth quarter of 2010, once certain decisions have been finalized with respect to how management will view the business on a going-forward basis.

In the first quarter of 2010, the Company changed its methodology to allocate corporate overhead to each business segment. In addition, the Company refined its methodology for allocating information technology expenses. Following these changes, all corporate overhead is allocated to a business segment. Previously, only certain overhead costs were specifically allocated and the rest remained in the Other business segment. All prior periods presented have been updated to reflect these changes in expense allocations.

The management reporting process measures the performance of the Company's operating segments based on the management structure of the Company as well as the methodology used by management to evaluate performance and allocate resources. In accordance with the Rules and Regulations of the Securities and Exchange Commission ("SEC"), we prepare financial statements in accordance with GAAP. In addition to evaluating the Company's GAAP-based financial information, management, including the Chief Executive Officer

[Table of Contents](#)

operation decision makers, evaluates the performance of the Company's operating segments based on their profitability on a basis that, as allowed under ASC 280, differs from GAAP. We refer to management's basis of evaluating our segment results as "Core Earnings" presentations for each business segment and we refer to these performance measures in our presentations with credit rating agencies and lenders. Accordingly, information regarding the Company's reportable segments is provided herein based on "Core Earnings," which are discussed in detail below.

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

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

[Table of Contents](#)

	Three Months Ended September 30, 2010		
	Lending	APG	Other
Interest income:			
FFELP Stafford and Other Student Loans	\$ 319	\$ —	\$ —
FFELP Consolidation Loans	410	—	—
Private Education Loans	611	—	—
Other loans	7	—	—
Cash and investments	4	—	4
Total interest income	1,351	—	4
Total interest expense	599	—	—
Net interest income	752	—	4
Less: provisions for loan losses	358	—	—
Net interest income after provisions for loan losses	394	—	4
Contingency fee revenue	—	84	—
Collections revenue	—	13	—
Guarantor serving fees	—	—	16
Other income	57	—	56
Total other income	57	97	72
Expenses:			
Direct operating expenses	165	66	61
Overhead expenses	17	8	2
Operating expenses	182	74	63
Restructuring expenses	10	2	(1)
Total expenses	192	76	62
Income from continuing operations, before income tax expense	259	21	14
Income tax expense ⁽¹⁾	95	8	5
Net income from continuing operations	164	13	9
Income from discontinued operations, net of tax	—	3	—
“Core Earnings” net income attributable to SLM Corporation	<u>\$ 164</u>	<u>\$ 16</u>	<u>\$ 9</u>
Economic Floor Income (net of tax) not included in “Core Earnings”	<u>\$ 12</u>	<u>\$ —</u>	<u>\$ —</u>

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

“Core Earnings” net income attributable to SLM Corporation:			
Continuing operations, net of tax	\$164	\$13	\$ 9
Discontinued operations, net of tax	—	3	—
“Core Earnings” net income attributable to SLM Corporation	<u>\$164</u>	<u>\$16</u>	<u>\$ 9</u>

[Table of Contents](#)

	Three Months Ended		
	September 30, 2009		
	<u>Lending</u>	<u>APG</u>	<u>Other</u>
Interest income:			
FFELP Stafford and Other Student Loans	\$ 340	\$ —	\$ —
FFELP Consolidation Loans	430	—	—
Private Education Loans	561	—	—
Other loans	11	—	—
Cash and investments	3	—	5
Total interest income	1,345	—	5
Total interest expense	660	—	—
Net interest income	685	—	5
Less: provisions for loan losses	448	—	—
Net interest income after provisions for loan losses	237	—	5
Contingency fee revenue	—	82	—
Collections revenue	—	21	—
Guarantor serving fees	—	—	48
Other income	129	—	56
Total other income	129	103	104
Expenses:			
Direct operating expenses	144	75	56
Overhead expenses	17	9	3
Operating expenses	161	84	59
Restructuring expenses	2	—	—
Total expenses	163	84	59
Income from continuing operations, before income tax expense	203	19	50
Income tax expense ⁽¹⁾	75	9	18
Net income from continuing operations	128	10	32
Loss from discontinued operations, net of tax	—	(6)	—
“Core Earnings” net income attributable to SLM Corporation	<u>\$ 128</u>	<u>\$ 4</u>	<u>\$ 32</u>
Economic Floor Income (net of tax) not included in “Core Earnings”	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

“Core Earnings” net income attributable to SLM Corporation:			
Continuing operations, net of tax	\$128	\$10	\$32
Discontinued operations, net of tax	—	(6)	—
“Core Earnings” net income attributable to SLM Corporation	<u>\$128</u>	<u>\$ 4</u>	<u>\$32</u>

[Table of Contents](#)

	Nine Months Ended September 30, 2010		
	Lending	APG	Other
Interest income:			
FFELP Stafford and Other Student Loans	\$ 918	\$ —	\$ —
FFELP Consolidation Loans	1,192	—	—
Private Education Loans	1,751	—	—
Other loans	23	—	—
Cash and investments	6	—	13
Total interest income	3,890	—	13
Total interest expense	1,686	—	—
Net interest income	2,204	—	13
Less: provisions for loan losses	1,099	—	—
Net interest income after provisions for loan losses	1,105	—	13
Contingency fee revenue	—	252	—
Collections revenue	—	52	—
Guarantor serving fees	—	—	75
Other income	327	—	165
Total other income	327	304	240
Expenses:			
Direct operating expenses	477	217	176
Overhead expenses	65	30	9
Operating expenses	542	247	185
Restructuring expenses	47	3	5
Total expenses	589	250	190
Income from continuing operations, before income tax expense	843	54	63
Income tax expense ⁽¹⁾	309	20	23
Net income from continuing operations	534	34	40
Income from discontinued operations, net of tax	—	3	—
“Core Earnings” net income attributable to SLM Corporation	\$ 534	\$ 37	\$ 40
Economic Floor Income (net of tax) not included in “Core Earnings”	\$ 16	\$ —	\$ —

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

“Core Earnings” net income attributable to SLM Corporation:			
Continuing operations, net of tax	\$534	\$34	\$40
Discontinued operations, net of tax	—	3	—
“Core Earnings” net income attributable to SLM Corporation	\$534	\$37	\$40

	Nine Months Ended September 30, 2009		
	Lending	APG	Other
Interest income:			
FFELP Stafford and Other Student Loans	\$ 1,012	\$ —	\$ —
FFELP Consolidation Loans	1,263	—	—
Private Education Loans	1,683	—	—
Other loans	46	—	—
Cash and investments	8	—	14
Total interest income	4,012	—	14
Total interest expense	2,450	—	—
Net interest income	1,562	—	14
Less: provisions for loan losses	1,199	—	—
Net interest income after provisions for loan losses	363	—	14
Contingency fee revenue	—	230	—
Collections revenue	—	88	—
Guarantor serving fees	—	—	107
Other income	591	—	152
Total other income	591	318	259
Direct operating expenses	401	235	154
Overhead expenses	58	30	9
Operating expenses	459	265	163
Restructuring expenses	8	—	2
Total expenses	467	265	165
Income from continuing operations, before income tax expense	487	53	108
Income tax expense(1)	180	20	40
Net income from continuing operations	307	33	68
Loss from discontinued operations, net of tax	—	(59)	—
“Core Earnings” net income (loss) attributable to SLM Corporation	<u>\$ 307</u>	<u>\$ (26)</u>	<u>\$ 68</u>
Economic Floor Income (net of tax) not included in “Core Earnings”	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

“Core Earnings” net income attributable to SLM Corporation:			
Continuing operations, net of tax	\$307	\$ 33	\$68
Discontinued operations, net of tax	—	(59)	—
“Core Earnings” net income (loss) attributable to SLM Corporation	<u>\$307</u>	<u>\$(26)</u>	<u>\$68</u>

Limitations of “Core Earnings”

While GAAP provides a uniform, comprehensive basis of accounting, for the reasons described above, management believes that “Core Earnings” are an important additional tool for providing a more complete understanding of the Company’s results of operations. Nevertheless, “Core Earnings” are subject to certain general and specific limitations that investors should carefully consider. For example, as stated above, unlike financial accounting, there is no comprehensive, authoritative guidance for management reporting. Our “Core

Earnings” are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. Unlike GAAP, “Core Earnings” reflect only current period adjustments to GAAP. Accordingly, the Company’s “Core Earnings” presentation does not represent a comprehensive basis of accounting. Investors, therefore, may not compare our Company’s performance with that of other financial services companies based upon “Core Earnings.” “Core Earnings” results are only meant to supplement GAAP results by providing additional information regarding the operational and performance indicators that are most closely used by management, the Company’s board of directors, rating agencies and lenders to assess performance.

Other limitations arise from the specific adjustments that management makes to GAAP results to derive “Core Earnings” results. For example, in reversing the unrealized gains and losses that result from ASC 815, “Derivatives and Hedging,” on derivatives that do not qualify for “hedge treatment,” as well as on derivatives that do qualify but are in part ineffective because they are not perfect hedges, we focus on the long-term economic effectiveness of those instruments relative to the underlying hedged item and isolate the effects of interest rate volatility and changing credit spreads on the fair value of such instruments during the period. Under GAAP, the effects of these factors on the fair value of the derivative instruments (but not on the underlying hedged item) tend to show more volatility in the short term. While our presentation of our results on a “Core Earnings” basis provides important information regarding the performance of our Managed portfolio, a limitation of this presentation is that we are presenting the ongoing spread income on loans that have been sold to a trust managed by us. While we believe that our “Core Earnings” presentation presents the economic substance of our Managed loan portfolio, it understates earnings volatility from securitization gains. Our “Core Earnings” results exclude certain Floor Income, which is real cash income, from our reported results and therefore may understate earnings in certain periods. Management’s financial planning and valuation of operating results, however, does not take into account Floor Income because of its inherent uncertainty, except when it is Fixed Rate Floor Income that is economically hedged through Floor Income Contracts.

Pre-Tax Differences between “Core Earnings” and GAAP by Business Segment

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

	Three Months Ended September 30,					
	2010			2009		
	Lending	APG	Other	Lending	APG	Other
“Core Earnings” adjustments to GAAP:						
Net impact of securitization accounting	\$ —	\$ —	\$ —	\$ 28	\$ —	\$ —
Net impact of derivative accounting	(183)	—	—	(37)	—	—
Net impact of Floor Income	(67)	—	—	(8)	—	—
Net impact of goodwill and acquired intangibles	(5)	(405)	(260)	(3)	(2)	(5)
Total “Core Earnings” adjustments to GAAP	<u>\$ (255)</u>	<u>\$ (405)</u>	<u>\$ (260)</u>	<u>\$ (20)</u>	<u>\$ (2)</u>	<u>\$ (5)</u>

	Nine Months Ended September 30,					
	2010			2009		
	Lending	APG	Other	Lending	APG	Other
"Core Earnings" adjustments to GAAP:						
Net impact of securitization accounting	\$ —	\$ —	\$ —	\$(196)	\$—	\$ —
Net impact of derivative accounting	239	—	—	(477)	—	—
Net impact of Floor Income	(205)	—	—	161	—	—
Net impact of goodwill and acquired intangibles	(9)	(411)	(269)	(8)	(5)	(16)
Total "Core Earnings" adjustments to GAAP	<u>\$ 25</u>	<u>\$(411)</u>	<u>\$(269)</u>	<u>\$(520)</u>	<u>\$(5)</u>	<u>\$(16)</u>

1) **Securitization Accounting:** Under GAAP, prior to the adoption of topic updates to ASC 810, "Consolidation," on January 1, 2010, certain securitization transactions in our Lending operating segment were accounted for as sales of assets. Under "Core Earnings" for the Lending operating segment, we presented all securitization transactions as long-term non-recourse financings. The upfront "gains" on sale from securitization transactions, as well as ongoing "securitization servicing and Residual Interest revenue (loss)" presented in accordance with GAAP, were excluded from "Core Earnings" and were replaced by interest income, provisions for loan losses, and interest expense as earned or incurred on the securitization loans. We also excluded transactions with our off-balance sheet trusts from "Core Earnings" as they were considered intercompany transactions on a "Core Earnings" basis. On January 1, 2010, upon the adoption of topic updates to ASC 810, which resulted in the consolidation of these previously off-balance sheet securitization trusts, there are no longer differences between the Company's GAAP and "Core Earnings" presentation for securitization accounting (see "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — VIE Consolidation Model").

The following table summarizes "Core Earnings" securitization adjustments for the Lending operating segment for the three and nine months ended September 30, 2009.

	Three Months	Nine Months
	Ended September 30, 2009	Ended September 30, 2009
"Core Earnings" securitization adjustments:		
Net interest income on securitized loans, before provisions for loan losses	\$ (254)	\$ (692)
Provisions for loan losses	127	349
Net interest income on securitized loans, after provisions for loan losses	(127)	(343)
Securitization servicing and Residual Interest revenue	155	147
Total "Core Earnings" securitization adjustments ⁽¹⁾	<u>\$ 28</u>	<u>\$(196)</u>

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

2) **Derivative Accounting:** "Core Earnings" exclude periodic unrealized gains and losses that are caused primarily by the mark-to-market derivative valuations on derivatives that do not qualify for hedge accounting treatment under GAAP. These unrealized gains and losses occur in our Lending operating segment. In our "Core Earnings" presentation, we recognize the economic effect of these hedges, which generally results in any cash paid or received being recognized ratably as an expense or revenue over the hedged item's life.

The accounting for derivative instruments requires that changes in the fair value of derivative instruments be recognized currently in earnings unless specific hedge accounting criteria are met. We believe that our derivatives are effective economic hedges, and as such, are a critical element of our interest rate risk management strategy. However, some of our derivatives, primarily Floor Income Contracts and certain basis swaps, do not qualify for hedge accounting treatment and the stand-alone derivative must be marked-to-market

[Table of Contents](#)

in the income statement with no consideration for the corresponding change in fair value of the hedged item. Under GAAP, these gains and losses described in "Gains (losses) on derivative and hedging activities, net" are primarily caused by interest rate and foreign currency exchange rate volatility, and changing credit spreads during the period as well as the volume and term of derivatives not receiving hedge accounting treatment.

Our Floor Income Contracts are written options that must meet more stringent requirements than other hedging relationships to achieve hedge effectiveness. Specifically, our Floor Income Contracts do not qualify for hedge accounting treatment because the pay down of principal of the student loans underlying the Floor Income embedded in those student loans does not exactly match the change in the notional amount of our written Floor Income Contracts. The upfront payment is deemed a liability and changes in fair value are recorded through income throughout the life of the contract. The change in the value of Floor Income Contracts is primarily caused by changing interest rates that cause the amount of Floor Income earned on the underlying student loans and paid to the counterparties to vary. This is economically offset by the change in value of the student loan portfolio earning Floor Income but that offsetting change in value is not recognized. 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 ASC 815, we accounted for Floor Income Contracts as hedges and amortized the upfront cash compensation ratably over the lives of the contracts.

Basis swaps are used to convert floating rate debt from one floating interest rate index to another to better match the interest rate characteristics of the assets financed by that debt. We primarily use basis swaps to change the index of our floating rate debt to better match the cash flows of our student loan assets that are primarily indexed to a commercial paper, Prime or Treasury bill index. In addition, we use basis swaps to convert debt indexed to the Consumer Price Index to three-month LIBOR debt. To qualify for hedge accounting when using basis swaps, the change in the cash flows of the hedge must effectively offset both the change in the cash flows of the asset and the change in the cash flows of the liability. Our basis swaps hedge variable interest rate risk; however, they generally do not meet this effectiveness test because the index of the swap does not exactly match the index of the hedged assets. Additionally, some of our FFELP loans can earn at either a variable or a fixed interest rate depending on market interest rates and therefore swaps written on the FFELP loans do not meet the criteria for hedge accounting treatment. As a result, these swaps are recorded at fair value with changes in fair value reflected currently in the income statement.

The table below quantifies the adjustments for derivative accounting on net income for the three and nine months ended September 30, 2010 and 2009, when compared with the accounting principles employed in all years prior to the derivatives accounting implementation.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
"Core Earnings" derivative adjustments:				
Gains (losses) on derivative and hedging activities, net, included in other income ⁽¹⁾	\$(344)	\$(112)	\$(331)	\$(569)
Plus: Realized losses on derivative and hedging activities, net ⁽¹⁾	182	118	613	120
Unrealized gains (losses) on derivative and hedging activities, net	(162)	6	282	(449)
Other pre-derivatives accounting adjustments	(21)	(43)	(43)	(28)
Total net impact of derivatives accounting ⁽²⁾	<u>\$(183)</u>	<u>\$ (37)</u>	<u>\$ 239</u>	<u>\$(477)</u>

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

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

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

The accounting for derivative instruments 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 ASC 815 to be recorded in a separate income statement line item below net interest income. The table below summarizes the realized losses on derivative and hedging activities, and the associated reclassification on a “Core Earnings” basis for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Reclassification of realized gains (losses) on derivative and hedging activities:				
Net settlement expense on Floor Income Contracts reclassified to net interest income	\$(223)	\$(189)	\$(656)	\$(500)
Net settlement income (expense) on interest rate swaps reclassified to net interest income	39	72	41	396
Foreign exchange derivatives gains (losses) reclassified to other income	—	—	1	(14)
Net realized gains (losses) on terminated derivative contracts reclassified to other income	2	(1)	1	(2)
Total reclassifications of realized losses on derivative and hedging activities	(182)	(118)	(613)	(120)
Add: Unrealized gains (losses) on derivative and hedging activities, net ⁽¹⁾	(162)	6	282	(449)
Gains (losses) on derivative and hedging activities, net	<u>\$(344)</u>	<u>\$(112)</u>	<u>\$(331)</u>	<u>\$(569)</u>

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Floor Income Contracts	\$ (88)	\$ (80)	\$ (111)	\$ 323
Basis swaps	38	97	364	(435)
Foreign currency hedges	(136)	24	(28)	(256)
Other	24	(35)	57	(81)
Total unrealized gains (losses) on derivative and hedging activities, net	<u>\$(162)</u>	<u>\$ 6</u>	<u>\$ 282</u>	<u>\$(449)</u>

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

3) **Floor Income:** The timing and amount (if any) of Floor Income earned in our Lending operating segment is uncertain and in excess of expected spreads. Therefore, we only include such income in “Core Earnings” when it is Fixed Rate Floor Income that is economically hedged. We employ derivatives, primarily Floor Income Contracts, to economically hedge Floor Income. As discussed above in “Derivative Accounting,” these derivatives do not qualify as effective accounting hedges, and therefore, under GAAP, they are marked-to-market through the “gains (losses) on derivative and hedging activities, net” line in the consolidated

[Table of Contents](#)

statement of income with no offsetting gain or loss recorded for the economically hedged items. For “Core Earnings,” we reverse the fair value adjustments on the Floor Income Contracts economically hedging Floor Income and include in income the amortization of net premiums received on contracts economically hedging Fixed Rate Floor Income.

The following table summarizes the Floor Income adjustments in our Lending operating segment for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
“Core Earnings” Floor Income adjustments:				
Floor Income earned on Managed loans, net of payments on Floor Income Contracts	\$ 19	\$ 36	\$ 26	\$ 263
Amortization of net premiums on Floor Income Contracts and futures in net interest income	(86)	(44)	(231)	(102)
Total “Core Earnings” Floor Income adjustments ⁽¹⁾⁽²⁾	<u>\$ (67)</u>	<u>\$ (8)</u>	<u>\$ (205)</u>	<u>\$ 161</u>

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

(2) The following table summarizes the amount of Economic Floor Income earned during the three and nine months ended September 30, 2010 and 2009 that is not included in “Core Earnings” net income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Floor Income earned on Managed loans, net of payments on Floor Income Contracts, not included in “Core Earnings”	\$ 19	\$ 36	\$ 26	\$ 263
Amortization of net premiums on Variable Rate Floor Income Contracts not included in “Core Earnings”	—	—	—	40
Amortization of net premiums on Fixed Rate Floor Income Contracts included in “Core Earnings”	86	44	231	102
Total Economic Floor Income earned	105	80	257	405
Less: Amortization of net premiums on Fixed Rate Floor Income Contracts included in “Core Earnings”	(86)	(44)	(231)	(102)
Total Economic Floor Income earned, not included in “Core Earnings”	<u>\$ 19</u>	<u>\$ 36</u>	<u>\$ 26</u>	<u>\$ 303</u>

4) **Goodwill and Acquired Intangibles:** Our “Core Earnings” exclude goodwill and intangible impairment and the amortization of acquired intangibles. The following table summarizes the goodwill and acquired intangible adjustments for the three and nine months ended September 30, 2010 and 2009 (see “RESULTS OF OPERATIONS” and Note 4, “Goodwill and Acquired Intangible Assets,” to the consolidated financial statements for further discussion).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
“Core Earnings” goodwill and acquired intangibles adjustments:				
Goodwill and acquired intangible assets impairment from continuing operations	\$ (660)	\$ —	\$ (660)	\$ —
Amortization of acquired intangibles from continuing operations ⁽¹⁾	(10)	(10)	(29)	(29)
Total “Core Earnings” goodwill and acquired intangibles adjustments	<u>\$ (670)</u>	<u>\$ (10)</u>	<u>\$ (689)</u>	<u>\$ (29)</u>

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

LENDING BUSINESS SEGMENT

In our Lending business segment, we originate and acquire federally guaranteed student loans and Private Education Loans that are not federally guaranteed. See "RECENT DEVELOPMENTS — Legislative and Regulatory Developments" for a discussion of the elimination of new FFELP loan originations effective July 1, 2010. In the past, a Private Education Loan was usually made in conjunction with a FFELP Stafford Loan. While FFELP Loans and Private Education Loans have different overall risk profiles due to the federal guarantee of the FFELP Loans, they currently share many of the same characteristics such as the same marketing channel, sales force, and origination and servicing platforms.

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

	Three Months Ended		Increase (Decrease) 2010 vs. 2009	Nine Months Ended		Increase (Decrease) 2010 vs. 2009
	September 30, 2010	September 30, 2009		September 30, 2010	September 30, 2009	
"Core Earnings" interest income:						
FFELP Stafford and Other Student Loans	\$ 319	\$ 340	(6)%	\$ 918	\$1,012	(9)%
FFELP Consolidation Loans	410	430	(5)	1,192	1,263	(6)
Private Education Loans	611	561	9	1,751	1,683	4
Other loans	7	11	(36)	23	46	(50)
Cash and investments	4	3	33	6	8	(25)
Total "Core Earnings" interest income	1,351	1,345	—	3,890	4,012	(3)
Total "Core Earnings" interest expense	599	660	(9)	1,686	2,450	(31)
Net "Core Earnings" interest income	752	685	10	2,204	1,562	41
Less: provisions for loan losses	358	448	(20)	1,099	1,199	(8)
Net "Core Earnings" interest income after provisions for loan losses	394	237	66	1,105	363	204
Other income	57	129	(56)	327	591	(45)
Direct operating expenses	165	144	15	477	401	19
Overhead expenses	17	17	—	65	58	12
Operating expenses	182	161	13	542	459	18
Restructuring expenses	10	2	400	47	8	488
Total expenses	192	163	18	589	467	26
Income from continuing operations, before income tax expense	259	203	28	843	487	73
Income tax expense	95	75	27	309	180	72
"Core Earnings" net income attributable to SLM Corporation	\$ 164	\$ 128	28%	\$ 534	\$ 307	74%
Economic Floor Income (net of tax) not included in "Core Earnings"	\$ 12	\$ 23	(48)%	\$ 16	\$ 191	(92)%

Net Interest Income

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

[Table of Contents](#)

On a Managed Basis, the Company had \$78.8 billion and \$96.4 billion as of September 30, 2010 and 2009, respectively, of FFELP Loans indexed to three-month commercial paper rate ("CP") funded with debt indexed to three-month LIBOR. As a result of the turmoil in the capital markets, the historically tight spread between CP and three-month LIBOR began to widen dramatically in the fourth quarter of 2008 which had a negative effect on the Company's net interest income as a result of the yield on its assets decreasing more than the cost of its debt. The spread has subsequently reverted to more normal levels beginning in the third quarter of 2009 and, while more volatile than in the past, has been relatively stable since that time.

Average Balance Sheets — On-Balance Sheet

The following table reflects the rates earned on interest-earning assets and paid on interest-bearing liabilities for the three and nine months ended September 30, 2010 and 2009. This table reflects the net interest margin for the entire Company for our on-balance sheet assets. It is included in the Lending business segment discussion because this segment includes substantially all interest-earning assets and interest-bearing liabilities.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2010		2009		2010		2009	
	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate
Average Assets								
FFELP Stafford and Other Student Loans	\$ 67,265	1.89%	\$ 64,673	1.86%	\$ 65,325	1.90%	\$ 60,190	2.15%
FFELP Consolidation Loans	80,557	2.78	69,643	2.74	81,611	2.68	70,464	2.72
Private Education Loans	36,317	6.67	23,214	6.77	36,487	6.42	22,968	6.85
Other loans	300	9.52	469	9.33	337	9.29	602	10.20
Cash and investments	12,891	.23	13,694	.20	12,940	.20	10,518	.25
Total interest-earning assets	197,330	3.04%	171,693	2.77%	196,700	2.96%	164,742	2.96%
Non-interest-earning assets	5,944		8,686		6,392		9,015	
Total assets	\$203,274		\$180,379		\$203,092		\$173,757	
Average Liabilities and Equity								
Short-term borrowings	\$ 45,526	.92%	\$ 50,700	1.31%	\$ 42,463	.85%	\$ 46,389	2.05%
Long-term borrowings	149,646	1.41	121,060	1.66	152,389	1.29	118,479	2.04
Total interest-bearing liabilities	195,172	1.30%	171,760	1.56%	194,852	1.19%	164,868	2.04%
Non-interest-bearing liabilities	3,180		3,679		3,358		3,822	
Equity	4,922		4,940		4,882		5,067	
Total liabilities and equity	\$203,274		\$180,379		\$203,092		\$173,757	
Net interest margin		1.75%		1.21%		1.78%		.91%

Rate/Volume Analysis — On-Balance Sheet

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

	Increase (Decrease)	Increase (Decrease) Attributable to Change in	
		Rate	Volume
Three Months Ended September 30, 2010 vs. 2009			
Interest income	\$ 312	\$ 5	\$ 307
Interest expense	(35)	(138)	103
Net interest income	\$ 347	\$ 143	\$ 204

	Increase (Decrease)	Increase (Decrease) Attributable to Change in	
		Rate	Volume
Nine Months Ended September 30, 2010 vs. 2009			
Interest income	\$ 717	\$ (269)	\$ 986
Interest expense	(781)	(1,239)	458
Net interest income	<u>\$ 1,498</u>	<u>\$ 970</u>	<u>\$ 528</u>

Net Interest Margin — On-Balance Sheet

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Student loan spread ⁽¹⁾⁽²⁾	1.97%	1.58%	2.01%	1.29%
Other asset spread ⁽¹⁾⁽³⁾	(1.26)	(2.07)	(1.35)	(2.10)
Net interest margin, before the impact of 2008 Asset-Backed Financing Facilities fees ⁽¹⁾	1.75	1.28	1.78	1.06
Less: 2008 Asset-Backed Financing Facilities fees	—	(.07)	—	(.15)
Net interest margin	<u>1.75%</u>	<u>1.21%</u>	<u>1.78%</u>	<u>.91%</u>

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

(2) Composition of student loan spread:

Student loan yield, before Floor Income	3.27%	3.12%	3.27%	3.29%
Gross Floor Income	.52	.43	.50	.49
Consolidation Loan Rebate Fees	(.45)	(.45)	(.46)	(.48)
Repayment Borrower Benefits	(.07)	(.10)	(.08)	(.09)
Premium and discount amortization	(.05)	(.03)	(.08)	(.10)
Student loan net yield	3.22	2.97	3.15	3.11
Student loan cost of funds	(1.25)	(1.39)	(1.14)	(1.82)
Student loan spread, before 2008 Asset-Backed Financing Facilities fees	<u>1.97%</u>	<u>1.58%</u>	<u>2.01%</u>	<u>1.29%</u>

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

Student Loan Spread — On-Balance Sheet

The student loan spread is affected by changes in its various components, as reflected in footnote (2) to the “Net Interest Margin — On-Balance Sheet” table above. Gross Floor Income is affected by interest rates and the percentage of the FFELP portfolio earning Floor Income. Floor Income Contracts used to economically hedge Gross Floor Income do not qualify as ASC 815 hedges and, as a result, the net settlements on such contracts are not recorded in net interest margin but rather in the “gains (losses) on derivative and hedging activities, net” line in the consolidated statements of income. The spread impact from Consolidation Loan Rebate Fees fluctuates as a function of the percentage of FFELP Consolidation Loans on our balance sheet. Repayment Borrower Benefits are generally affected by the terms of the Repayment Borrower Benefits being offered as well as the payment behavior of the underlying loans. Premium and discount amortization is generally affected by the prices

previously paid for loans and amounts capitalized related to such purchases or originations. Premium and discount amortization is also affected by prepayment behavior of the underlying loans.

The student loan spread, before the 2008 Asset-Backed Financing Facilities fees, for the third quarter of 2010 increased 39 basis points from the year-ago quarter. The student loan spread was positively affected by a 4 basis point tightening of the CP/3-month LIBOR spread, a lower cost of funds related to the 2010 ABCP facility, a lower cost of funds due to the impact of ASC 815 (discussed below) and the consolidation of student loan securitization trusts with \$35.0 billion of assets and \$34.4 billion of liabilities as of January 1, 2010, upon the adoption of topic updates to ASC 810 (see "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — VIE Consolidation Model" for a further discussion). The student loans that were consolidated had a higher student loan spread compared to the on-balance sheet portfolio prior to consolidation as a higher percentage of these consolidated loans were Private Education Loans which have a higher spread compared to FFELP loans. Offsetting these improvements to the student loan spread were higher credit spreads on the Company's unsecured and ABS debt issued in 2009 and 2010 due to the current credit environment.

The cost of funds for on-balance sheet student loans excludes the impact of basis swaps that are intended to economically hedge the re-pricing and basis mismatch between our funding and student loan asset indices, but do not receive hedge accounting treatment under ASC 815. We use basis swaps to manage the basis risk associated with our interest rate sensitive assets and liabilities. These swaps generally do not qualify as accounting hedges, and as a result, are required to be accounted for in the "gains (losses) on derivatives and hedging activities, net" line on the income statement, as opposed to being accounted for in interest expense. As a result, these basis swaps are not considered in the calculation of the cost of funds in the table above. Therefore, in times of volatile movements of interest rates like those experienced in 2008 and 2009, the student loan spread can be volatile. See the "Core Earnings' Net Interest Margin" table below, which reflects these basis swaps in interest expense and demonstrates the economic hedge effectiveness of these basis swaps.

Other Asset Spread — On-Balance Sheet

The other asset spread is generated from cash and investments (both restricted and unrestricted) primarily in our liquidity portfolio and other loans. The Company invests its liquidity portfolio primarily in short-term securities with maturities of one week or less to manage counterparty credit risk and maintain available cash balances. The other asset spread for the third quarter of 2010 increased 81 basis points from the year-ago quarter. Changes in the other asset spread primarily relate to differences in the index basis and reset frequency between the asset indices and funding indices. A portion of this risk is hedged with derivatives that do not receive hedge accounting treatment and will impact the other asset spread in a similar fashion as the impact to the on-balance sheet student loan spread as discussed above. In volatile interest rate environments, these spreads may move significantly from period to period and differ from the "Core Earnings" basis other asset spread discussed below.

Net Interest Margin — On-Balance Sheet

The net interest margin, before 2008 Asset-Backed Financing Facilities fees, for the third quarter of 2010 increased 47 basis points from the year-ago quarter. These changes primarily relate to the previously discussed changes in the on-balance sheet student loan and other asset spreads. The student loan portfolio as a percentage of the overall interest-earning asset portfolio did not change substantially between the current quarter and the year-ago quarter.

See "LIQUIDITY AND CAPITAL RESOURCES — Additional Funding Sources for General Corporate Purposes — *Asset-Backed Financing Facilities*" in the Company's 2009 Form 10-K filed with the SEC on February 26, 2010 for a discussion of the 2008 Asset-Backed Financing Facilities fees and related extensions.

"Core Earnings" Net Interest Margin

The following table analyzes the earnings from our portfolio of Managed interest-earning assets on a "Core Earnings" basis (see "BUSINESS SEGMENTS — Pre-tax Differences between 'Core Earnings' and

[Table of Contents](#)

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

- Includes the net interest margin related to our off-balance sheet student loan securitization trusts for the periods prior to the adoption of topic updates to ASC 810. This includes any related fees or costs such as the Consolidation Loan Rebate Fees, premium/discount amortization and Repayment Borrower Benefits yield adjustments;
- Includes the reclassification of certain derivative net settlement amounts. The net settlements on certain derivatives that do not qualify as hedges are recorded as part of the “gain (loss) on derivative and hedging activities, net” line on the income statement and are therefore not recognized in the on-balance sheet student loan spread. Under this presentation, these gains and losses are reclassified to the income statement line item of the economically hedged item. For our “Core Earnings” net interest margin, this would primarily include: (a) reclassifying the net settlement amounts related to our written Floor Income Contracts to student loan interest income and (b) reclassifying the net settlement amounts related to certain of our basis swaps to debt interest expense;
- Excludes unhedged Floor Income and hedged Variable Rate Floor Income earned on the Managed student loan portfolio; and
- Includes, in student loan income, the amortization of upfront payments on Fixed Rate Floor Income Contracts that we believe are economically hedging the Floor Income.

[Table of Contents](#)

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

	Three Months Ended		Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
“Core Earnings” basis student loan spread ⁽¹⁾ :				
FFELP loan spread	.99%	.90%	.97%	.56%
Private Education Loan spread ⁽²⁾	4.74	4.45	4.64	4.54
Total “Core Earnings” basis student loan spread ⁽³⁾	1.73	1.56	1.70	1.32
“Core Earnings” basis other asset spread ⁽¹⁾⁽⁴⁾	(1.36)	(.93)	(1.21)	(.98)
“Core Earnings” net interest margin, before 2008 Asset-Backed Financing Facilities fees ⁽¹⁾	1.52	1.38	1.51	1.18
Less: 2008 Asset-Backed Financing Facilities fees	—	(.06)	—	(.13)
“Core Earnings” net interest margin ⁽⁵⁾	1.52%	1.32%	1.51%	1.05%

(1)	Before commitment and liquidity fees associated with the 2008 Asset-Backed Financing Facilities, which are referred to as the “2008 Asset-Backed Financing Facilities fees” (see “LIQUIDITY AND CAPITAL RESOURCES — Additional Funding for General Corporate Purposes — Asset-Backed Financing Facilities” for a further discussion)				
(2)	“Core Earnings” basis Private Education Loan Spread, before 2008 Asset-Backed Financing Facilities fees and after provision for loan losses				
	1.13%	(.10)%	.96%	.55%	
(3)	Composition of “Core Earnings” basis student loan spread:				
	“Core Earnings” basis student loan yield	3.46%	3.29%	3.43%	3.45%
	Consolidation Loan Rebate Fees	(.45)	(.45)	(.46)	(.47)
	Repayment Borrower Benefits	(.07)	(.10)	(.08)	(.09)
	Premium and discount amortization	(.05)	.01	(.08)	(.08)
	“Core Earnings” basis student loan net yield	2.89	2.75	2.81	2.81
	“Core Earnings” basis student loan cost of funds	(1.16)	(1.19)	(1.11)	(1.49)
	“Core Earnings” basis student loan spread, before 2008 Asset-Backed Financing Facilities fees	1.73%	1.56%	1.70%	1.32%
(4)	Comprised of investments, cash and other loans				
(5)	The average balances of our Managed interest-earning assets for the respective periods are:				
	FFELP loans	\$ 147,822	\$ 155,434	\$ 146,937	\$ 152,468
	Private Education Loans	36,317	36,025	36,487	35,951
	Total student loans	184,139	191,459	183,424	188,419
	Other interest-earning assets	13,191	15,378	13,276	12,466
	Total Managed interest-earning assets	\$ 197,330	\$ 206,837	\$ 196,700	\$ 200,885

“Core Earnings” Basis Student Loan Spread

The “Core Earnings” basis student loan spread, before the 2008 Asset-Backed Financing Facilities fees, for the third quarter of 2010 increased 17 basis points from the year-ago quarter. The “Core Earnings” basis student loan spread was positively affected by a 4 basis point tightening of the average CP/3-month LIBOR spread between the quarters, a lower cost of funds related to the 2010 ABCP facility, and an increase in the floor hedge income. Offsetting these improvements to the student loan spread were higher credit spreads on the Company’s unsecured and ABS debt issued in 2009 and 2010 due to the current credit environment.

“Core Earnings” Basis Other Asset Spread

The “Core Earnings” basis other asset spread is generated from cash and investments (both restricted and unrestricted) primarily in our liquidity portfolio, and other loans. The Company invests its liquidity portfolio

primarily in short-term securities with maturities of one week or less to manage counterparty credit risk and maintain available cash balances. The “Core Earnings” basis other asset spread for the third quarter of 2010 decreased 43 basis points from the year-ago quarter. Changes in this spread primarily relate to differences between the index basis and reset frequency of the asset indices and funding indices. In volatile interest rate environments, the asset and debt reset frequencies will lag each other. Changes in this spread are also a result of the increase in our cost of funds as previously discussed.

“Core Earnings” Net Interest Margin

The “Core Earnings” net interest margin, before the 2008 Asset-Backed Financing Facilities fees, for the third quarter of 2010 increased 14 basis points from the year-ago quarter. These changes primarily relate to the previously discussed changes in the “Core Earnings” basis student loan and other asset spreads. The Managed student loan portfolio as a percentage of the overall interest-earning asset portfolio did not change substantially between the current quarter and the year-ago quarter.

See “LIQUIDITY AND CAPITAL RESOURCES — Additional Funding Sources for General Corporate Purposes — *Asset-Backed Financing Facilities*” in the Company’s 2009 Form 10-K filed with the SEC on February 26, 2010 for a discussion of the 2008 Asset-Backed Financing Facilities fees and related extensions.

Summary of our Managed Student Loan Portfolio

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

Ending Managed Student Loan Balances, net

	September 30, 2010				
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
On-balance sheet/Managed portfolio:(2)					
In-school	\$ 16,707	\$ —	\$ 16,707	\$ 4,183	\$ 20,890
Grace and repayment	48,975	78,408	127,383	33,288	160,671
Total, gross	65,682	78,408	144,090	37,471	181,561
Unamortized premium/(discount)	1,119	1,573	2,692	(873)	1,819
Receivable for partially charged-off loans	—	—	—	979	979
Allowance for losses	(120)	(69)	(189)	(2,035)	(2,224)
Total on-balance sheet/Managed portfolio	<u>\$ 66,681</u>	<u>\$ 79,912</u>	<u>\$ 146,593</u>	<u>\$ 35,542</u>	<u>\$ 182,135</u>
% of on-balance sheet/Managed FFELP	45%	55%	100%		
% of total	36	44	80	20%	100%

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

(2) Upon the adoption of topic updates to ASC 810, on January 1, 2010, the Company consolidated all of its previously off-balance sheet securitization trusts (see “CRITICAL ACCOUNTING POLICIES AND ESTIMATES — Recently Adopted Accounting Standards — Transfers of Financial Assets and the VIE Consolidation Model” for further details).

December 31, 2009

	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
On-balance sheet:					
In-school	\$ 15,250	\$ —	\$ 15,250	\$ 6,058	\$ 21,308
Grace and repayment	36,543	67,235	103,778	18,198	121,976
Total on-balance sheet, gross	51,793	67,235	119,028	24,256	143,284
On-balance sheet unamortized premium/(discount)	986	1,201	2,187	(559)	1,628
On-balance sheet receivable for partially charged-off loans	—	—	—	499	499
On-balance sheet allowance for losses	(104)	(57)	(161)	(1,443)	(1,604)
Total on-balance sheet, net	52,675	68,379	121,054	22,753	143,807
Off-balance sheet:					
In-school	232	—	232	773	1,005
Grace and repayment	5,143	14,369	19,512	12,213	31,725
Total off-balance sheet, gross	5,375	14,369	19,744	12,986	32,730
Off-balance sheet unamortized premium/(discount)	139	438	577	(349)	228
Off-balance sheet receivable for partially charged-off loans	—	—	—	229	229
Off-balance sheet allowance for losses	(15)	(10)	(25)	(524)	(549)
Total off-balance sheet, net	5,499	14,797	20,296	12,342	32,638
Total Managed	\$ 58,174	\$ 83,176	\$141,350	\$ 35,095	\$176,445
% of on-balance sheet FFELP	44%	56%	100%		
% of Managed FFELP	41	59	100		
% of total	33	47	80	20%	100%

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

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

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

	Three Months Ended September 30, 2010				
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
Total on-balance sheet/Managed(2)	\$ 67,265	\$ 80,557	\$147,822	\$ 36,317	\$184,319
% of on-balance sheet/Managed FFELP	46%	54%	100%		
% of total	36	44	80	20%	100%

	Three Months Ended September 30, 2009				
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
On-balance sheet	\$ 64,673	\$ 69,643	\$134,316	\$ 23,214	\$157,530
Off-balance sheet	6,052	15,066	21,118	12,811	33,929
Total Managed	\$ 70,725	\$ 84,709	\$155,434	\$ 36,025	\$191,459
% of on-balance sheet FFELP	48%	52%	100%		
% of Managed FFELP	46	54	100		
% of total	37	44	81	19%	100%

	Nine Months Ended September 30, 2010				
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
Total on-balance sheet/Managed(2)	\$ 65,326	\$ 81,611	\$146,937	\$ 36,487	\$183,424
% of on-balance sheet/Managed FFELP	44%	56%	100%		
% of total	36	44	80	20%	100%

	Nine Months Ended September 30, 2009				
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
On-balance sheet	\$ 60,190	\$ 70,464	\$130,654	\$ 22,968	\$153,622
Off-balance sheet	6,567	15,247	21,814	12,983	34,797
Total Managed	\$ 66,757	\$ 85,711	\$152,468	\$ 35,951	\$188,419
% of on-balance sheet FFELP	46%	54%	100%		
% of Managed FFELP	44	56	100		
% of total	35	46	81	19%	100%

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

(2) Upon the adoption of topic updates to ASC 810, on January 1, 2010, the Company consolidated all of its previously off-balance sheet securitization trusts (see "CRITICAL ACCOUNTING POLICIES AND ESTIMATES — Recently Adopted Accounting Standards — Transfers of Financial Assets and the VIE Consolidation Model" for further details).

Floor Income — Managed Basis

The following table analyzes the ability of the FFELP loans in our Managed portfolio to earn Floor Income after September 30, 2010 and 2009, based on interest rates as of those dates.

(Dollars in billions)	September 30, 2010			September 30, 2009		
	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	\$ 125.1	\$ 18.3	\$143.4	\$ 118.1	\$ 15.2	\$133.3
Off-balance sheet student loans	—	—	—	14.5	5.8	20.3
Managed student loans eligible to earn Floor Income	125.1	18.3	143.4	132.6	21.0	153.6
Less:						
Post-March 31, 2006 disbursed loans required to rebate Floor Income	(74.7)	(1.1)	(75.8)	(79.1)	(1.3)	(80.4)
Economically hedged Floor Income Contracts	(39.2)	—	(39.2)	(39.9)	—	(39.9)
Net Managed student loans eligible to earn Floor Income	\$ 11.2	\$ 17.2	\$ 28.4	\$ 13.6	\$ 19.7	\$ 33.3
Net Managed student loans earning Floor Income	\$ 11.1	\$ 2.7	\$ 13.8	\$ 13.6	\$ 3.3	\$ 16.9

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

The following table presents a projection of the average Managed balance of FFELP Consolidation Loans for which Fixed Rate Floor Income has already been economically hedged through Floor Income Contracts for the period from July 1, 2010 to September 30, 2013. The hedges related to these loans do not qualify under ASC 815 accounting as effective hedges.

(Dollars in billions)	October 1, 2010 to December 31, 2010	2011	2012	2013
Average balance of FFELP Consolidation Loans whose Floor Income is economically hedged	\$ 39	\$ 29	\$ 21	\$ 6

Private Education Loan Losses

On-Balance Sheet versus Managed Basis Presentation

On January 1, 2010, upon the adoption of topic updates to ASC 810, there are no differences between the Company's GAAP and Managed Basis presentation (see "CRITICAL ACCOUNTING POLICIES AND ESTIMATES — Recently Adopted Accounting Standards — Transfers of Financial Assets and the VIE Consolidation Model").

Prior to the adoption of topic updates to ASC 810, for our Managed Basis presentation in the tables below, when loans were securitized and qualified as sales, we reduced the on-balance sheet allowance for loan losses for amounts previously provided and then increased the allowance for loan losses for these loans off-balance sheet, with the total of both on-balance sheet and off-balance sheet being the Managed Basis allowance for loan losses.

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

Private Education Loan Delinquencies and Forbearance

The tables below present our Private Education Loan delinquency trends as of September 30, 2010 and 2009. Delinquencies have the potential to adversely impact earnings as they are an initial indication of the borrower's potential to possibly default and as a result command a higher loan loss reserve than loans in current status. Delinquent loans also require increased servicing and collection efforts, resulting in higher operating costs.

	On-Balance Sheet Private Education Loan Delinquencies			
	September 30, 2010		September 30, 2009	
	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$10,517		\$10,899	
Loans in forbearance ⁽²⁾	1,170		851	
Loans in repayment and percentage of each status:				
Loans current	22,926	88.9%	10,458	85.3%
Loans delinquent 31-60 days ⁽³⁾	907	3.5	551	4.5
Loans delinquent 61-90 days ⁽³⁾	489	1.9	353	2.9
Loans delinquent greater than 90 days ⁽³⁾	1,462	5.7	892	7.3
Total Private Education Loans in repayment	<u>25,784</u>	<u>100.0%</u>	<u>12,254</u>	<u>100.0%</u>
Total Private Education Loans, gross	37,471		24,004	
Private Education Loan unamortized discount	(873)		(543)	
Total Private Education Loans	36,598		23,461	
Private Education Loan receivable for partially charged-off loans	979		435	
Private Education Loan allowance for losses	(2,035)		(1,401)	
Private Education Loans, net	<u>\$35,542</u>		<u>\$22,495</u>	
Percentage of Private Education Loans in repayment		<u>68.8%</u>		<u>51.1%</u>
Delinquencies as a percentage of Private Education Loans in repayment		<u>11.1%</u>		<u>14.7%</u>
Loans in forbearance as a percentage of loans in repayment and forbearance		<u>4.3%</u>		<u>6.5%</u>

(1) Loans for borrowers who may still 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 generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

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

[Table of Contents](#)

	Off-Balance Sheet Private Education Loan Delinquencies	
	September 30, 2009(4)	
	Balance	%
Loans in-school/grace/deferment(1)	\$ 3,148	
Loans in forbearance(2)	474	
Loans in repayment and percentage of each status:		
Loans current	8,516	90.0%
Loans delinquent 31-60 days(3)	312	3.3
Loans delinquent 61-90 days(3)	161	1.7
Loans delinquent greater than 90 days(3)	469	5.0
Total Private Education Loans in repayment	9,458	100.0%
Total Private Education Loans, gross	13,080	
Private Education Loan unamortized discount	(347)	
Total Private Education Loans	12,733	
Private Education Loan receivable for partially charged-off loans	200	
Private Education Loan allowance for losses	(522)	
Private Education Loans, net	\$ 12,411	
Percentage of Private Education Loans in repayment		72.3%
Delinquencies as a percentage of Private Education Loans in repayment		10.0%
Loans in forbearance as a percentage of loans in repayment and forbearance		4.8%

(1) Loans for borrowers who may still 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 generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

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

(4) On January 1, 2010, upon the adoption of topic updates to ASC 810, all off-balance sheet loans moved on-balance sheet.

	Managed Basis Private Education Loan Delinquencies			
	September 30, 2010		September 30, 2009	
	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$10,517		\$14,047	
Loans in forbearance ⁽²⁾	1,170		1,325	
Loans in repayment and percentage of each status:				
Loans current	22,926	88.9%	18,974	87.4%
Loans delinquent 31-60 days ⁽³⁾	907	3.5	863	4.0
Loans delinquent 61-90 days ⁽³⁾	489	1.9	514	2.4
Loans delinquent greater than 90 days ⁽³⁾	1,462	5.7	1,361	6.2
Total Private Education Loans in repayment	25,784	100.0%	21,712	100.0%
Total Private Education Loans, gross	37,471		37,084	
Private Education Loan unamortized discount	(873)		(890)	
Total Private Education Loans	36,598		36,194	
Private Education Loan receivable for partially charged-off loans	979		635	
Private Education Loan allowance for losses	(2,035)		(1,923)	
Private Education Loans, net	\$35,542		\$34,906	
Percentage of Private Education Loans in repayment		68.8%		58.6%
Delinquencies as a percentage of Private Education Loans in repayment		11.1%		12.6%
Loans in forbearance as a percentage of loans in repayment and forbearance		4.3%		5.8%

(1) Loans for borrowers who may still 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 generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

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

Allowance for Private Education Loan Losses

The following table summarizes changes in the allowance for Private Education Loan losses for the three and nine months ended September 30, 2010 and 2009.

	Activity in Allowance for Private Education Loan Losses					
	On-Balance Sheet Three Months Ended		Off-Balance Sheet Three Months Ended		Managed Basis Three Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010(1)	September 30, 2009	September 30, 2010	September 30, 2009
Allowance at beginning of period	\$ 2,042	\$ 1,396	\$ —	\$ 544	\$ 2,042	\$ 1,940
Provision for Private Education						
Loan losses	330	287	—	126	330	413
Charge-offs	(348)	(293)	—	(150)	(348)	(443)
Reclassification of interest reserve	11	11	—	2	11	13
Allowance at end of period	\$ 2,035	\$ 1,401	\$ —	\$ 522	\$ 2,035	\$ 1,923
Charge-offs as a percentage of average loans in repayment (annualized)	5.4%	9.6%	—%	6.2%	5.4%	8.1%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	5.1%	8.9%	—%	5.9%	5.1%	7.6%
Allowance as a percentage of the ending total loan balance	5.3%	5.7%	—%	3.9%	5.3%	5.1%
Allowance as a percentage of ending loans in repayment	7.9%	11.4%	—%	5.5%	7.9%	8.9%
Average coverage of charge-offs (annualized)	1.5	1.2	—	.9	1.5	1.1
Ending total loans ⁽²⁾	\$ 38,450	\$ 24,439	\$ —	\$ 13,280	\$ 38,450	\$ 37,719
Average loans in repayment	\$ 25,616	\$ 12,083	\$ —	\$ 9,585	\$ 25,616	\$ 21,668
Ending loans in repayment	\$ 25,784	\$ 12,254	\$ —	\$ 9,458	\$ 25,784	\$ 21,712

(1) Upon the adoption of topic updates to ASC 810, on January 1, 2010, the Company consolidated all of its previously off-balance sheet securitization trusts (see "CRITICAL ACCOUNTING POLICIES AND ESTIMATES — Recently Adopted Accounting Standards — Transfers of Financial Assets and the VIE Consolidation Model" for further details).

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

[Table of Contents](#)

	Activity in Allowance for Private Education Loan Losses					
	On-Balance Sheet Nine Months Ended		Off-Balance Sheet Nine Months Ended		Managed Basis Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010(1)	September 30, 2009	September 30, 2010	September 30, 2009
Allowance at beginning of period	\$ 1,443	\$ 1,308	\$ 524	\$ 505	\$ 1,967	\$ 1,813
Provision for Private Education						
Loan losses	1,004	733	—	339	1,004	1,072
Charge-offs	(968)	(671)	—	(329)	(968)	(1,000)
Reclassification of interest reserve	32	31	—	7	32	38
Consolidation of off-balance sheet trusts(1)	524	—	(524)	—	—	—
Allowance at end of period	\$ 2,035	\$ 1,401	\$ —	\$ 522	\$ 2,035	\$ 1,923
Charge-offs as a percentage of average loans in repayment (annualized)	5.1%	7.7%	—%	4.6%	5.1%	6.3%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	4.9%	7.1%	—%	4.3%	4.9%	5.9%
Allowance as a percentage of the ending total loan balance	5.3%	5.7%	—%	3.9%	5.3%	5.1%
Allowance as a percentage of ending loans in repayment	7.9%	11.4%	—%	5.5%	7.9%	8.9%
Average coverage of charge-offs (annualized)	1.6	1.6	—	1.2	1.6	1.4
Ending total loans(2)	\$ 38,450	\$ 24,439	\$ —	\$ 13,280	\$ 38,450	\$ 37,719
Average loans in repayment	\$ 25,151	\$ 11,634	\$ —	\$ 9,543	\$ 25,151	\$ 21,177
Ending loans in repayment	\$ 25,784	\$ 12,254	\$ —	\$ 9,458	\$ 25,784	\$ 21,712

(1) Upon the adoption of topic updates to ASC 810, on January 1, 2010, the Company consolidated all of its previously off-balance sheet securitization trusts (see "CRITICAL ACCOUNTING POLICIES AND ESTIMATES — Recently Adopted Accounting Standards — Transfers of Financial Assets and the VIE Consolidation Model" for further details).

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

[Table of Contents](#)

The following table provides the detail for our traditional and non-traditional Managed Private Education Loans at September 30, 2010 and 2009.

	September 30, 2010			September 30, 2009		
	Traditional	Non-Traditional	Total	Traditional	Non-Traditional	Total
Ending total loans ⁽¹⁾	\$ 33,990	\$ 4,460	\$38,450	\$ 32,891	\$ 4,828	\$37,719
Ending loans in repayment	23,063	2,721	25,784	18,922	2,790	21,712
Private Education Loan allowance for losses	1,180	855	2,035	1,005	918	1,923
Charge-offs as a percentage of average loans in repayment ⁽²⁾	3.9%	17.6%	5.4%	5.1%	28.5%	8.1%
Allowance as a percentage of total ending loan balance	3.5%	19.2%	5.3%	3.1%	19.0%	5.1%
Allowance as a percentage of ending loans in repayment	5.1%	31.4%	7.9%	5.3%	32.9%	8.9%
Average coverage of charge-offs ⁽²⁾	1.3	1.8	1.5	1.1	1.1	1.1
Delinquencies as a percentage of Private Education Loans in repayment	9.1%	28.1%	11.1%	9.7%	32.2%	12.6%
Delinquencies greater than 90 days as a percentage of Private Education Loans in repayment	4.4%	16.0%	5.7%	4.6%	17.8%	6.3%
Loans in forbearance as a percentage of loans in repayment and forbearance	4.1%	6.1%	4.3%	5.4%	8.1%	5.8%
Percentage of Private Education Loans with a cosigner	63%	28%	59%	61%	27%	57%
Average FICO at origination	725	623	715	725	623	713

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

(2) Annualized for the three months ended September 30, 2010 and 2009.

Managed provision expense was \$330 million in the third quarter of 2010 and \$413 million in the third quarter of 2009. As a result of continued weakness in the U.S. economy, provision expense has remained elevated since the fourth quarter of 2008. The Private Education Loan portfolio experienced a significant increase in delinquencies through the first quarter of 2009 (as of March 31, 2009, delinquencies as a percentage of loans in repayment were 13.4 percent); however, delinquencies as a percentage of loans in repayment have now declined to 11.1 percent at September 30, 2010. Current quarter charge-offs of \$348 million increased slightly from the prior quarter charge-offs of \$336 million. This was an expected seasonal increase from the second quarter related to the timing of graduates' entry into repayment. Current quarter charge-offs were down significantly from the year ago quarter's charge-offs of \$443 million. The Managed Private Education Loan allowance coverage of annualized current-quarter charge-offs ratio was 1.5 at September 30, 2010, compared with 1.1 as of September 30, 2009. The allowance for loan losses as a percentage of ending Private Education Loans in repayment decreased from 8.9 percent at September 30, 2009 to 7.9 percent at September 30, 2010. Managed Private Education Loan delinquencies as a percentage of loans in repayment decreased from 12.6 percent to 11.1 percent from September 30, 2009 to September 30, 2010. Managed Private Education Loans in forbearance as a percentage of loans in repayment and forbearance decreased from 5.8 percent as of September 30, 2009 to 4.3 percent at September 30, 2010. The Company analyzed changes in the key ratios disclosed in the tables above when determining the appropriate Private Education Loan allowance for loan losses.

Forbearance involves granting the borrower a temporary cessation of payments (or temporary acceptance of smaller than scheduled payments) for a specified period of time. Using forbearance in this manner effectively extends the original term of the loan. Forbearance does not grant any reduction in the total repayment obligation (principal or interest). While a loan is in forbearance status, interest continues to accrue and is capitalized to principal when the loan re-enters repayment status. Our forbearance policies include

limits on the number of forbearance months granted consecutively and the total number of forbearance months granted over the life of the loan. In some instances, we require good-faith payments before granting forbearance. Exceptions to forbearance policies are permitted when such exceptions are judged to increase the likelihood of ultimate collection of the loan. Forbearance as a collection tool is used most effectively when applied based on a borrower's unique situation, including historical information and judgments. We combine borrower information with a risk-based segmentation model to assist in our decision making as to who will be granted forbearance based on our expectation as to a borrower's ability and willingness to repay their obligation. This strategy is aimed at mitigating the overall risk of the portfolio as well as encouraging cash resolution of delinquent loans.

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

Forbearance may also be granted to borrowers who are delinquent in their payments. In these circumstances, the forbearance cures the delinquency and the borrower is returned to a current repayment status. In more limited instances, delinquent borrowers will also be granted additional forbearance time. As we have obtained further experience about the effectiveness of forbearance, we have reduced the amount of time a loan will spend in forbearance, thereby increasing our ongoing contact with the borrower to encourage consistent repayment behavior once the loan is returned to a current repayment status. As a result, the balance of loans in a forbearance status as of month-end has decreased since 2008. In addition, the monthly average amount of loans granted forbearance as a percentage of loans in repayment and forbearance declined to 5.1 percent in the third quarter of 2010 compared with the year-ago quarter of 5.5 percent. As of September 30, 2010, 3.1 percent of loans in current status were delinquent as of the end of the prior month, but were granted a forbearance that made them current as of September 30, 2010.

The table below reflects the historical effectiveness of using forbearance. Our experience has shown that three years after being granted forbearance for the first time, 68.4 percent of the loans are current, paid in full, or receiving an in-school grace or deferment, and 16.8 percent have defaulted. The default experience associated with loans which utilize forbearance is considered in our allowance for loan losses.

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

	Status distribution 36 months after being granted forbearance for the first time	Status distribution 36 months after entering repayment (all loans)	Status distribution 36 months after entering repayment for loans never entering forbearance
In-school/grace/deferment	8.9%	8.2%	3.5
Current	50.4	57.4	64.1
Delinquent 31-60 days	3.1	2.0	0.4
Delinquent 61-90 days	1.9	1.1	0.2
Delinquent greater than 90 days	4.8	2.7	0.3
Forbearance	5.0	3.7	—
Defaulted	16.8	8.7	5.0
Paid	9.1	16.2	26.5
Total	100%	100%	100%

[Table of Contents](#)

The tables below show the composition and status of the Managed Private Education Loan portfolio aged by number of months in active repayment status (months for which a scheduled monthly payment was due). As indicated in the tables, the percentage of loans in forbearance status decreases the longer the loans have been in active repayment status. At September 30, 2010, loans in forbearance status as a percentage of loans in repayment and forbearance were 5.7 percent for loans that have been in active repayment status for less than 25 months. The percentage drops to 2.0 percent for loans that have been in active repayment status for more than 48 months. Approximately 78 percent of our Managed Private Education Loans in forbearance status have been in active repayment status less than 25 months.

September 30, 2010	Monthly Scheduled Payments Due			Not Yet in Repayment	Total
	0 to 24	25 to 48	More than 48		
Loans in-school/grace/deferment	\$ —	\$ —	\$ —	\$ 10,517	\$10,517
Loans in forbearance	909	181	80	—	1,170
Loans in repayment — current	12,908	6,270	3,748	—	22,926
Loans in repayment — delinquent 31-60 days	662	165	80	—	907
Loans in repayment — delinquent 61-90 days	376	77	36	—	489
Loans in repayment — delinquent greater than 90 days	1,131	233	98	—	1,462
Total	<u>\$15,986</u>	<u>\$ 6,926</u>	<u>\$ 4,042</u>	<u>\$ 10,517</u>	<u>37,471</u>
Unamortized discount					(873)
Receivable for partially charged-off loans					979
Allowance for loan losses					(2,035)
Total Managed Private Education Loans, net					<u>\$35,542</u>
Loans in forbearance as a percentage of loans in repayment and forbearance	<u>5.7%</u>	<u>2.6%</u>	<u>2.0%</u>	<u>—%</u>	<u>4.3%</u>

September 30, 2009	Monthly Scheduled Payments Due			Not Yet in Repayment	Total
	0 to 24	25 to 48	More than 48		
Loans in-school/grace/deferment	\$ —	\$ —	\$ —	\$ 14,047	\$14,047
Loans in forbearance	1,135	133	57	—	1,325
Loans in repayment — current	11,594	4,685	2,695	—	18,974
Loans in repayment — delinquent 31-60 days	696	114	53	—	863
Loans in repayment — delinquent 61-90 days	422	63	29	—	514
Loans in repayment — delinquent greater than 90 days	1,124	162	75	—	1,361
Total	<u>\$14,971</u>	<u>\$ 5,157</u>	<u>\$ 2,909</u>	<u>\$ 14,047</u>	<u>37,084</u>
Unamortized discount					(890)
Receivable for partially charged-off loans					635
Allowance for loan losses					(1,923)
Total Managed Private Education Loans, net					<u>\$34,906</u>
Loans in forbearance as a percentage of loans in repayment and forbearance	<u>7.6%</u>	<u>2.6%</u>	<u>2.0%</u>	<u>—%</u>	<u>5.8%</u>

[Table of Contents](#)

The table below stratifies the portfolio of Managed Private Education Loans in forbearance status as of the dates indicated by the cumulative number of months the borrower has used forbearance. As detailed in the table below, only 3 percent of loans currently in forbearance have cumulative forbearance of more than 24 months.

Cumulative number of months borrower has used forbearance	September 30, 2010		September 30, 2009	
	Forbearance Balance	% of Total	Forbearance Balance	% of Total
Up to 12 months	\$ 823	70%	\$ 928	70%
13 to 24 months	312	27	344	26
More than 24 months	35	3	53	4
Total	<u>\$ 1,170</u>	<u>100%</u>	<u>\$ 1,325</u>	<u>100%</u>

The Company offers payment modification programs to assist borrowers in repaying their Private Education Loans through reduced payments, in situations where the potential for principal recovery, through a modification of the monthly payment amount, is better than other alternatives currently available. The rate reduction program is designed to assist financially stressed borrowers to repay their loan by making reduced payments while continuing to reduce their outstanding principal balance. Along with the ability and willingness to pay, the borrower must make three consecutive monthly payments at the reduced rate to qualify for the program. Once the borrower has made the initial three payments, the loan status is returned to current and the interest rate is reduced for the successive twelve month period. As of September 30, 2010 and December 31, 2009, approximately \$303 million and \$181 million face amount, respectively, had qualified for the rate reduction program and are currently receiving a reduction in their interest rate.

FFELP Loan Losses***FFELP Delinquencies and Forbearance***

On January 1, 2010, upon the adoption of topic updates to ASC 810, there are no differences between the Company's GAAP and Managed Basis presentation (see "CRITICAL ACCOUNTING POLICIES AND ESTIMATES — Recently Adopted Accounting Standards — Transfers of Financial Assets and the VIE Consolidation Model").

[Table of Contents](#)

The tables below present our FFELP loan delinquency trends as of September 30, 2010 and 2009. Delinquencies have the potential to adversely impact earnings as they are an initial indication of the borrower's potential to possibly default and as a result command a higher loan loss reserve than loans in current status. Delinquent loans also require increased servicing and collection efforts, resulting in higher operating costs.

	On-Balance Sheet FFELP Loan Delinquencies			
	September 30, 2010		September 30, 2009	
	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$ 42,852		\$ 50,795	
Loans in forbearance ⁽²⁾	19,450		13,459	
Loans in repayment and percentage of each status:				
Loans current	67,867	83.0%	57,934	83.0%
Loans delinquent 31-60 days ⁽³⁾	5,054	6.2	4,225	6.0
Loans delinquent 61-90 days ⁽³⁾	2,241	2.7	2,041	2.9
Loans delinquent greater than 90 days ⁽³⁾	6,626	8.1	5,633	8.1
Total FFELP loans in repayment	<u>81,788</u>	<u>100.0%</u>	<u>69,833</u>	<u>100.0%</u>
Total FFELP loans, gross	144,090		134,087	
FFELP loan unamortized premium	2,692		2,419	
Total FFELP loans	146,782		136,506	
FFELP loan allowance for losses	(189)		(156)	
FFELP loans, net	<u>\$146,593</u>		<u>\$136,350</u>	
Percentage of FFELP loans in repayment		<u>56.8%</u>		<u>52.1%</u>
Delinquencies as a percentage of FFELP loans in repayment		<u>17.0%</u>		<u>17.0%</u>
FFELP loans in forbearance as a percentage of loans in repayment and forbearance		<u>19.2%</u>		<u>16.2%</u>

(1) Loans for borrowers who may still be attending school or engaging in other permitted educational activities and are not yet required to make payments on the loans, e.g., residency periods for medical students or a grace period for bar exam preparation, as well as loans for borrowers who have requested extension of grace period during employment transition or who have temporarily ceased making full payments due to hardship or other factors.

(2) Loans for borrowers who have used their allowable deferment time or do not qualify for deferment, that need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors.

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

	Off-Balance Sheet FFELP Loan Delinquencies(4)	
	September 30, 2009	
	Balance	%
Loans in-school/grace/deferment(1)	\$ 3,705	
Loans in forbearance(2)	2,715	
Loans in repayment and percentage of each status:		
Loans current	11,584	83.1%
Loans delinquent 31-60 days(3)	816	5.9
Loans delinquent 61-90 days(3)	393	2.8
Loans delinquent greater than 90 days(3)	1,148	8.2
Total FFELP loans in repayment	<u>13,941</u>	<u>100.0%</u>
Total FFELP loans, gross	20,361	
FFELP loan unamortized premium	588	
Total FFELP loans	20,949	
FFELP loan allowance for losses	(25)	
FFELP loans, net	<u>\$ 20,924</u>	
Percentage of FFELP loans in repayment		<u>68.5%</u>
Delinquencies as a percentage of FFELP loans in repayment		<u>16.9%</u>
FFELP loans in forbearance as a percentage of loans in repayment and forbearance		<u>16.3%</u>

(1) Loans for borrowers who may still be attending school or engaging in other permitted educational activities and are not yet required to make payments on the loans, e.g., residency periods for medical students or a grace period for bar exam preparation, as well as loans for borrowers who have requested extension of grace period during employment transition or who have temporarily ceased making full payments due to hardship or other factors.

(2) Loans for borrowers who have used their allowable deferment time or do not qualify for deferment, that need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors.

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

(4) On January 1, 2010, upon the adoption of topic updates to ASC 810, all off-balance sheet loans moved on-balance sheet.

	Managed Basis FFELP Loan Delinquencies			
	September 30, 2010		September 30, 2009	
	Balance	%	Balance	%
Loans in-school/grace/deferment(1)	\$ 42,852		\$ 54,500	
Loans in forbearance(2)	19,450		16,174	
Loans in repayment and percentage of each status:				
Loans current	67,867	83.0%	69,518	83.0%
Loans delinquent 31-60 days(3)	5,054	6.2	5,041	6.0
Loans delinquent 61-90 days(3)	2,241	2.7	2,434	2.9
Loans delinquent greater than 90 days(3)	6,626	8.1	6,781	8.1
Total FFELP loans in repayment	<u>81,788</u>	<u>100.0%</u>	<u>83,774</u>	<u>100.0%</u>
Total FFELP loans, gross	144,090		154,448	
FFELP loan unamortized premium	2,692		3,007	
Total FFELP loans	<u>146,782</u>		<u>157,455</u>	
FFELP loan allowance for losses	(189)		(181)	
FFELP loans, net	<u>\$146,593</u>		<u>\$157,274</u>	
Percentage of FFELP loans in repayment		<u>56.8%</u>		<u>54.2%</u>
Delinquencies as a percentage of FFELP loans in repayment		<u>17.0%</u>		<u>17.0%</u>
FFELP loans in forbearance as a percentage of loans in repayment and forbearance		<u>19.2%</u>		<u>16.2%</u>

(1) Loans for borrowers who may still be attending school or engaging in other permitted educational activities and are not yet required to make payments on the loans, e.g., residency periods for medical students or a grace period for bar exam preparation, as well as loans for borrowers who have requested extension of grace period during employment transition or who have temporarily ceased making full payments due to hardship or other factors.

(2) Loans for borrowers who have used their allowable deferment time or do not qualify for deferment, that need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors.

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

Allowance for FFELP Loan Losses

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

The following table summarizes changes in the allowance for FFELP loan losses for the three and nine months ended September 30, 2010 and 2009.

	Activity in Allowance for FFELP Loan Losses					
	On-Balance Sheet		Off-Balance Sheet		Managed Basis	
	Three Months Ended		Three Months Ended		Three Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010 ⁽¹⁾	September 30, 2009	September 30, 2010	September 30, 2009
Allowance at beginning of period	\$ 189	\$ 153	\$ —	\$ 27	\$ 189	\$ 180
Provision for FFELP loan losses	24	21	—	1	24	22
Charge-offs	(21)	(17)	—	(3)	(21)	(20)
Student loan sales and securitization activity	(3)	(1)	—	—	(3)	(1)
Allowance at end of period	\$ 189	\$ 156	\$ —	\$ 25	\$ 189	\$ 181
Charge-offs as a percentage of average loans in repayment (annualized)	.1%	.1%	—%	.1%	.1%	.1%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.1%	.1%	—%	.1%	.1%	.1%
Allowance as a percentage of the ending total loans, gross	.1%	.1%	—%	.1%	.1%	.1%
Allowance as a percentage of ending loans in repayment	.2%	.2%	—%	.2%	.2%	.2%
Average coverage of charge-offs (annualized)	2.2	2.3	—	2.0	2.2	2.3
Ending total loans, gross	\$ 144,090	\$ 134,087	\$ —	\$ 20,361	\$ 144,090	\$ 154,448
Average loans in repayment	\$ 82,203	\$ 69,680	\$ —	\$ 14,032	\$ 82,203	\$ 83,712
Ending loans in repayment	\$ 81,788	\$ 69,833	\$ —	\$ 13,941	\$ 81,788	\$ 83,774

(1) Upon the adoption of topic updates to ASC 810, on January 1, 2010, the Company consolidated all of its previously off-balance sheet securitization trusts (see "CRITICAL ACCOUNTING POLICIES AND ESTIMATES — Recently Adopted Accounting Standards — Transfers of Financial Assets and the VIE Consolidation Model" for further details).

	Activity in Allowance for FFELP Loan Losses					
	On-Balance Sheet Nine Months Ended		Off-Balance Sheet Nine Months Ended		Managed Basis Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Allowance at beginning of period	\$ 161	\$ 138	\$ 25	\$ 27	\$ 186	\$ 165
Provision for FFELP loan losses	76	81	—	10	76	91
Charge-offs	(67)	(61)	—	(11)	(67)	(72)
Student loan sales and securitization activity	(6)	(2)	—	(1)	(6)	(3)
Consolidation of off-balance sheet trusts ⁽¹⁾	25	—	(25)	—	—	—
Allowance at end of period	\$ 189	\$ 156	\$ —	\$ 25	\$ 189	\$ 181
Charge-offs as a percentage of average loans in repayment (annualized)	.1%	.1%	—%	.1%	.1%	.1%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.1%	.1%	—%	.1%	.1%	.1%
Allowance as a percentage of the ending total loans, gross	.1%	.1%	—%	.1%	.1%	.1%
Allowance as a percentage of ending loans in repayment	.2%	.2%	—	.2%	.2%	.2%
Average coverage of charge-offs (annualized)	2.1	1.9	\$ —	1.6	2.1	1.9
Ending total loans, gross	\$ 144,090	\$ 134,087	\$ —	\$ 20,361	\$ 144,090	\$ 154,448
Average loans in repayment	\$ 82,362	\$ 69,196	\$ —	\$ 14,455	\$ 82,362	\$ 83,651
Ending loans in repayment	\$ 81,788	\$ 69,833	\$ —	\$ 13,941	\$ 81,788	\$ 83,774

(1) Upon the adoption of topic updates to ASC 810, on January 1, 2010, the Company consolidated all of its previously off-balance sheet securitization trusts (see "CRITICAL ACCOUNTING POLICIES AND ESTIMATES — Recently Adopted Accounting Standards — Transfers of Financial Assets and the VIE Consolidation Model" for further details).

Total Provisions for Loan Losses

The following tables summarize the total provisions for loan losses on both an on-balance sheet basis and a Managed Basis for the three and nine months ended September 30, 2010 and 2009.

Total on-balance sheet loan provisions

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Private Education Loans	\$ 330	\$ 287	\$ 1,004	\$ 733
FFELP Loans	24	21	76	81
Mortgage and consumer loans	4	13	19	36
Total on-balance sheet provisions for loan losses	\$ 358	\$ 321	\$ 1,099	\$ 850

Total Managed Basis loan provisions

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Private Education Loans	\$ 330	\$ 413	\$1,004	\$1,072
FFELP Loans	24	22	76	91
Mortgage and consumer loans	4	13	19	36
Total Managed Basis provisions for loan losses	<u>\$ 358</u>	<u>\$ 448</u>	<u>\$1,099</u>	<u>\$1,199</u>

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

Total Loan Charge-offs

The following tables summarize the total loan charge-offs on both an on-balance sheet basis and a Managed Basis for the three and nine months ended September 30, 2010 and 2009.

Total on-balance sheet loan charge-offs

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Private Education Loans	\$ 348	\$ 293	\$ 968	\$671
FFELP Loans	21	17	67	61
Mortgage and consumer loans	4	9	19	24
Total on-balance sheet loan net charge-offs	<u>\$ 373</u>	<u>\$ 319</u>	<u>\$1,054</u>	<u>\$756</u>

Total Managed loan charge-offs

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Private Education Loans	\$ 348	\$ 443	\$ 968	\$1,000
FFELP Loans	21	20	67	72
Mortgage and consumer loans	4	9	19	24
Total Managed loan charge-offs	<u>\$ 373</u>	<u>\$ 472</u>	<u>\$1,054</u>	<u>\$1,096</u>

Receivable for Partially Charged-Off Private Education Loans

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

[Table of Contents](#)

The following tables summarize the activity in the receivable for partially charged-off loans (see "Allowance for Private Education Loan Losses" above for a further discussion) for the three and nine months ended September 30, 2010 and 2009.

	Activity in Receivable for Partially Charged-Off Loans					
	On-balance sheet Three Months Ended		Off-balance sheet Three Months Ended		Managed Basis Three Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010(2)	September 30, 2009	September 30, 2010	September 30, 2009
Receivable at beginning of period	\$ 888	\$ 338	\$ —	\$ 148	\$ 888	\$ 486
Expected future recoveries of current period defaults ⁽¹⁾	120	108	—	56	120	164
Recoveries	(29)	(11)	—	(4)	(29)	(15)
Receivable at end of period	<u>\$ 979</u>	<u>\$ 435</u>	<u>\$ —</u>	<u>\$ 200</u>	<u>\$ 979</u>	<u>\$ 635</u>

	Activity in Receivable for Partially Charged-Off Loans					
	On-balance sheet Nine Months Ended		Off-balance sheet Nine Months Ended		Managed Basis Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010(2)	September 30, 2009	September 30, 2010	September 30, 2009
Receivable at beginning of period	\$ 499	\$ 222	\$ 229	\$ 91	\$ 728	\$ 313
Expected future recoveries of current period defaults ⁽¹⁾	329	243	—	120	329	363
Recoveries	(78)	(30)	—	(11)	(78)	(41)
Consolidation of off-balance sheet trusts ⁽²⁾	229	—	(229)	—	—	—
Receivable at end of period	<u>\$ 979</u>	<u>\$ 435</u>	<u>\$ —</u>	<u>\$ 200</u>	<u>\$ 979</u>	<u>\$ 635</u>

(1) Net of any current period recoveries that were less than expected.

(2) Upon the adoption of topic updates to ASC 810, on January 1, 2010, the Company consolidated all of its previously off-balance sheet securitization trusts (see "CRITICAL ACCOUNTING POLICES AND ESTIMATES — Recently Adopted Accounting Standards — Transfers of Financial Assets and the VIE Consolidation Model" for further details).

Private Education Loan Repayment Options

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

(Dollars in millions)	Loan Program			Total
	Signature and Other	Smart Option	Career Training	
\$ in Repayment	\$21,325	\$2,222	\$2,237	\$25,784
\$ in Total	32,927	2,224	2,320	37,471
Payment method by enrollment status:				
In-school/Grace	Deferred ⁽¹⁾	Interest-only or fixed \$25/month	Interest-only or fixed \$25/month	
Repayment	Level principal and interest or graduated ⁽²⁾	Level principal and interest	Level principal and interest	

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

(2) The graduated repayment program includes an interest-only payment option. This program is available to borrowers in repayment, after their grace period, who would like a temporary lower payment from the required principal and interest payment amount. Borrowers participating in this program pay monthly interest with no amortization of their principal balance for up to 48 payments after entering repayment (dependent on the loan product type). The maturity date of the loan is not extended when a borrower participates in this program. As of September 30, 2010 and December 31, 2009, borrowers in repayment owing approximately \$7.1 billion and \$7.0 billion, respectively, were enrolled in the interest-only program.

Student Loan Acquisitions

The following tables summarize the components of our student loan acquisition activity for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30, 2010		
	FFELP	Private	Total
Internal lending brands and Lender Partners	\$ 946	\$ 958	\$1,904
Other commitment clients	75	—	75
Spot purchases	104	—	104
Capitalized interest, premiums and discounts	658	264	922
Total On-Balance Sheet/Managed student loan acquisitions	<u>\$1,783</u>	<u>\$1,222</u>	<u>\$3,005</u>

	Three Months Ended September 30, 2009		
	FFELP	Private	Total
Internal lending brands and Lender Partners	\$ 6,778	\$1,077	\$ 7,855
Other commitment clients	80	—	80
Spot purchases	456	—	456
Consolidations and clean-up calls of off-balance sheet securitized loans	1,201	130	1,331
Capitalized interest, premiums and discounts	647	158	805
Total on-balance sheet student loan acquisitions	9,162	1,365	10,527
Consolidations and clean-up calls of off-balance sheet securitized loans	(1,201)	(130)	(1,331)
Capitalized interest, premiums and discounts — off-balance sheet securitized trusts	93	81	174
Total Managed student loan acquisitions	<u>\$ 8,054</u>	<u>\$1,316</u>	<u>\$ 9,370</u>

	Nine Months Ended		
	September 30, 2010		
	FFELP	Private	Total
Internal lending brands and Lender Partners	\$12,224	\$2,069	\$14,293
Other commitment clients	223	—	223
Spot purchases	1,697	—	1,697
Capitalized interest, premiums and discounts	2,053	892	2,945
Total On-Balance Sheet/Managed student loan acquisitions	\$16,197	\$2,961	\$19,158

	Nine Months Ended		
	September 30, 2009		
	FFELP	Private	Total
Internal lending brands and Lender Partners	\$17,985	\$2,971	\$20,956
Other commitment clients	283	—	283
Spot purchases	1,441	—	1,441
Consolidations and clean-up calls of off-balance sheet securitized loans	3,155	797	3,952
Capitalized interest, premiums and discounts	1,853	591	2,444
Total on-balance sheet student loan acquisitions	24,717	4,359	29,076
Consolidations and clean-up calls of off-balance sheet securitized loans	(3,155)	(797)	(3,952)
Capitalized interest, premiums and discounts — off-balance sheet securitized trusts	268	325	593
Total Managed student loan acquisitions	\$21,830	\$3,887	\$25,717

Total On-Balance Sheet Assets — Lending Business Segment

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

	September 30, 2010	December 31, 2009
FFELP Stafford and Other Student Loans, net	\$ 46,026	\$ 42,979
FFELP Stafford Loans Held-for-Sale	20,655	9,696
FFELP Consolidation Loans, net	79,912	68,379
Private Education Loans, net	35,542	22,753
Investments ⁽¹⁾	11,924	12,387
Retained Interest in off-balance sheet securitized loans	—	1,828
Other ⁽²⁾	10,699	9,818
Total assets	\$ 204,758	\$ 167,840

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

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

Loan Originations

Total Private Education Loan originations declined 6 percent from the year-ago quarter to \$835 million in the quarter ended September 30, 2010. This decline was primarily a result of an increase in federal student loan limits, an overall increase in the use of federal student loans as well as an increase in federal grants.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Loan Originations — Internal lending brands				
Stafford	\$ 739	\$5,134	\$ 9,134	\$13,068
PLUS	31	582	772	1,341
GradPLUS	14	443	583	878
Total FFELP	784	6,159	10,489	15,287
Private Education Loans	823	871	1,859	2,599
Total	\$1,607	\$7,030	\$12,348	\$17,886

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Loan Originations — Lender Partners				
Stafford	\$ 66	\$ 703	\$ 1,098	\$ 1,826
PLUS	2	51	56	118
GradPLUS	1	27	33	54
Total FFELP	69	781	1,187	1,998
Private Education Loans	12	22	35	196
Total	\$ 81	\$ 803	\$ 1,222	\$ 2,194

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Loan Originations — Total				
Stafford	\$ 805	\$5,837	\$10,232	\$14,894
PLUS	33	633	828	1,459
GradPLUS	15	470	616	932
Total FFELP	853	6,940	11,676	17,285
Private Education Loans	835	893	1,894	2,795
Total	\$1,688	\$7,833	\$13,570	\$20,080

Student Loan Activity

On January 1, 2010, upon the adoption of topic updates of ASC 810, we consolidated our previously off-balance sheet securitization trusts at their historical cost basis (see "CRITICAL ACCOUNTING POLICIES AND ESTIMATES — Recently Adopted Accounting Standards — Variable Interest Entity ("VIE") Consolidation Model"). As a result, effective January 1, 2010, our on-balance sheet (GAAP) and Managed student loan portfolios are the same.

[Table of Contents](#)

The following tables summarize the activity in our FFELP and Private Education Loan portfolios and highlight the effects of Consolidation Loan activity on our FFELP portfolio.

On-Balance Sheet/Managed Portfolio Three Months Ended September 30, 2010					
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	\$ 67,457	\$ 81,035	\$ 148,492	\$ 35,151	\$ 183,643
Consolidations to third parties	(598)	(217)	(815)	(11)	(826)
Acquisitions(2)	1,345	438	1,783	1,222	3,005
Net acquisitions	747	221	968	1,211	2,179
Sales	(217)	(71)	(288)		(288)
Repayments/defaults/other	(1,306)	(1,273)	(2,579)	(820)	(3,399)
Ending balance(3)	\$ 66,681	\$ 79,912	\$ 146,593	\$ 35,542	\$ 182,135

On-Balance Sheet Three Months Ended September 30, 2009					
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total On- Balance Sheet Portfolio
Beginning balance	\$ 62,204	\$ 70,102	\$ 132,306	\$ 21,851	\$ 154,157
Consolidations to third parties	(384)	(191)	(575)	(2)	(577)
Acquisitions(2)	7,645	316	7,961	1,235	9,196
Net acquisitions	7,261	125	7,386	1,233	8,619
Repayments/defaults/resales/other	(2,360)	(981)	(3,341)	(589)	(3,930)
Ending balance	\$ 67,105	\$ 69,246	\$ 136,351	\$ 22,495	\$ 158,846

Off-Balance Sheet Three Months Ended September 30, 2009					
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Off- Balance Sheet Portfolio
Beginning balance	\$ 6,170	\$ 15,170	\$ 21,340	\$ 12,621	\$ 33,961
Consolidations to third parties	(135)	(56)	(191)	(4)	(195)
Acquisitions(2)	30	63	93	81	174
Net acquisitions	(105)	7	(98)	77	(21)
Repayments/defaults/resales/other	(130)	(188)	(318)	(287)	(605)
Ending balance	\$ 5,935	\$ 14,989	\$ 20,924	\$ 12,411	\$ 33,335

Managed Portfolio Three Months Ended September 30, 2009					
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	\$ 68,374	\$ 85,272	\$ 153,646	\$ 34,472	\$ 188,118
Consolidations to third parties	(519)	(247)	(766)	(6)	(772)
Acquisitions(2)	7,675	379	8,054	1,316	9,370
Net acquisitions	7,156	132	7,288	1,310	8,598
Repayments/defaults/resales/other	(2,490)	(1,169)	(3,659)	(876)	(4,535)
Ending balance(3)	\$ 73,040	\$ 84,235	\$ 157,275	\$ 34,906	\$ 192,181

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

(2) Includes accrued interest receivable capitalized to principal during the period.

(3) As of September 30, 2010 and 2009, the ending balance includes \$27.2 billion and \$29.7 billion, respectively, of FFELP Stafford and Other Loans and \$2.5 billion and \$2.6 billion, respectively, of FFELP Consolidation Loans disbursed on or after October 1, 2007, which are affected by CCRAA legislation.

On-Balance Sheet					
Nine Months Ended September 30, 2010					
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total On- Balance Sheet Portfolio
Beginning balance	\$ 52,675	\$ 68,379	\$ 121,054	\$ 22,753	\$ 143,807
Consolidations to third parties	(1,545)	(591)	(2,136)	(33)	(2,169)
Acquisitions(2)	15,075	1,122	16,197	2,961	19,158
Net acquisitions	13,530	531	14,061	2,928	16,989
Securitization-related(3)	5,500	14,797	20,297	12,341	32,638
Sales	(383)	(71)	(454)	—	(454)
Repayments/defaults/other	(4,641)	(3,724)	(8,365)	(2,480)	(10,845)
Ending balance(4)	\$ 66,681	\$ 79,912	\$ 146,593	\$ 35,542	\$ 182,135

Off-Balance Sheet					
Nine Months Ended September 30, 2010					
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Off- Balance Sheet Portfolio
Beginning balance	\$ 5,500	\$ 14,797	\$ 20,297	\$ 12,341	\$ 32,638
Consolidations to third parties	—	—	—	—	—
Acquisitions(2)	—	—	—	—	—
Net acquisitions	—	—	—	—	—
Securitization-related(3)	(5,500)	(14,797)	(20,297)	(12,341)	(32,638)
Sales	—	—	—	—	—
Repayments/defaults/other	—	—	—	—	—
Ending balance	\$ —	\$ —	\$ —	\$ —	\$ —

On-Balance Sheet/Managed Portfolio					
Nine Months Ended September 30, 2010					
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	\$ 58,175	\$ 83,176	\$ 141,351	\$ 35,094	\$ 176,445
Consolidations to third parties	(1,545)	(591)	(2,136)	(33)	(2,169)
Acquisitions(2)	15,075	1,122	16,197	2,961	19,158
Net acquisitions	13,530	531	14,061	2,928	16,989
Securitization-related(3)	—	—	—	—	—
Sales	(383)	(71)	(454)	—	(454)
Repayments/defaults/other	(4,641)	(3,724)	(8,365)	(2,480)	(10,845)
Ending balance(4)	\$ 66,681	\$ 79,912	\$ 146,593	\$ 35,542	\$ 182,135

- (1) FFELP category is primarily Stafford Loans but also includes federally guaranteed PLUS and HEAL loans.
- (2) Includes accrued interest receivable capitalized to principal during the period.
- (3) Represents loans within securitization trusts that we are required to consolidate under GAAP upon the adoption of topic updates to ASC 810 on January 1, 2010 which resulted in consolidating all previously off-balance sheet securitization trusts (see "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — VIE Consolidation Model" for further details).
- (4) As of September 30, 2010, the ending balance includes \$27.2 billion of FFELP Stafford and Other Loans and \$2.5 billion of FFELP Consolidation Loans disbursed on or after October 1, 2007, which are affected by CCRAA legislation.

On-Balance Sheet					
Nine Months Ended September 30, 2009					
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total On- Balance Sheet Portfolio
Beginning balance	\$ 52,476	\$ 71,744	\$ 124,220	\$ 20,582	\$ 144,802
Consolidations to third parties	(790)	(385)	(1,175)	(5)	(1,180)
Acquisitions(2)	20,691	871	21,562	3,562	25,124
Net acquisitions	19,901	486	20,387	3,557	23,944
Securitization-related(3)	425	—	425	—	425
Repayments/defaults/resales/other	(5,697)	(2,984)	(8,681)	(1,644)	(10,325)
Ending balance(4)	\$ 67,105	\$ 69,246	\$ 136,351	\$ 22,495	\$ 158,846

Off-Balance Sheet					
Nine Months Ended September 30, 2009					
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Off- Balance Sheet Portfolio
Beginning balance	\$ 7,143	\$ 15,531	\$ 22,674	\$ 12,917	\$ 35,591
Consolidations to third parties	(317)	(99)	(416)	(12)	(428)
Acquisitions(2)	107	161	268	325	593
Net acquisitions	(210)	62	(148)	313	165
Securitization-related(3)	(425)	—	(425)	—	(425)
Repayments/defaults/resales/other	(573)	(604)	(1,177)	(819)	(1,996)
Ending balance	\$ 5,935	\$ 14,989	\$ 20,924	\$ 12,411	\$ 33,335

Managed Portfolio					
Nine Months Ended September 30, 2009					
	FFELP Stafford and Other(1)	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	\$ 59,619	\$ 87,275	\$ 146,894	\$ 33,499	\$ 180,393
Consolidations to third parties	(1,107)	(484)	(1,591)	(17)	(1,608)
Acquisitions(2)	20,798	1,032	21,830	3,887	25,717
Net acquisitions	19,691	548	20,239	3,870	24,109
Securitization-related(3)	—	—	—	—	—
Repayments/defaults/resales/other	(6,270)	(3,588)	(9,858)	(2,463)	(12,321)
Ending balance(4)	\$ 73,040	\$ 84,235	\$ 157,275	\$ 34,906	\$ 192,181

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

(2) Includes accrued interest receivable capitalized to principal during the period.

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

(4) As of September 30, 2009, the ending balance includes \$29.7 billion of FFELP Stafford and Other Loans and \$2.6 billion of FFELP Consolidation Loans disbursed on or after October 1, 2007, which are affected by CCRAA legislation.

Other Income — Lending Business Segment

The following table summarizes the components of "Core Earnings" other income, net, for our Lending business segment for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Gains on debt repurchases	\$ 18	\$ 74	\$ 199	\$ 463
Late fees and forbearance fees	34	39	111	107
Gains on sales of loans and securities, net	1	12	7	12
Other	4	4	10	9
Total other income, net	\$ 57	\$ 129	\$ 327	\$ 591

The change in other income over the prior periods presented is primarily the result of the gains on debt repurchased. The Company began repurchasing its outstanding debt in the second quarter of 2008. The

[Table of Contents](#)

Company repurchased \$0.9 billion and \$1.4 billion face amount of its senior unsecured notes for the quarters ended September 30, 2010 and 2009, respectively. Since the second quarter of 2008, the Company has repurchased \$8.9 billion face amount of its senior unsecured notes in the aggregate, with maturity dates ranging from 2008 to 2016. The \$12 million gain on sales of loans and securities in the third quarter of 2009 related to the gain on sale of approximately \$840 million face amount of FFELP loans to the ED as part of the ED Purchase Program.

Operating Expense — Lending Business Segment

The following table summarizes the components of operating expenses for our Lending business segment for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Sales and originations	\$ 59	\$ 57	\$ 163	\$ 149
Servicing	107	87	315	252
Corporate overhead	16	17	64	58
Total operating expenses	<u>\$ 182</u>	<u>\$ 161</u>	<u>\$ 542</u>	<u>\$ 459</u>

Operating expenses for our Lending business segment include costs incurred to acquire student loans and to service our Managed student loan portfolio, as well as general and administrative expenses of the segment and allocated corporate overhead. For the quarters ended September 30, 2010 and 2009, operating expenses for our Lending business segment totaled \$182 million and \$161 million, respectively. Operating expenses were 39 basis points and 33 basis points, respectively, of average Managed student loans in the third quarters of 2010 and 2009. The increase from the year-ago quarter was primarily the result of higher legal contingency expenses, higher collection costs from a higher number of loans in repayment and delinquent status, and higher marketing and technology enhancement costs related to Private Education Loans.

ASSET PERFORMANCE GROUP (“APG”) BUSINESS SEGMENT

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

	Three Months Ended September 30, 2010			
	Purchased Paper- Non- Mortgage	Purchased Paper- Mortgage/ Properties	Contingency & Other	Total APG
Contingency fee income	\$ —	\$ —	\$ 84	\$ 84
Collections revenue	13	—	—	13
Total income	13	—	84	97
Direct operating expenses	19	—	47	66
Overhead expenses	—	—	8	8
Operating expenses	19	—	55	74
Restructuring expenses	1	—	1	2
Total expenses	20	—	56	76
Net interest expense	—	—	—	—
Income (loss) from continuing operations before income tax expense (benefit)	(7)	—	28	21
Income tax expense (benefit)	(2)	—	10	8
Net income (loss) from continuing operations	(5)	—	18	13
Income from discontinued operations, net of tax	—	3	—	3
“Core Earnings” net income (loss) attributable to SLM Corporation	<u>\$ (5)</u>	<u>\$ 3</u>	<u>\$ 18</u>	<u>\$ 16</u>
“Core Earnings” net income (loss) attributable to SLM Corporation:				
Continuing operations, net of tax	\$ (5)	\$ —	\$ 18	\$ 13
Discontinued operations, net of tax	—	3	—	3
“Core Earnings” net income (loss) attributable to SLM Corporation	<u>\$ (5)</u>	<u>\$ 3</u>	<u>\$ 18</u>	<u>\$ 16</u>

	Three Months Ended September 30, 2009			
	Purchased Paper- Non- Mortgage	Purchased Paper- Mortgage/ Properties	Contingency & Other	Total APG
Contingency fee income	\$ —	\$ —	\$ 82	\$ 82
Collections revenue	21	—	—	21
Total income	21	—	82	103
Direct operating expenses	32	—	43	75
Overhead expenses	1	—	8	9
Operating expenses	33	—	51	84
Restructuring expenses	—	—	—	—
Total expenses	33	—	51	84
Net interest expense	—	—	—	—
Income (loss) from continuing operations before income tax expense (benefit)	(12)	—	31	19
Income tax expense (benefit)	(4)	—	13	9
Net income (loss) from continuing operations	(8)	—	18	10
Loss from discontinued operations, net of tax	—	(6)	—	(6)
“Core Earnings” net income (loss) attributable to SLM Corporation	\$ (8)	\$ (6)	\$ 18	\$ 4
“Core Earnings” net income (loss) attributable to SLM Corporation:				
Continuing operations, net of tax	\$ (8)	\$ —	\$ 18	\$ 10
Discontinued operations, net of tax	—	(6)	—	(6)
“Core Earnings” net income (loss) attributable to SLM Corporation	\$ (8)	\$ (6)	\$ 18	\$ 4

	Nine Months Ended September 30, 2010			
	Purchased Paper- Non- Mortgage	Purchased Paper- Mortgage/ Properties	Contingency & Other	Total APG
Contingency fee income	\$ —	\$ —	\$ 252	\$ 252
Collections revenue	52	—	—	52
Total income	52	—	252	304
Direct operating expenses	78	—	139	217
Overhead expenses	1	—	29	30
Operating expenses	79	—	168	247
Restructuring expenses	2	—	1	3
Total expenses	81	—	169	250
Net interest expense	—	—	—	—
Income (loss) from continuing operations before income tax expense (benefit)	(29)	—	83	54
Income tax expense (benefit)	(10)	—	30	20
Net income (loss) from continuing operations	(19)	—	53	34
Income from discontinued operations, net of tax	—	3	—	3
“Core Earnings” net income (loss) attributable to SLM Corporation	\$ (19)	\$ 3	\$ 53	\$ 37
“Core Earnings” net income (loss) attributable to SLM Corporation:				
Continuing operations, net of tax	\$ (19)	\$ —	\$ 53	\$ 34
Discontinued operations, net of tax	—	3	—	3
“Core Earnings” net income (loss) attributable to SLM Corporation	\$ (19)	\$ 3	\$ 53	\$ 37

Nine Months Ended September 30, 2009

	Purchased Paper- Non- Mortgage	Purchased Paper- Mortgage/ Properties	Contingency & Other	Total APG
Contingency fee income	\$ 2	\$ —	\$ 228	\$ 230
Collections revenue	88	—	—	88
Total income	90	—	228	318
Direct operating expenses	108	—	127	235
Overhead expenses	3	—	27	30
Operating expenses	111	—	154	265
Restructuring expenses	—	—	—	—
Total expenses	111	—	154	265
Net interest expense	—	—	—	—
Income (loss) from continuing operations before income tax expense (benefit)	(21)	—	74	53
Income tax expense (benefit)	(8)	—	28	20
Net income (loss) from continuing operations	(13)	—	46	33
Loss from discontinued operations, net of tax	—	(59)	—	(59)
Net income (loss)	(13)	(59)	46	(26)
Less: net income attributable to noncontrolling interest	1	—	—	1
"Core Earnings" net income (loss) attributable to SLM Corporation	<u>\$ (14)</u>	<u>\$ (59)</u>	<u>\$ 46</u>	<u>\$ (27)</u>
"Core Earnings" net income (loss) attributable to SLM Corporation:				
Continuing operations, net of tax	\$ (14)	\$ —	\$ 46	\$ 32
Discontinued operations, net of tax	—	(59)	—	(59)
"Core Earnings" net income (loss) attributable to SLM Corporation	<u>\$ (14)</u>	<u>\$ (59)</u>	<u>\$ 46</u>	<u>\$ (27)</u>

In 2008, the Company concluded that its purchased paper businesses were no longer a strategic fit. The Company sold its international Purchased Paper — Non-Mortgage business in the first quarter of 2009. The Company sold all of the assets in its Purchased Paper — Mortgage/Properties business in the fourth quarter of 2009. The Company continues to wind down the domestic side of its Purchased Paper — Non-Mortgage business. The Company will continue to consider opportunities to sell this business at acceptable prices in the future; however, the criteria for this business to be classified as held-for-sale have not been met.

Net income attributable to SLM Corporation from discontinued operations was \$3 million for the third quarter of 2010 compared with a net loss of \$6 million for the third quarter of 2009. The Company sold all of the assets in its Purchased Paper — Mortgage/Properties business in the fourth quarter of 2009 for \$280 million. Because of the sale, the Purchased Paper — Mortgage/Properties business is required to be presented separately as discontinued operations for all periods presented. The year-ago quarter included \$7 million of after-tax asset impairments.

The Company's domestic Purchased Paper — Non-Mortgage business has certain forward purchase obligations under which the Company was committed to buy purchased paper through April 2009. The Company has not bought any additional purchased paper in excess of these obligations. The Company recognized impairments of \$3 million and \$9 million in the third quarters of 2010 and 2009, respectively. The impairments are the result of the impact of the economy on the ability to collect on these assets. Similar to the Purchased Paper — Mortgage/Properties business discussion above, when the Purchased Paper — Non-

[Table of Contents](#)

Mortgage business either sells all of its remaining assets (or qualifies as held-for-sale) or completely winds down its operations, its results will be shown as discontinued operations.

Purchased Paper — Non-Mortgage

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Gross Cash Collections ("GCC")	\$ 44	\$ 72	\$166	\$315
Collections revenue	13	21	52	88
Collections revenue as a percentage of GCC	30%	34%	31%	29%
Carrying value of purchased paper	\$181	\$373	\$181	\$373

Contingency Inventory

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

	September 30, 2010	December 31, 2009	September 30, 2009
Contingency:			
Student loans	\$ 9,781	\$ 8,762	\$ 9,191
Other	1,648	1,262	1,472
Total	<u>\$ 11,429</u>	<u>\$ 10,024</u>	<u>\$ 10,663</u>

Operating Expenses — APG Business Segment

For the quarters ended September 30, 2010 and 2009, operating expenses for the APG business segment totaled \$74 million and \$83 million, respectively. The decrease in operating expenses from the year-ago quarter was primarily due to lower collection costs on the Purchased Paper — Non-Mortgage portfolio. The lower collection costs are the result of the decreasing size of the portfolio given the winding down of the business.

Total On-Balance Sheet Assets — APG Business Segment

At September 30, 2010 and December 31, 2009, the APG business segment had total assets of \$564 million and \$1.1 billion, respectively.

OTHER BUSINESS SEGMENT

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

	Three Months Ended		% Increase (Decrease)	Nine Months Ended		% Increase (Decrease)
	September 30,			September 30,		
	2010	2009	2010 vs. 2009	2010	2009	2010 vs. 2009
Net interest income after provisions for loan losses	\$ 4	\$ 5	(20)%	\$ 13	\$ 14	(7)%
Guarantor servicing fees	16	48	(67)	75	107	(30)
Loan servicing fees	19	17	12	56	35	60
Upromise	28	28	—	86	79	9
Other	9	11	(18)	23	38	(39)
Total other income	72	104	(31)	240	259	(7)
Direct operating expenses	61	56	9	176	154	14
Overhead expenses	2	3	(33)	9	9	—
Operating expenses	63	59	7	185	163	13
Restructuring expenses	(1)	—	(100)	5	2	150
Total expenses	62	59	5	190	165	15
Income from continuing operations, before income tax expense	14	50	(72)	63	108	(42)
Income tax expense	5	18	(72)	23	40	(43)
“Core Earnings” net income attributable to SLM Corporation	\$ 9	\$ 32	(72)%	\$ 40	\$ 68	(41)%

The decrease in guarantor servicing fees compared to the prior periods was primarily due to HCERA being effective as of July 1, 2010 and the Company no longer earning guarantor issuance fees on disbursed guaranteed FFELP loans as well as a lower balance of outstanding FFELP loans in which the Company earns other fees.

In the second quarter of 2009, ED named Sallie Mae as one of four servicers awarded a servicing contract (the “ED Servicing Contract”) to service all federal loans owned by ED. The ED Servicing Contract will span five years with one, five-year renewal at the option of ED. The Company is servicing approximately 2 million accounts under the ED Servicing Contract as of September 30, 2010. Loan servicing fees in the third quarter of 2010 included \$10 million of servicing revenue related to the loans the Company is servicing under the ED Servicing Contract.

United Student Aid Funds, Inc. (“USA Funds”), the nation’s largest guarantee agency, accounted for 84 percent and 85 percent, respectively, of guarantor servicing fees and 1 percent and 3 percent, respectively, of revenues associated with other products and services for the quarters ended September 30, 2010 and 2009.

Operating Expenses — Other Business Segment

The following table summarizes the components of operating expenses for our Other business segment for the three and nine months ended September 30, 2010 and 2009.

	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Operating expenses	\$ 37	\$ 33	\$ 108	\$ 85
Upromise	24	23	68	69
Corporate overhead	2	3	9	9
Total operating expenses	<u>\$ 63</u>	<u>\$ 59</u>	<u>\$ 185</u>	<u>\$ 163</u>

Operating expenses for our Other business segment include direct costs incurred to service loans for unrelated third parties, including the ED Servicing Contract, perform guarantor servicing on behalf of guarantor agencies and operate our Upromise subsidiary, as well as information technology expenses related to these functions. For the quarters ended September 30, 2010 and 2009, operating expenses for the Other business segment totaled \$63 million and \$59 million, respectively. The increase in operating expenses for the third quarter of 2010 over the year-ago quarter was primarily due to higher technology and other expenses related to preparation for higher volumes for the ED Servicing Contract as a result of FFELP Loans that were sold to ED early in the fourth quarter of 2010 as well as Direct Loans allocated to the Company for servicing.

Total On-Balance Sheet Assets — Other Business Segment

At September 30, 2010 and December 31, 2009, the Other business segment had total assets of \$785 million and \$1.2 billion, respectively.

LIQUIDITY AND CAPITAL RESOURCES

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

Historically, we funded new loan originations with a combination of term unsecured debt and student loan asset-backed securities. Following the Proposed Merger announcement in April 2007, we temporarily suspended issuance of unsecured debt and began funding loan originations primarily through the issuance of student loan asset-backed securities and short-term secured student loan financing facilities. We resumed our broader funding strategy in June 2008, when the Company accessed the corporate bond market with a \$2.5 billion issuance of 10-year senior unsecured notes. In August 2008, we began funding new FFELP Stafford and PLUS Loan originations for Academic Year ("AY") 2008-2009 pursuant to ED's Loan Purchase Participation Program (the "Participation Program"). During the fourth quarter of 2008, the Company began retaining its Private Education Loan originations in its banking subsidiary, Sallie Mae Bank, and funding these assets with term bank deposits. In May 2009, we began using the ED Conduit Program to fund FFELP Stafford and PLUS Loans. In January 2010, the Company initiated a relationship with the Federal Home Loan Bank of Des Moines (the "FHLB-DM") to provide funding for FFELP Loans. In March 2010, the Company accessed the corporate bond market with a \$1.5 billion issuance of 10-year senior unsecured notes. We discuss these liquidity sources below.

We continued to use ED's Purchase and Participation Programs to fund FFELP Stafford and PLUS Loans disbursed through September 30, 2010 (see "RECENT DEVELOPMENTS — Legislative and Regulatory Developments" for a further discussion regarding the end of new FFELP originations as of July 1, 2010) and to use deposits at Sallie Mae Bank and term asset-backed securities to fund Private Education Loan originations. We plan to use term asset-backed securities, asset-backed financing facilities, cash flows provided by earnings and repayment of principal on our unencumbered student loan assets and distributions from our

securitization trusts, including servicing fees from these trusts, as well as other sources, to retire maturing debt and provide cash for operations and other needs.

ED Funding Programs

In August 2008, ED implemented the Purchase Program and the Participation Program pursuant to ECASLA. Under the Purchase Program, ED purchases eligible FFELP loans at a price equal to the sum of (i) par value, (ii) accrued interest, (iii) the one-percent origination fee paid to ED, and (iv) a fixed amount of \$75 per loan. Under the Participation Program, ED provides short-term liquidity to FFELP lenders by purchasing participation interests in pools of FFELP loans. FFELP lenders are charged a rate equal to the preceding quarter commercial paper rate plus 0.50 percent on the principal amount of participation interests outstanding. Loans eligible for the Participation or Purchase Programs are limited to FFELP Stafford or PLUS Loans, first disbursed on or after May 1, 2008 but no later than July 1, 2010, with no ongoing borrower benefits other than permitted rate reductions of 0.25 percent for automatic payment processing. In October 2010, the Company sold \$20.4 billion of loans to ED and paid off \$20.3 billion of advances outstanding under the Participation Program which concludes participation in the program.

Also pursuant to ECASLA, on January 15, 2009, ED published summary terms under which it will purchase eligible FFELP Stafford and PLUS Loans from a conduit vehicle established to provide funding for eligible student lenders (the "ED Conduit Program"). Loans eligible for the ED Conduit Program must be first disbursed on or after October 1, 2003, but not later than July 1, 2009, and fully disbursed before September 30, 2009, and meet certain other requirements, including those relating to borrower benefits. The ED Conduit Program was launched on May 11, 2009 and accepted eligible loans through July 1, 2010. The ED Conduit Program expires on January 19, 2014. Funding for the ED Conduit Program is provided by the capital markets at a cost based on market rates, with the Company being advanced 97 percent of the student loan face amount. If the conduit does not have sufficient funds to make the required payments on the notes issued by the conduit, then the notes will be repaid with funds from the Federal Financing Bank ("FFB"). The FFB will hold the notes for a short period of time and, if at the end of that time, the notes still cannot be paid off, the underlying FFELP loans that serve as collateral to the ED Conduit will be sold to ED through a put agreement at a price of 97 percent of the face amount of the loans. As of September 30, 2010, approximately \$15.2 billion face amount of our Stafford and PLUS Loans were funded through the ED Conduit Program. For the third quarter of 2010, the average interest rate paid on this facility was approximately 0.77 percent.

Additional Funding Sources for General Corporate Purposes

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

Secured borrowings, including securitizations, asset-backed commercial paper ("ABCP") borrowings, ED financing facilities and indentured trusts, comprised 84 percent of our Managed debt outstanding at September 30, 2010 versus 82 percent at September 30, 2009.

Sallie Mae Bank

During the fourth quarter of 2008, Sallie Mae Bank, our Utah industrial bank subsidiary, began expanding its deposit base to fund new Private Education Loan originations. Sallie Mae Bank raises deposits through intermediaries in the retail brokered Certificate of Deposit ("CD") market and through retail deposit channels. As of September 30, 2010, bank deposits totaled \$6.0 billion of which \$4.9 billion were brokered term deposits, \$0.8 billion were retail deposits and \$0.3 billion were other deposits. In addition, the bank has deposits from affiliates totaling \$0.5 billion that eliminate in the Company's consolidated balance sheet. Cash and liquid investments totaled \$2.7 billion as of September 30, 2010.

Under Sallie Mae Bank's 2010 business plan submitted to its regulators, Sallie Mae Bank is permitted to declare and pay a dividend to its parent, SLM Corporation. The dividend must be permitted by Utah law and the Bank must be in compliance with its capital standards at the time of payment and be projected to maintain

sufficient capital over a period of time. On October 28, 2010, Sallie Mae Bank paid a cash dividend of \$400 million to the Company.

In addition to its deposit base, Sallie Mae Bank has borrowing capacity with the Federal Reserve Bank ("FRB") through a collateralized lending facility. Borrowing capacity is limited by the availability of acceptable collateral. As of September 30, 2010, borrowing capacity was approximately \$0.6 billion and there were no outstanding borrowings.

ABS Transactions

On February 6, 2009, the Federal Reserve Bank of New York published proposed terms for a program designed to facilitate renewed issuance of consumer and small business ABS at lower interest rate spreads. The Term Asset-Backed Securities Loan Facility ("TALF") was initiated on March 17, 2009 and provided investors who purchase eligible ABS with funding of up to five years. Eligible ABS include 'AAA' rated student loan ABS backed by FFELP and Private Education Loans first disbursed since May 1, 2007. For student loan collateral, TALF expired on March 31, 2010.

In 2009, we completed four FFELP long-term ABS transactions totaling \$5.9 billion. The FFELP transactions were composed primarily of FFELP Consolidation Loans which were not eligible for the ED Conduit Program or TALF.

During 2009, we completed \$7.5 billion of Private Education Loan term ABS transactions, all of which were private placement transactions. On January 6, 2009, we closed a \$1.5 billion 12.5 year ABS based facility ("Total Return Swap Facility"). This facility is used to provide up to \$1.5 billion term financing for Private Education Asset-Backed Securities. The fully utilized cost of financing obtained under this facility is expected to be LIBOR plus 5.75 percent. In connection with this facility, we completed one Private Education Loan term ABS transaction totaling \$1.5 billion in the first quarter of 2009. The net funding received under the ABS based facility for this issuance was \$1.1 billion. The remaining \$6.0 billion of Private Education Loan term ABS transactions were TALF-eligible.

On March 3, 2010, the Company priced a \$1.6 billion Private Education Loan term ABS transaction which was TALF-eligible. The notes settled on March 11, 2010 and the issuance included one \$149 million tranche bearing a coupon of Prime minus 0.05 percent and a second \$1.401 billion tranche bearing a coupon of 1-month LIBOR plus 3.25 percent.

On April 12, 2010, the Company priced a \$1.2 billion FFELP long-term ABS transaction. The transaction settled on April 15, 2010 and includes \$1.2 billion A Notes bearing a coupon of 1-month LIBOR plus 0.40 percent and \$37 million B Notes bearing a coupon of 1-month LIBOR plus 0.90 percent. The B Notes were purchased by the Company in their entirety on the settlement date. This transaction was composed primarily of FFELP Stafford and PLUS loans.

On July 22, 2010, we redeemed our \$1.5 billion SLM Private Education Loan Trust 2009-A ABS issue and closed new offerings of our \$869 million SLM 2010-B and \$1.7 billion SLM 2010-C Private Education Loan Trust ABS issues. Approximately \$875 million of the 2010-B and 2010-C bonds were issued at a weighted average coupon of 1-month LIBOR plus 2.23 percent; the remaining \$1.7 billion of bonds were financed under our Total Return Swap Facility. These concurrent transactions raised approximately \$1.0 billion of net additional cash for the Company.

On August 18, 2010, the Company priced a \$760 million FFELP ABS transaction. The transaction settled on August 26, 2010 and includes \$738 million A Notes bearing a coupon of 1-month LIBOR plus 0.50 percent and \$22 million B Notes bearing a coupon of 1-month LIBOR plus 0.90 percent. The B Notes were purchased by the Company in their entirety on the settlement date. This transaction was composed primarily of FFELP Stafford and PLUS loans.

Although we have demonstrated our access to the ABS market in 2009 and the first nine months of 2010 and we expect ABS financing to remain a primary source of funding over the long term, we also expect our transaction volumes to be more limited and pricing less favorable than prior to the credit market dislocation that

began in the summer of 2007, with significantly reduced opportunities to place subordinated tranches of ABS with investors. At present, while the markets have demonstrated some signs of recovery, we are unable to predict when market conditions will allow for more regular, reliable and cost-effective access to the term ABS market.

Asset-Backed Financing Facilities

During the first quarter of 2008, the Company entered into three new asset-backed commercial paper financing facilities (the "2008 Asset-Backed Financing Facilities") to fund FFELP and Private Education Loans. In 2009, the FFELP facilities were subsequently amended and reduced and the Private Education facility was retired.

On January 15, 2010, the Company terminated the 2008 Asset-Backed Financing Facilities for FFELP and entered into new multi-year ABCP facilities (the "2010 Facility") which will continue to provide funding for the Company's federally guaranteed student loans. The 2010 Facility provides for maximum funding of \$10 billion for the first year, \$5 billion for the second year and \$2 billion for the third year. Upfront fees related to the 2010 Facility were approximately \$4 million. The underlying cost of borrowing under the 2010 Facility for the first year is expected to be commercial paper issuance cost plus 0.50 percent, excluding up-front commitment and unused fees.

Borrowings under the 2010 Facility are non-recourse to the Company. The maximum amount the Company may borrow under the 2010 Facility is limited based on certain factors, including market conditions and the fair value of student loans in the facility. In addition to the funding limits described above, funding under the 2010 Facility is subject to usual and customary conditions. The 2010 Facility is subject to termination under certain circumstances, including the Company's failure to comply with the principal financial covenants in its unsecured revolving credit facility. Increases in the borrowing rate of up to LIBOR plus 4.50 percent could occur if certain asset coverage ratio thresholds are not met. Failure to pay off the 2010 Facility on the maturity date or to reduce amounts outstanding below the annual maximum step downs will result in a 90-day extension of the 2010 Facility with the interest rate increasing from LIBOR plus 2.00 percent to LIBOR plus 3.00 percent over that period. If, at the end of the 90-day extension, these required paydown amounts have not been made, the collateral can be foreclosed upon. As of September 30, 2010, there was approximately \$6.0 billion outstanding in this facility. The book basis of the assets securing this facility at September 30, 2010 was \$6.6 billion.

Federal Home Loan Bank of Des Moines ("FHLB-DM")

On January 15, 2010, HICA Education Loan Corporation ("HICA"), a subsidiary of the Company, entered into a lending agreement with the FHLB-DM. Under the agreement, the FHLB-DM will provide advances backed by Federal Housing Finance Agency approved collateral which includes federally-guaranteed student loans (but does not include Private Education Loans). The initial borrowing of \$25 million at a rate of 0.23 percent under this facility occurred on January 15, 2010 and matured on January 22, 2010. The amount, price and tenor of future advances will vary and will be determined at the time of each borrowing. The maximum amount that can be borrowed, as of September 30, 2010, subject to available collateral, is approximately \$10 billion. As of September 30, 2010, borrowing under the facility totaled \$525 million. The Company has provided a guarantee to the FHLB-DM for the performance and payment of HICA's obligations.

Auction Rate Securities

At September 30, 2010, we had \$3.3 billion of taxable and \$1.0 billion of tax-exempt auction rate securities outstanding in securitizations and indentured trusts, respectively. Since February 2008, problems in the auction rate securities market as a whole led to failures of the auctions pursuant to which certain of our auction rate securities' interest rates are set. As a result, \$3.4 billion of the Company's auction rate securities as of September 30, 2010 bore interest at the maximum rate allowable under their terms. The maximum allowable interest rate on our taxable auction rate securities is generally LIBOR plus 1.50 percent. The maximum allowable interest rate on many of the Company's tax-exempt auction rate securities is a formula driven rate, which produced various maximum rates up to 0.81 percent during the third quarter of 2010. As of September 30, 2010, \$0.9 billion of auction rate securities with shorter weighted average terms to maturity have had successful auctions, resulting in an average rate of 1.67 percent.

Reset Rate Notes

Certain tranches of our term ABS are reset rate notes. Reset rate notes are subject to periodic remarketing, at which time the interest rates on the notes are reset. The Company also has the option to repurchase a reset rate note upon a failed remarketing and hold it as an investment until such time it can be remarketed. In the event a reset rate note cannot be remarketed on its remarketing date, and is not repurchased, the interest rate generally steps up to and remains at LIBOR plus 0.75 percent until such time as the bonds are successfully remarketed or repurchased. The Company's repurchase of a reset rate note requires additional funding, the availability and pricing of which may be less favorable to the Company than it was at the time the reset rate note was originally issued. Unlike the repurchase of a reset rate note, the occurrence of a failed remarketing does not require additional funding. As a result of the ongoing dislocation in the capital markets, at September 30, 2010, \$4.3 billion of our reset rate notes bore interest at, or were swapped to LIBOR plus 0.75 percent due to a failed remarketing. Until capital markets conditions improve, it is possible additional reset rate notes will experience failed remarketings. As of September 30, 2010, the Company had \$4.3 billion and \$2.0 billion of reset rate notes due to be remarketed in 2010 and 2011, respectively, and an additional \$6.5 billion to be remarketed thereafter.

Senior Unsecured Debt

On March 17, 2010, the Company priced a \$1.5 billion issuance of 10-year senior unsecured notes. The notes settled on March 22, 2010 and bear a coupon of 8.00 percent and a maturity of March 25, 2020. The notes were swapped to LIBOR with an all-in cost of LIBOR plus 4.65 percent.

On January 11, 2010, the Company announced that it repurchased \$812 million U.S. dollar equivalent face amount of its senior unsecured notes outstanding, through a tender offer which settled on January 14, 2010. This transaction resulted in a gain of approximately \$45 million.

On May 4, 2010, the Company announced that it repurchased \$1.1 billion U.S. dollar equivalent face amount of its senior unsecured notes outstanding, through a tender offer which settled on May 11, 2010. This transaction resulted in a gain of approximately \$73 million.

On September 24, 2010, the Company announced that it repurchased \$0.7 billion U.S. dollar equivalent face amount of its \$23.3 billion senior unsecured notes outstanding, through a tender offer which settled on September 27, 2010. This transaction resulted in gains of approximately \$11 million. Total repurchases in the third quarter, including the tender offer, totaled \$0.9 billion and resulted in gains of \$18 million. Total repurchases for the nine months ended September 30, 2010, including tender offers, were \$3.6 billion and resulted in gains of \$199 million. The Company began repurchasing its outstanding unsecured debt in the second quarter of 2008. Since that time we have repurchased in both open-market repurchases and public tender offers, \$8.9 billion face amount of our senior unsecured notes in the aggregate, with maturity dates ranging from 2008 to 2016.

On November 3, 2010, the Company announced a tender offer on certain of its Euro and Sterling denominated notes. The Company will accept for purchase up to approximately \$650 million U.S. Dollar equivalent of the notes pursuant to the terms of the offer. It is unknown how much has been accepted at this time as noteholders have through 5:00 PM London time November 11, 2010 to notify the Company of their acceptance of this offer.

Primary Sources of Liquidity and Available Capacity

We expect to fund our ongoing liquidity needs, including the origination of new loans and the repayment of \$3.4 billion of senior unsecured notes to mature in the next twelve months, through our current cash and investment portfolio, cash flow provided by earnings and repayment of principal on unencumbered student loan assets and distributions from our securitization trusts (including servicing fees which have priority payments within the trusts), the 2010 Facility, the issuance of term ABS, term bank deposits, unsecured debt and other sources.

[Table of Contents](#)

To supplement our funding sources, we maintained an additional \$1.6 billion in an unsecured revolving credit facility as of September 30, 2010. This facility matures in October 2011. The principal financial covenants in this unsecured revolving credit facility require the Company to maintain consolidated tangible net worth of at least \$1.38 billion at all times. Consolidated tangible net worth as calculated for purposes of this covenant was \$3.3 billion as of September 30, 2010. The covenants also require the Company to meet either a minimum interest coverage ratio or a minimum net adjusted revenue test based on the four preceding quarters' adjusted "Core Earnings" financial performance. The Company was compliant with both of the minimum interest coverage ratio and the minimum net adjusted revenue tests as of the quarter ended September 30, 2010. In the past, we have not relied upon our unsecured revolving credit facilities as a primary source of liquidity. Although we have never borrowed under these facilities, they are available to be drawn upon for general corporate purposes.

The following table details our main sources of primary liquidity and the available capacity at September 30, 2010 and December 31, 2009.

	September 30, 2010 Available Capacity	December 31, 2009 Available Capacity
Sources of primary liquidity available for new FFELP		
Stafford and PLUS loan originations:		
ED Purchase and Participation Programs(1)	N/A(1)	Unlimited(1)
Sources of primary liquidity for general corporate purposes:		
Unrestricted cash and liquid investments:		
Cash and cash equivalents	\$ 5,875	\$ 6,070
Commercial paper and asset-backed commercial paper	112	1,150
Certificates of deposit	—	—
Other(2)	93	131
Total unrestricted cash and liquid investments(3)(4)(5)	6,080	7,351
Unused commercial paper and bank lines of credit(6)	1,590	3,485
FFELP ABCP Facilities(7)	3,818	1,703
Total sources of primary liquidity for general corporate purposes(8)	\$ 11,488	\$ 12,539

(1) The ED Purchase and Participation Programs provided unlimited funding for eligible FFELP Stafford and PLUS loans made by the Company for the academic years 2008-2009 and 2009-2010. See "ED Funding Programs" discussed earlier in this section. Includes loans that were first disbursed on or after May 1, 2008 and prior to July 1, 2010 and fully disbursed prior to September 30, 2010.

(2) At December 31, 2009, includes \$32 million due from The Reserve Primary Fund. On January 29, 2010, we received \$32 million from the Reserve Primary Fund.

(3) At September 30, 2010 and December 31, 2009, excludes \$0 and \$25 million, respectively, of investments pledged as collateral related to certain derivative positions and \$913 million and \$708 million, respectively, of other non-liquid investments, classified as cash and investments on our balance sheet in accordance with GAAP.

(4) At September 30, 2010 and December 31, 2009, includes \$1.4 billion and \$821 million, respectively, of cash collateral pledged by derivative counterparties and held by the Company in unrestricted cash.

(5) At September 30, 2010 and December 31, 2009, includes \$2.7 billion and \$2.4 billion, respectively, of cash and liquid investments at Sallie Mae Bank. This cash will be used primarily to originate or acquire student loans. Please see the earlier discussion under "Additional Funding Sources for General Corporate Purposes — Sallie Mae Bank" regarding restrictions on Sallie Mae Bank to pay a dividend to the Company.

(6) On May 5, 2010 our bank line of credit was reduced by \$1.9 billion.

(7) Borrowing capacity is subject to availability of collateral. As of September 30, 2010 and December 31, 2009, the Company had \$1.7 billion and \$2.1 billion, respectively, of outstanding unencumbered FFELP loans, net.

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

In addition to the assets listed in the table above, we hold a number of other unencumbered assets, consisting primarily of Private Education Loans and other assets. At September 30, 2010, we had a total of \$24.4 billion of unencumbered assets, excluding goodwill and acquired intangibles. Total student loans, net, comprised \$12.6 billion of this unencumbered asset total of which \$10.9 billion relates to Private Education Loans, net.

[Table of Contents](#)

The following table reconciles encumbered and unencumbered assets and their net impact on total tangible equity.

(Dollars in billions)	September 30, 2010	December 31, 2009
Net assets of consolidated variable interest entities	\$ 13.1	\$ 12.7
Tangible unencumbered assets(1)	24.4	30.1
Unsecured debt	(30.2)	(35.1)
ASC 815 mark-to-market on unsecured hedged debt(2)	(2.4)	(1.9)
Other liabilities, net	(0.8)	(1.7)
Total tangible equity	<u>\$ 4.1</u>	<u>\$ 4.1</u>

(1) Excludes goodwill and acquired intangible assets.

(2) At September 30, 2010 and December 31, 2009, there were \$2.1 billion and \$1.9 billion, respectively, of net gains on derivatives hedging this debt in unencumbered assets, which partially offset these losses.

Counterparty Exposure

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

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

The Company has liquidity exposure related to collateral movements between SLM Corporation and its derivative counterparties. The collateral movements can increase or decrease our primary liquidity depending on the nature of the collateral (whether cash or securities), the Company's and counterparties' credit ratings and on movements in the value of the derivatives, which are primarily affected by changes in interest rate and foreign exchange rates. These movements may require the Company to return cash collateral held or may require the Company to access primary liquidity to post collateral to counterparties. As of September 30, 2010, the Company held \$1.4 billion cash collateral in unrestricted cash accounts. If the Company's credit ratings are downgraded from current levels, it may be required to segregate such collateral in restricted accounts.

[Table of Contents](#)

The table below highlights exposure related to our derivative counterparties at September 30, 2010.

	SLM Corporation and Sallie Mae Bank Contracts	Securitization Trust Contracts
Exposure, net of collateral	\$ 245	\$ 1,351
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3	62%	35%
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's A3	0%	0%

Managed Borrowings

The following tables present the ending balances of our Managed borrowings at September 30, 2010 and 2009, and the average balances and average interest rates of our Managed borrowings for the three and nine months ended September 30, 2010 and 2009. The average interest rates include derivatives that are economically hedging the underlying debt but do not qualify for hedge accounting treatment. (See "BUSINESS SEGMENTS — *Pre-tax Differences between 'Core Earnings' and GAAP by Business Segment — Derivative Accounting — Reclassification of Realized Gains (Losses) on Derivative and Hedging Activities.*")

Ending Balances

	September 30, 2010			September 30, 2009		
	Short Term	Long Term	Total Managed Basis	Short Term	Long Term	Total Managed Basis
Unsecured borrowings	\$ 3,422	\$ 19,177	\$ 22,599	\$ 4,330	\$ 24,869	\$ 29,199
Unsecured term bank deposits	1,618	3,263	4,881	762	5,129	5,891
FHLB-DM facility	525	—	525	—	—	—
ED Participation Program facility (on-balance sheet) ⁽¹⁾	20,226	—	20,226	22,864	—	22,864
ED Conduit Program facility (on-balance sheet)	15,426	—	15,426	14,190	—	14,190
ABCP borrowings (on-balance sheet)	1,152	4,827	5,979	9,434	—	9,434
Securitizations (on-balance sheet)	—	120,720	120,720	—	88,961	88,961
Securitizations (off-balance sheet)	—	—	—	—	34,534	34,534
Indentured trusts (on-balance sheet)	2	1,330	1,332	66	1,629	1,695
Other ⁽²⁾	2,745	—	2,745	1,732	—	1,732
Total	\$45,116	\$149,317	\$194,433	\$53,378	\$155,122	\$208,500

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

(2) At September 30, 2010, other primarily consists of \$1.6 billion of cash collateral held related to derivative exposures that are recorded as a short-term debt obligation, as well as \$1.1 billion of unsecured other bank deposits. At December 31, 2009, other primarily consisted of cash collateral held related to derivative exposures that are recorded as a short-term debt obligation.

Average Balances

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2010		2009		2010		2009	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Unsecured borrowings	\$ 23,782	2.31%	\$ 30,524	1.79%	\$ 25,433	2.11%	\$ 33,021	2.03%
Unsecured term bank deposits	4,964	2.55	5,971	3.48	5,257	2.71	4,419	3.61
FHLB-DM facility	554	.39	—	—	346	.37	—	—
ED Participation Program facility (on-balance sheet)	20,132	.93	19,886	.93	17,283	.81	15,698	1.56
ED Conduit Program facility (on-balance sheet)	15,701	.77	12,219	.87	15,045	.70	5,037	.85
ABCP Borrowings (on-balance sheet) ⁽¹⁾	5,683	1.34	11,639	2.68	7,032	1.24	18,935	2.98
Securitized (on-balance sheet)	120,859	1.07	88,301	1.22	121,463	1.01	84,657	1.48
Securitized (off-balance sheet)	—	—	34,813	.48	—	—	35,843	.89
Indentured trusts (on-balance sheet)	1,404	.81	1,743	.90	1,506	.70	1,861	1.17
Other	2,093	.61	1,477	.25	1,487	.44	1,240	.38
Total	\$ 195,172	1.22%	\$ 206,573	1.27%	\$ 194,852	1.16%	\$ 200,711	1.63%

(1) Included the 2008 Asset-Backed Loan Facility through April 2009.

Unsecured On-Balance Sheet Financing Activities

The following table presents the senior unsecured credit ratings assigned by major rating agencies as of November 5, 2010.

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

The table below presents our unsecured on-balance sheet funding by funding source for the three and nine months ended September 30, 2010 and 2009.

	Debt Issued For the Three Months Ended September 30,		Debt Issued For the Nine Months Ended September 30,		Outstanding at September 30,	
	2010	2009	2010	2009	2010	2009
	Retail notes	\$ —	\$ —	\$ —	\$ —	\$ 3,265
Foreign currency denominated notes ⁽¹⁾	—	—	—	—	6,361	9,900
Global notes (Institutional)	—	—	1,464	—	12,386	15,080
Medium-term notes (Institutional)	—	—	—	—	587	586
Total unsecured corporate borrowings	—	—	1,464	—	22,599	29,199
Unsecured term bank deposits	—	—	—	4,531	4,881	5,891
Total	\$ —	\$ —	\$ 1,464	\$ 4,531	\$ 27,480	\$ 35,090

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

Interest Rate Risk Management

Asset and Liability Funding Gap

The tables below present our assets and liabilities (funding) arranged by underlying indices as of September 30, 2010. In the following GAAP presentation, the funding gap only includes derivatives that qualify as effective hedges (those derivatives which are reflected in net interest margin, as opposed to those reflected in the “gains (losses) on derivatives and hedging activities, net” line on the consolidated statements of income). The difference between the asset and the funding is the funding gap for the specified index. This represents our exposure to interest rate risk in the form of basis risk and repricing risk, which is the risk that the different indices may reset at different frequencies or may not move in the same direction or at the same magnitude.

Management analyzes interest rate risk and in doing so includes all derivatives that are economically hedging our debt whether they qualify as effective hedges or not (“Core Earnings” basis). Accordingly, we are also presenting the asset and liability funding gap on a “Core Earnings” basis in the table that follows the GAAP presentation.

GAAP Basis

Index (Dollars in billions)	Frequency of Variable Resets	Assets	Funding⁽¹⁾	Funding Gap
3-month Commercial paper ⁽²⁾	daily	\$136.7	\$ 20.3	\$ 116.4
3-month Treasury bill	weekly	7.9	—	7.9
Prime	annual	.8	—	.8
Prime	quarterly	5.5	—	5.5
Prime	monthly	23.2	—	23.2
Prime	daily	—	3.1	(3.1)
PLUS Index	annual	.5	—	.5
3-month LIBOR	daily	—	—	—
3-month LIBOR	quarterly	—	121.1	(121.1)
1-month LIBOR	monthly	6.9	14.0	(7.1)
CMT/CPI Index	monthly/quarterly	—	2.4	(2.4)
Non Discrete reset ⁽³⁾	monthly	—	25.7	(25.7)
Non Discrete reset ⁽⁴⁾	daily/weekly	12.8	2.7	10.1
Fixed Rate ⁽⁵⁾		11.8	16.8	(5.0)
Total		\$206.1	\$ 206.1	\$ —

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

(2) Funding includes \$20.2 billion of ED Participation Program facility which resets based on the prior quarter student loan commercial paper index.

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

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

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

The “Funding Gaps” in the above table are primarily interest rate mismatches in short-term indices between our assets and liabilities. We address this issue typically through the use of basis swaps that typically convert quarterly three-month LIBOR to other indices that are more correlated to our asset indices. These basis swaps do not qualify as effective hedges and as a result the effect on the funding index is not included in our interest margin and is therefore excluded from the GAAP presentation.

“Core Earnings” Basis

Index (Dollars in billions)	Frequency of Variable Resets	Assets	Funding(1)	Funding Gap
3-month Commercial paper(2)	daily	\$136.7	\$ 20.3	\$ 116.4
3-month Treasury bill	weekly	7.9	2.0	5.9
Prime	annual	.8	—	.8
Prime	quarterly	5.5	1.5	4.0
Prime	monthly	23.2	9.6	13.6
Prime	daily	—	3.1	(3.1)
PLUS Index	annual	.5	—	.5
3-month LIBOR	daily	—	63.6	(63.6)
3-month LIBOR	quarterly	—	35.2	(35.2)
1-month LIBOR	monthly	6.9	18.7	(11.8)
1-month LIBOR	daily	—	9.0	(9.0)
Non Discrete reset(3)	monthly	—	25.8	(25.8)
Non Discrete reset(4)	daily/weekly	12.8	2.7	10.1
Fixed Rate(5)		9.1	11.9	(2.8)
Total		\$203.4	\$ 203.4	\$ —

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

(2) Funding includes \$20.2 billion of ED Participation Program facility which resets based on the prior quarter student loan commercial paper index.

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

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

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

We use interest rate swaps and other derivatives to achieve our risk management objectives. To the extent possible, we fund our assets with debt (in combination with derivatives) that has the same underlying index (index type and index reset frequency). When it is more economical, we also fund our assets with debt that has a different index and/or reset frequency than the asset, but only in instances where we believe there is a high degree of correlation between the interest rate movement of the two indices. For example, we use daily reset three-month LIBOR to fund a large portion of our daily reset three-month commercial paper indexed assets. In addition, we use quarterly reset three-month LIBOR to fund a portion of our quarterly reset Prime rate indexed Private Education Loans. We also use our monthly Non-Discrete reset and 1-month LIBOR funding to fund various asset types. In using different index types and different index reset frequencies to fund our assets, we are exposed to interest rate risk in the form of basis risk and repricing risk, which is the risk that the different indices that may reset at different frequencies will not move in the same direction or at the same magnitude. While we believe that this risk is low, as all of these indices are short-term with rate movements that are highly correlated over a long period of time, market disruptions can lead to a temporary divergence between indices as was experienced beginning in the second half of 2007 through the second quarter of 2009 with the commercial paper and LIBOR indices. As of September 30, 2010, we have approximately \$78.8 billion of FFELP loans indexed to three-month commercial paper (“3M CP”) that are funded with debt indexed to 3M LIBOR. See “LENDING BUSINESS SEGMENT” in “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS” for further discussion of this CP/LIBOR relationship.

When compared with the GAAP presentation, the “Core Earnings” Basis presentation includes basis swaps that primarily convert quarterly three-month LIBOR to other indices that are more correlated to our asset indices.

[Table of Contents](#)*Weighted Average Life*

The following table reflects the weighted average life of our earning assets and liabilities at September 30, 2010.

<u>(Averages in years)</u>	<u>Weighted Average Life</u>
Earning assets	
Student loans	7.7
Other loans	6.2
Cash and investments	.1
Total earning assets	<u>7.2</u>
Borrowings	
Short-term borrowings	.2
Long-term borrowings	6.8
Total borrowings	<u>5.3</u>

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

COMMON STOCK

The following table summarizes the Company's common share repurchases and issuances for the three and nine months ended September 30, 2010 and 2009.

<u>(Shares in millions)</u>	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Common shares repurchased:				
Benefit plans ⁽¹⁾	.2	.1	.8	.2
Total shares repurchased	<u>.2</u>	<u>.1</u>	<u>.8</u>	<u>.2</u>
Average purchase price per share	<u>\$12.20</u>	<u>\$17.81</u>	<u>\$13.82</u>	<u>\$22.91</u>
Common shares issued	<u>.2</u>	<u>7.0</u>	<u>1.6</u>	<u>7.4</u>
Authority remaining at end of period for repurchases	<u>38.8</u>	<u>38.8</u>	<u>38.8</u>	<u>38.8</u>

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

The closing price of the Company's common stock on September 30, 2010 was \$11.55.

Item 3. Quantitative and Qualitative Disclosures about Market Risk**Interest Rate Sensitivity Analysis**

The Company's interest rate risk management seeks to limit the impact of short-term movements in interest rates on our results of operations and financial position. The following tables summarize the effect on earnings for the three and nine months ended September 30, 2010 and 2009 and the effect on fair values at September 30, 2010 and December 31, 2009, based upon a sensitivity analysis performed by management assuming a hypothetical increase in market interest rates of 100 basis points and 300 basis points while funding spreads remain constant. Additionally, as it relates to the effect on earnings, a sensitivity analysis was performed assuming the funding index increases 25 basis points while holding the asset index constant, if the funding index is different than the asset index. Both of these analyses do not consider any potential

[Table of Contents](#)

mark-to-market losses that may occur related to our Residual Interests (prior to the adoption of topic updates on ASC 810 on January 1, 2010) that may result from asset and funding basis divergence or a higher discount rate that would be used to compute the present value of the cash flows if long-term interest rates increased.

	Three Months Ended September 30, 2010					
	Interest Rates:				Asset and Funding Index Mismatches ⁽¹⁾	
	Change from Increase of 100 Basis Points		Change from Increase of 300 Basis Points		Increase of 25 Basis Points	
	\$	%	\$	%	\$	%
(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	\$ (4)	(1)%	\$ (4)	(1)%	\$ (103)	(21)%
Unrealized gains (losses) on derivative and hedging activities	222	160	221	159	(45)	(32)
Increase in net income before taxes	\$ 218	35%	\$ 217	35%	\$ (148)	(24)%
Increase in diluted earnings per common share	\$ 450	42%	\$ 447	42%	\$ (305)	(29)%

	Three Months Ended September 30, 2009					
	Interest Rates:				Asset and Funding Index Mismatches ⁽¹⁾	
	Change from Increase of 100 Basis Points		Change from Increase of 300 Basis Points		Increase of 25 Basis Points	
	\$	%	\$	%	\$	%
(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	\$ 8	3%	\$ 37	16%	\$ (82)	(36)%
Unrealized gains (losses) on derivative and hedging activities	232	4,065	337	5,898	104	1,819
Increase in net income before taxes	\$ 240	103%	\$ 374	160%	\$ 22	9%
Increase in diluted earnings per common share	\$ 509	204%	\$ 794	318%	\$ 046	19%

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

Nine Months Ended September 30, 2010

	Interest Rates:				Asset and Funding Index Mismatches ⁽¹⁾	
	Change from Increase of 100 Basis Points		Change from Increase of 300 Basis Points		Increase of 25 Basis Points	
	\$	%	\$	%	\$	%
Effect on Earnings						
Increase/(decrease) in pre-tax net income before unrealized gains (losses) on derivative and hedging activities	\$ 1	60%	\$ 20	1,636%	\$ (306)	(25,306)%
Unrealized gains (losses) on derivative and hedging activities	222	73	221	72	(45)	(15)
Increase in net income before taxes	\$223	73%	\$ 241	79%	\$ (351)	(115)%
Increase in diluted earnings per common share	\$.46	827%	\$.496	898%	\$ (.722)	(1,308)%

Nine Months Ended September 30, 2009

	Interest Rates:				Asset and Funding Index Mismatches ⁽¹⁾	
	Change from Increase of 100 Basis Points		Change from Increase of 300 Basis Points		Increase of 25 Basis Points	
	\$	%	\$	%	\$	%
Effect on Earnings						
Increase/(decrease) in pre-tax net income before unrealized gains (losses) on derivative and hedging activities	\$ (89)	(18)%	\$ (84)	(17)%	\$ (241)	(48)%
Unrealized gains (losses) on derivative and hedging activities	232	47	337	69	104	21
Increase in net income before taxes	\$ 143	1,210%	\$ 253	2,139%	\$ (137)	(1,157)%
Increase in diluted earnings per common share	\$.305	180%	\$.540	318%	\$ (.292)	(172)%

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

At September 30, 2010						
(Dollars in millions)	Fair Value	Interest Rates:				
		Change from Increase of 100 Basis Points		Change from Increase of 300 Basis Points		
		\$	%	\$	%	
Effect on Fair Values						
Assets						
Total FFELP student loans	\$147,329	\$ (982)	(1)%	\$(2,013)	(1)%	
Private Education Loans	31,075	—	—	—	—	
Other earning assets	12,927	(1)	—	(2)	—	
Other assets	11,142	(757)	(7)	(1,532)	(14)%	
Total assets	\$202,473	\$(1,740)	(1)%	\$(3,547)	(2)%	
Liabilities						
Interest bearing liabilities	\$187,461	\$ (776)	—%	\$(2,142)	(1)%	
Other liabilities	3,140	(414)	(13)	(181)	(6)	
Total liabilities	\$190,601	\$(1,190)	(1)%	\$(2,323)	(1)%	

At December 31, 2009						
(Dollars in millions)	Fair Value	Interest Rates:				
		Change from Increase of 100 Basis Points		Change from Increase of 300 Basis Points		
		\$	%	\$	%	
Effect on Fair Values						
Assets						
Total FFELP student loans	\$119,747	\$ (470)	—%	\$(979)	(1)%	
Private Education Loans	20,278	—	—	—	—	
Other earning assets	13,472	(4)	—	(11)	—	
Other assets	12,506	(690)	(6)	(1,266)	(10)	
Total assets	\$166,003	\$(1,164)	(1)%	\$(2,256)	(1)%	
Liabilities						
Interest bearing liabilities	\$154,037	\$ (852)	(1)%	\$(2,159)	(1)%	
Other liabilities	3,263	(21)	(1)	547	17	
Total liabilities	\$157,300	\$(873)	(1)%	\$(1,612)	(1)%	

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

During the three and nine months ended September 30, 2010 and 2009, certain FFELP loans were earning Floor Income and we locked in a portion of that Floor Income through the use of Floor Income Contracts. The result of these hedging transactions was to convert a portion of the fixed rate nature of student

loans to variable rate, and to fix the relative spread between the student loan asset rate and the variable rate liability.

In the preceding tables, under the scenario where interest rates increase 100 and 300 basis points, the change in pre-tax net income before the unrealized gains (losses) on derivative and hedging activities is primarily due to the impact of (i) our unhedged on-balance sheet loans being in a fixed-rate mode due to the Embedded Floor Income, while being funded with variable debt in low interest rate environments; and (ii) a portion of our variable assets being funded with fixed debt. Item (i) will generally cause income to decrease when interest rates increase from a low interest rate environment, whereas item (ii) will generally offset this decrease. In the 100 and 300 basis point scenarios for the three months ended September 30, 2010, the decrease in income resulted from item (i) above partially offset by item (ii). In the 100 and 300 basis point scenarios for the nine months ended September 30, 2010, the increase in income resulted from item (ii) having a greater impact than item (i). In the prior year periods, item (ii) resulted in an increase to income in the 100 and 300 basis point scenarios for the three months ended September 30, 2009; while item (i) resulted in a decrease to income for the nine months ended September 30, 2009.

Under the scenario in the tables above labeled “Asset and Funding Index Mismatches,” the main driver of the decrease in pre-tax income before unrealized gains (losses) on derivative and hedging activities is the result of LIBOR-based debt funding commercial paper-indexed assets. See “LIQUIDITY AND CAPITAL RESOURCES — Interest Rate Risk Management — *Asset and Liability Funding Gap*” for a further discussion. Increasing the spread between indices will also impact the unrealized gains (losses) on derivatives and hedging activities as it relates to basis swaps. Basis swaps used to convert LIBOR-based debt to indices that we believe are economic hedges of the indices of the assets being funded resulted in an unrealized loss of \$211 million for the three and nine months ended September 30, 2010, and \$114 million for the three and nine months ended September 30, 2009. Offsetting this unrealized loss are basis swaps that economically hedge our Private Education Loan securitization trusts. Unrealized gains for these basis swaps totaled \$166 million for the three and nine months ended September 30, 2010, and \$218 million for the three and nine months ended September 30, 2009. The change from a net gain in the prior year period to a net loss in the current year period was the impact of basis swap hedges in securitization trusts that were previously off-balance sheet prior to the adoption of topic updates to ASC 810 (see “CRITICAL ACCOUNTING POLICIES AND ESTIMATES — Recently Adopted Accounting Standards — Transfers of Financial Assets and the VIE Consolidation Model” for further discussion).

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

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 1, "Significant Accounting Policies — *Recently Issued Accounting Standards*," to the consolidated financial statements.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2010. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer, concluded that, as of September 30, 2010, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On September 24, 2010, the United States District Court for the District of Columbia in *U.S. ex rel. Batiste v. SLM Corporation* granted the Company's Motion to Dismiss in its entirety. On October 25, 2010, Plaintiff filed a Notice of Appeal with the United States Court of Appeals for the District of Columbia Circuit.

On February 2, 2010, a putative class action suit was filed by a borrower in U.S. District Court for the Western District of Washington (*Mark A. Arthur et al. v. SLM Corporation*). The suit complains that the Company allegedly contacted "tens of thousands" of consumers on their cellular telephones without their prior express consent in violation of the Telephone Consumer Protection Act, § 227 et seq. ("TCPA"). Each violation under the TCPA provides for \$500 in statutory damages (\$1,500 if a willful violation is shown). Plaintiffs seek statutory damages, damages for willful violations, attorneys' fees, costs, and injunctive relief. On April 5, 2010, Plaintiffs filed a First Amended Class Action Complaint changing the defendant from SLM Corporation to Sallie Mae, Inc. The parties in this matter have reached a tentative settlement which is subject to court approval and other conditions. On September 14, 2010, the United States District Court for the Western District of Washington agreed to Plaintiff's Motion for Preliminary Approval of Settlement Agreement. The Company has vigorously denied all claims asserted against it, but agreed to the settlement to avoid the burden and expense of continued litigation. If the settlement receives final approval from the Court, settlement awards will be made to eligible class members on a claims-made basis from a settlement fund of \$19.5 million, and class members may opt out certain calls to their cellular telephones. The Court has set a final approval hearing for December 17, 2010.

On January 25, 2010, the Ninth Circuit Court of Appeals affirmed the federal district court's summary judgment for the Company in the *Anne Chae et al. v. SLM Corporation et. al.* case on all counts on the basis of federal preemption. On March 5, 2010, Plaintiffs/Appellants filed a petition for an "en banc" hearing, which was subsequently denied by the court on April 1, 2010. On June 30, 2010, Plaintiffs/Appellants filed a petition for a writ of certiorari to the United States Supreme Court, which was subsequently denied on October 12, 2010.

In *U.S. ex rel. Oberg v. Nelnet, et al.*, the United States District Court for the Eastern District of Virginia entered a Stipulation of Dismissal on October 25, 2010. The Company was voluntarily dismissed from the case. Southwest Student Services Corporation vigorously denied all claims asserted against it, but agreed to a \$6 million settlement to avoid the burden and expense of continued litigation.

On September 24, 2010, the United States District Court for the Southern District of New York in *In Re SLM Corporation Securities Litigation*, denied in part and granted in part Defendants' Motion to Dismiss. The Court denied the Motion to Dismiss as to Mr. Albert Lord and the Company, but dismissed Mr. C.E. Andrews as a defendant in the action.

On September 24, 2010, the United States District Court for the Southern District of New York in *In Re SLM Corporation ERISA Litigation*, granted Defendants' Motion to Dismiss in its entirety as to all Defendants. On October 8, 2010, Defendants filed a Motion for Attorneys Fees in the United States District Court for the Southern District of New York. On October 8, 2010, Plaintiffs filed a Notice of Appeal to the United States Court of Appeals for the Second Circuit.

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

Item 1A. Risk Factors**Operations.**

We may not successfully accomplish all aspects of the cost-cutting initiatives we intend to implement in connection with the realignment and restructuring of our business, and we may not realize the expected benefits from these cost-reduction initiatives, which could adversely affect our business.

The Company has undertaken and continues to undertake cost-cutting initiatives, including workforce reductions, servicing center closures, restructuring and transfers of business functions to new locations, enhancements to its web-based customer services, adoption of new procurement strategies and investments in operational efficiencies. The success of the Company could be adversely affected by these cost-cutting initiatives because we may be unable to successfully execute on certain growth and other business strategies, and we may not be able to achieve certain business goals or objectives including product development and innovation. Our success in implementing these cost-cutting measures depends on our ability to successfully restructure certain operations and we may not be able to achieve our desired cost savings.

Political.

Changes in laws and regulations that affect the FFELP and consumer lending could affect the profitability of our business.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), legislation to reform and strengthen the regulation of the financial services sector. Several components of the legislation will have an impact on the Company's business lines, including the new Consumer Financial Protection Bureau and new requirements for derivatives and securitizations. These impacts are likely to be similar to those for other financial services companies substantially engaged in consumer lending and will largely depend on the implementing regulations. Management is currently evaluating the impact on the Company.

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

The following table summarizes the Company's common share repurchases during the third quarter of 2010 in connection with the exercise of stock options and vesting of restricted stock to satisfy minimum statutory tax withholding obligations and shares tendered by employees to satisfy option exercise costs. See Note 9, "Stockholders' Equity," to the consolidated financial statements.

(Common shares in millions)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
Period:				
July 1 — July 31, 2010	—	\$ —	—	38.8
August 1 — August 31, 2010	.1	12.02	—	38.8
September 1 — September 30, 2010	.1	11.94	—	38.8
Total third quarter of 2010	.2	\$ 11.94	—	

Item 3. Defaults upon Senior Securities

Nothing to report.

Item 4. (Removed and Reserved).**Item 5. Other Information**

Nothing to report.

Item 6. Exhibits

The following exhibits are furnished or filed, as applicable:

- 10.1 Asset Purchase Agreement between The Student Loan Corporation; Citibank, N.A.; Citibank (South Dakota) National Association; SLC Student Loan Receivables I, Inc., SLM Corporation, Bull Run 1 LLC, SLM Education Credit Finance Corporation and Sallie Mae, Inc., filed with this Form 10-Q.
- 31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101 The following materials from SLM Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, formatted in XBRL ("Extensible Business Reporting Language"): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Changes in Stockholders' Equity; (iv) the Consolidated Statements of Cash Flows; and (v) Notes to the Consolidated Financial Statements, tagged as blocks of text.

SIGNATURES

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

SLM CORPORATION
(Registrant)

By: /s/ John F. Remondi

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

Date: November 8, 2010

GLOSSARY

Listed below are definitions of key terms that are used throughout this document. See also APPENDIX A, "FEDERAL FAMILY EDUCATION LOAN PROGRAM," included in SLM Corporation's (the Company's) 2009 Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC" on February 26, 2010, for a further discussion of the FFELP.

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

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

"Core Earnings" — The Company prepares financial statements in accordance with generally accepted accounting principles in the United States of America ("GAAP"). In addition to evaluating the Company's GAAP-based financial information, management evaluates the Company's business segments on a basis that, as allowed under the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 280, "Segment Reporting," differs from GAAP. The Company refers to management's basis of evaluating its segment results as "Core Earnings" presentations for each business segment and refers to these performance measures in its presentations with credit rating agencies and lenders. While "Core Earnings" results are not a substitute for reported results under GAAP, the Company relies on "Core Earnings" performance measures in operating each business segment because it believes these measures provide additional information regarding the operational and performance indicators that are most closely assessed by management.

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

See Note 17, "Segment Reporting," to the consolidated financial statements and "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — BUSINESS SEGMENTS — Limitations of 'Core Earnings' — *Pre-tax Differences between 'Core Earnings' and GAAP by Business Segment*" for further discussion of the differences between "Core Earnings" and GAAP, as well as reconciliations between "Core Earnings" and GAAP.

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

Direct Lending; Direct Loans — Educational loans provided by the DSLP (see definition, below) to students and parent borrowers directly through ED (see definition below) rather than through a bank or other lender.

DSLP — The William D. Ford Federal Direct Loan Program.

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

ED — The U.S. Department of Education.

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

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

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

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

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

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

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

[Table of Contents](#)

borrower interest rate is reset annually on July 1, the Company may earn Floor Income to the next reset date. In accordance with legislation enacted in 2006, lenders are required to rebate Floor Income to ED for all FFELP loans disbursed on or after April 1, 2006.

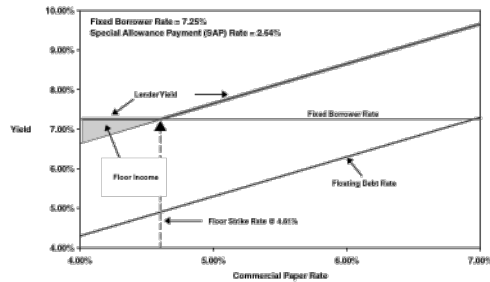
The following example shows the mechanics of Floor Income for a typical fixed rate FFELP Consolidation Loan (with a commercial paper-based SAP spread of 2.64 percent):

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

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

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

Graphic Depiction of Floor Income:



Floor Income Contracts — The Company enters into contracts with counterparties under which, in exchange for an upfront fee representing the present value of the Floor Income that the Company expects to earn on a notional amount of underlying student loans being economically hedged, the Company will pay the counterparties the Floor Income earned on that notional amount over the life of the Floor Income Contract. Specifically, the Company agrees to pay the counterparty the difference, if positive, between the fixed borrower rate less the SAP (see definition below) spread and the average of the applicable interest rate index on that notional amount, regardless of the actual balance of underlying student loans, over the life of the contract. The contracts generally do not extend over the life of the underlying student loans. This contract effectively locks in the amount of Floor Income the Company will earn over the period of the contract. Floor Income Contracts are not considered effective hedges under ASC 815, "Derivatives and Hedging," and each quarter the Company must record the change in fair value of these contracts through income.

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

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

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

Managed Basis — Prior to the adoption of topic updates to the FASB's ASC 810, "Consolidation," the Company generally analyzed the performance of its student loan portfolio on a Managed Basis. The Company previously viewed 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. On January 1, 2010, upon the adoption of topic updates of ASC 810, the Company consolidated its previously off-balance sheet securitization trusts at their historical cost basis. After the adoption of topic updates to ASC 810, the Company's results of operations no longer reflect securitization servicing and Residual Interest revenue related to these securitization trusts, but instead report interest income, provisions for loan losses associated with the securitized assets and interest expense associated with the debt issued from the securitization trusts to third parties, consistent with the Company's accounting treatment of prior on-balance securitization trusts. As of January 1, 2010, there are no longer differences between the Company's GAAP and "Core Earnings" presentation for securitization accounting. As a result, effective January 1, 2010, our Managed and on-balance sheet (GAAP) student loan portfolios are the same.

Management allocates capital on a Managed Basis. This accounting change will not impact management's view of capital adequacy for the Company. When the term Managed is capitalized in this document, it is referring to Managed Basis.

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

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

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

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

Residual Interest — Prior to the adoption of topic updates to ASC 810, (see Managed Basis definition above) when the Company previously securitized student loans, it retained the right to receive cash flows from

[Table of Contents](#)

the student loans sold to trusts that it sponsored in excess of amounts needed to pay servicing, derivative costs (if any), other fees, and the principal and interest on the bonds backed by the student loans. The Residual Interest, which may also have also included reserve and other cash accounts, was the present value of these future expected cash flows, which included the present value of any Embedded Fixed Rate Floor Income described above. The Company valued the Residual Interest at the time of sale of the student loans to the trust and as of the end of each subsequent quarter.

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

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

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

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

A schedule of SAP rates is set forth on pages A-7 and A-8 of the Company's 2009 Annual Report on Form 10-K.

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

ASSET PURCHASE AGREEMENT

by and among

THE STUDENT LOAN CORPORATION,
as Seller, Servicer, SPV Administrator and Sponsor,

CITIBANK, N.A.,
in its individual capacity and as Depositor Eligible Lender Trustee, Conduit Eligible Lender Trustee, Securitization Eligible Lender Trustee, Omnibus Lender and Indenture Administrator,

CITIBANK (SOUTH DAKOTA) NATIONAL ASSOCIATION,
as Subservicer, Sub-Subservicer, Custodian and SPV Sub-Administrator,

SLC STUDENT LOAN RECEIVABLES I, INC.,
as Depositor,

SLM CORPORATION,
in its individual capacity,

BULL RUN 1 LLC,
as Securitization Buyer and Conduit Buyer,

SLM EDUCATION CREDIT FINANCE CORPORATION,
as successor Sponsor,

and

SALLIE MAE, INC.,
as successor Subservicer, successor Sub-Administrator and successor SPV Administrator

Dated as of September 17, 2010

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS, ACCOUNTING TERMS AND INTERPRETATION	2
Section 1.1 Defined Terms	2
Section 1.2 Computation of Time Periods	3
Section 1.3 Accounting Terms and Principles	3
Section 1.4 Certain Terms	3
Section 1.5 Disclosure Schedule	4
ARTICLE II PURCHASE OF TRUST CERTIFICATES	4
Section 2.1 Purchase and Sale	4
Section 2.2 Accession Agreement	6
Section 2.3 Opinions	7
Section 2.4 Rating Agencies	7
Section 2.5 Partial Release of Security Interest	7
Section 2.6 Intent and Characterization	7
ARTICLE III ASSUMPTION OF SECURITIZATION DUTIES	8
Section 3.1 Duties of Indenture Administrator	8
Section 3.2 Securitization Eligible Lender Trustee	8
Section 3.3 Appointment of Sub-Administrator	8
Section 3.4 Assumption of Duties of Subservicer	9
Section 3.5 Assumption of Obligations of the Seller under the Securitization Master Terms Purchase Agreements	10
Section 3.6 Makewhole and Participation Agreement	10
Section 3.7 Costs and Expenses	10
ARTICLE IV PURCHASE OF FUNDING NOTE ISSUER	11
Section 4.1 Purchase and Sale	11
Section 4.2 No Dividends, Repayments or Returns of Capital Contributions; Excess Cash	12
Section 4.3 Opinions	13
Section 4.4 Assignment and Assumption	13
Section 4.5 Consents	13
Section 4.6 Release	13
Section 4.7 Intent and Characterization	14
ARTICLE V ASSUMPTION OF CONDUIT DUTIES	14
Section 5.1 Department Agreements	14
Section 5.2 Conduit Subservicing	14
Section 5.3 Conduit Administration	14
Section 5.4 Termination of Subordinated Credit Agreement	15
Section 5.5 Conduit Eligible Lender Trustee	15

TABLE OF CONTENTS
(continued)

	<u>Page</u>
Section 5.6 Consents; Costs and Expenses	15
ARTICLE VI DEPOSITOR AGREEMENT	16
ARTICLE VII REPRESENTATIONS AND WARRANTIES	16
Section 7.1 Representations and Warranties of each Party	16
Section 7.2 Additional Representations and Warranties of the Seller	18
Section 7.3 Additional Representations and Warranties of each Buyer	25
Section 7.4 Additional Representations and Warranties of Buyer Parent	26
ARTICLE VIII CLOSING	27
Section 8.1 Closing	27
ARTICLE IX CONDITIONS PRECEDENT	27
Section 9.1 Conditions to the Obligations of the Parties	27
Section 9.2 Conditions to the Obligations of the Buyer Parties	28
Section 9.3 Conditions to the Obligations of the Seller Parties	29
Section 9.4 Closing Documents	30
ARTICLE X COVENANTS	31
Section 10.1 No Public Announcements	31
Section 10.2 Proxy Statement	32
Section 10.3 Stockholders' Meeting	33
Section 10.4 No Solicitation of Competing Proposal	33
Section 10.5 Appropriate Action; Consents; Filings	38
Section 10.6 Access to Information; Confidentiality	40
Section 10.7 Non-Solicit	41
Section 10.8 Related Transaction Documents	42
Section 10.9 Agreements with Other Parties	42
Section 10.10 Conduct of Business by the Seller Pending the Closing	42
Section 10.11 Merger Transaction Restructuring	44
ARTICLE XI TERMINATION, AMENDMENT AND WAIVER	45
Section 11.1 Termination	45
Section 11.2 Effect of Termination	47
Section 11.3 Termination Fee	47
Section 11.4 Amendment	49
Section 11.5 Waiver	49
ARTICLE XII CERTAIN LIABILITY MATTERS	49
Section 12.1 No Assumption of Liability	49

TABLE OF CONTENTS
(continued)

	<u>Page</u>
Section 12.2 Release	50
ARTICLE XIII MISCELLANEOUS	50
Section 13.1 Assignments	50
Section 13.2 Costs and Expenses	50
Section 13.3 Use of Proceeds	50
Section 13.4 Relationship of Parties	50
Section 13.5 Non-Petition Covenants	50
Section 13.6 Notices, Etc.	51
Section 13.7 Entire Agreement; No Third Party Beneficiaries	51
Section 13.8 Governing Law	51
Section 13.9 Submission to Jurisdiction; Service of Process	52
Section 13.10 Waiver of Jury Trial	52
Section 13.11 Further Assurances	53
Section 13.12 Severability	53
Section 13.13 Section Titles	53
Section 13.14 Execution in Counterparts	53
Section 13.15 Specific Performance	53

APPENDICES

- Appendix A - Definitions
- Appendix B - List of Trust Certificates
- Appendix C - Intentionally Omitted
- Appendix D - Notices
- Appendix E - Seller Representations and Warranties with Respect to Trust Student Loans
- Appendix F - Seller Representations and Warranties with Respect to Financed Student Loans

EXHIBITS

Ancillary Agreements

- Exhibit A - Voting Agreement
- Exhibit B - Indemnification Agreement

Securitization

- Exhibit 2.1 - Form of Trust Certificates Bill of Sale
- Exhibit 2.1(a) - Model Purchase Price Calculation
- Exhibit 2.2 - Form of Accession Agreement for Trust Certificates
- Exhibit 2.5 - Form of Partial Release of Security Interest
- Exhibit 3.3(a)(i) - Form of Sub-Administration Agreement
- Exhibit 3.3(a)(ii) - Form of Sub-Sub-Administration Agreement
- Exhibit 3.3(a)(iii) - Form of Administration Services Agreement
- Exhibit 3.4(a)(i) - Form of Replacement Subservicing Agreement
- Exhibit 3.4(a)(ii) - Form of Sub-Subservicing Agreement
- Exhibit 3.4(a)(iii) - Form of Servicing Services Agreement
- Exhibit 3.5 - Form of Assumption of Obligations of the Seller under Master Terms Purchase Agreements
- Exhibit 3.6 - Form of Makewhole and Participation Agreement

Conduit

- Exhibit 4.4 - Form of Conduit Bill of Sale
- Exhibit 4.6 - Form of Conduit Mutual Release
- Exhibit 5(a) - List of Conduit Documents
- Exhibit 5.1 - Department Form Agreements
- Exhibit 5.2(i) - Forms of Conduit Replacement Subservicing Agreement
- Exhibit 5.2(ii) - Form of Conduit Servicing Services Agreement

- Exhibit 5.3(b) - Form of SPV Sub-Administration Agreement
- Exhibit 5.3(c) - Form of Conduit Services Agreement

Depositor

- Exhibit 6 - Form of Depositor Agreement

Closing

- Exhibit 9.2 - Form of Seller Satisfaction Certificate
- Exhibit 9.3 - Form of Buyer Satisfaction Certificate

General

- Exhibit 10.6(b) - Form of Amended and Restated Confidentiality Agreement
- Exhibit 12.2 - Form of Buyer/Seller Release

SCHEDULES

- Schedule A - Buyer Disclosure Schedule
- Schedule B - Seller Disclosure Schedule
- Schedule C - Assigned Contracts

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (as the same may be amended or otherwise modified from time to time in accordance with the terms hereof, this "Agreement"), dated as of September 17, 2010 (the "Commitment Date") is entered into by and among (i) The Student Loan Corporation, a Delaware corporation, as Seller, Servicer, SPV Administrator and Sponsor; (ii) Citibank, N.A., a national banking association, in its individual capacity and as Depositor Eligible Lender Trustee, Conduit Eligible Lender Trustee, Securitization Eligible Lender Trustee, Omnibus Lender and Indenture Administrator ("CBNA"); (iii) Citibank (South Dakota) National Association, a national banking association, as Subservicer, Sub-Subservicer, Custodian and SPV Sub-Administrator ("CSD"); (iv) SLC Student Loan Receivables I, Inc., a Delaware corporation, as Depositor, (v) SLM Corporation, a Delaware corporation, in its individual capacity ("Buyer Parent"); (vi) Bull Run 1 LLC, a Delaware limited liability company, as Securitization Buyer and Conduit Buyer; (vii) SLM Education Credit Finance Corporation, a Delaware corporation, as successor Sponsor ("Buyer Entity"); and (viii) Sallie Mae, Inc., a Delaware corporation, as successor Subservicer, successor Sub-Administrator and successor SPV Administrator (the "Buyer Subsidiary").

WITNESSETH:

WHEREAS, concurrently with the execution of this Agreement, The Student Loan Corporation is entering into an Asset Purchase Agreement, dated as of the date of this Agreement, by and among The Student Loan Corporation, CBNA, and CSD (as the same may be amended or otherwise modified from time to time in accordance with the terms thereof, the "CBNA Transaction Agreement"), and the transactions contemplated by the CBNA Transaction Agreement, the "CBNA Transaction"), pursuant to which, subject to the terms and conditions of the CBNA Transaction Agreement, immediately prior to the Closing, The Student Loan Corporation will sell to CBNA certain assets of The Student Loan Corporation, and CBNA will assume all the liabilities of The Student Loan Corporation and its Subsidiaries (other than the liabilities to be assumed by Buyer Parent pursuant to the Transactions and retained liabilities to remain with the Seller pursuant to the Merger Transaction);

WHEREAS, concurrently with the execution of this Agreement and the CBNA Transaction Agreement, The Student Loan Corporation is entering into an Agreement and Plan of Merger, dated as of the date of this Agreement (as the same may be amended or otherwise modified from time to time in accordance with the terms thereof, the "Merger Transaction Agreement"), and the transactions contemplated by the Merger Transaction Agreement, the "Merger Transaction"), by and among Discover Bank, a Delaware banking corporation ("Merger Buyer"), Academy Acquisition Corp, a Delaware corporation and The Student Loan Corporation, pursuant to which, subject to the terms and conditions of the Merger Transaction Agreement, immediately following the Closing, Academy Acquisition Corp. will merge with and into The Student Loan Corporation, with The Student Loan Corporation continuing as the surviving corporation, and the outstanding shares of common stock of The Student Loan Corporation (other than as specified in the Merger Transaction Agreement) will be converted into the right to receive the Merger Consideration (as defined in the Merger Transaction Agreement);

WHEREAS, the Seller is the owner of Trust Certificates, each evidencing 100% of the beneficial interest in a Securitization Trust securitizing a portfolio of FFELP Loans, which were sold by the Seller to the Depositor and by the Depositor to such Securitization Trust;

WHEREAS, the Trust Certificates are pledged to CBNA under the terms of the Omnibus Credit Agreement;

WHEREAS, the Seller has sold beneficial interests in FFELP Loans to SLC Conduit I LLC, a Delaware limited liability company (the "Funding Note Issuer"), a wholly-owned Subsidiary of the Seller, that finances such FFELP Loans through advances that are provided by Straight-A Funding, LLC, a conduit program, and that are secured by such FFELP Loans;

WHEREAS, the Seller, either directly or through Affiliates, provides loan servicing and other administrative services with respect to the Securitization Trusts and the Funding Note Issuer;

WHEREAS, the Seller and its Subsidiaries desire to sell, and Buyer Parent and certain of its Affiliates desire to purchase, the Seller's interest in the Trust Certificates and the Seller's entire Membership Interest in the Funding Note Issuer;

WHEREAS, CBNA will acquire a trust certificate evidencing the 100% beneficial interest in the 2010-1 Trust and the Depositor in the CBNA Transaction;

WHEREAS, the Seller and its Affiliates desire to assign or delegate certain of their administrative and loan servicing duties and obligations with respect to the Securitization Trusts and the 2010-1 Trust and the Funding Note Issuer, and Buyer Parent and certain of its Affiliates desire to assume, pay, perform and otherwise accept or discharge such duties and obligations; and

WHEREAS, concurrently with the execution of this Agreement, and as a condition to the willingness of the Buyer Parties to enter into this Agreement, CBNA is entering into (i) a Voting Agreement by and between Buyer Parent and Merger Buyer, a copy of which is attached as Exhibit A hereto (the "Voting Agreement") and (ii) an Indemnification Agreement with Buyer Parent, a copy of which is attached as Exhibit B hereto (the "Indemnification Agreement").

NOW, THEREFORE, in consideration of the foregoing, and of the representations, warranties, covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto intending to be legally bound hereby agree as follows:

ARTICLE I

DEFINITIONS, ACCOUNTING TERMS AND INTERPRETATION

Section 1.1 Defined Terms

Capitalized terms used but not otherwise defined herein shall have the meanings set forth in Appendix A of this Agreement (such meanings to be equally applicable to both

singular and plural forms of the terms defined). Appendix A and the other appendices, exhibits and schedules to this Agreement shall constitute a part of this Agreement.

Section 1.2 Computation of Time Periods

In this Agreement, in the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding” and the word “through” means “to and including.”

Section 1.3 Accounting Terms and Principles

All accounting terms not specifically defined herein shall be construed in accordance with GAAP and all accounting determinations required to be made pursuant hereto shall, unless expressly otherwise provided herein, be made in accordance with GAAP.

Section 1.4 Certain Terms

(a) The terms “herein,” “hereof,” “hereto” and “hereunder” and similar terms refer to this Agreement as a whole and not to any particular Article, Section, subsection or clause in this Agreement.

(b) Unless otherwise expressly indicated herein, (i) references in this Agreement to an Appendix, Exhibit, Schedule, Article, Section, clause or sub-clause refer to the appropriate Appendix, Exhibit or Schedule to, or Article, Section, clause or sub-clause in this Agreement and (ii) the words “above” and “below,” when following a reference to a clause or a sub-clause of any Transaction Document, refer to a clause or sub-clause within, respectively, the same Section or clause of such Transaction Document.

(c) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term.

(d) References in this Agreement to any statute shall be to such statute as amended or modified from time to time and to any successor legislation thereto, in each case as in effect at the time any such reference is operative.

(e) The term “including” when used in any Transaction Document means “including without limitation” except when used in the computation of time periods.

(f) The terms “Seller” and “Buyers” include their respective permitted successors and assigns hereunder.

(g) References in this Agreement (including in Appendix A) to another agreement or instrument shall mean such agreement or instrument as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, except if pursuant to the terms of this Agreement any such agreement or instrument may only be amended, supplemented or otherwise modified with the consent of a party hereto, and then only if such consent is obtained. In addition, if pursuant to the terms of this Agreement any

agreement or instrument is required to be amended, modified, restated or supplemented pursuant to this Agreement, any reference in this Agreement (including in Appendix A) to such agreement or instrument shall, unless otherwise separately defined herein, include such agreement or instrument as it has been amended, modified, restated or supplemented as required pursuant to this Agreement.

(h) In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

(i) The Seller will have been deemed to have “made available” or “furnished” to Buyer Parent any documents referred to in this Agreement if the Seller has posted (or has caused to have been posted) true, correct and complete copies of such documents to the Data Room prior to the date of this Agreement.

Section 1.5 Disclosure Schedule

The Buyers and the Seller hereby acknowledge and agree that the disclosure of any item in any section of the Buyer Disclosure Schedule or the Seller Disclosure Schedule shall also be deemed to be disclosed with respect to any other section of the Buyer Disclosure Schedule or the Seller Disclosure Schedule, respectively, to which the relevance of such item is readily apparent on its face.

ARTICLE II

PURCHASE OF TRUST CERTIFICATES

Section 2.1 Purchase and Sale

(a) On the terms and subject to the satisfaction of the conditions set forth in this Agreement, including the conditions precedent set forth in ARTICLE IX and in reliance on the representations, warranties, covenants and agreements set forth in this Agreement, on the Closing Date, (i) the Seller hereby agrees to sell, transfer, assign and grant to the Securitization Buyer, without recourse to the Seller and without representations or warranties (except as specifically set forth herein), and the Securitization Buyer agrees to purchase from the Seller, the Seller’s right, title and interest in, to and under each of the Trust Certificates listed in Appendix B at its respective Certificate Purchase Price, in consideration of the payment of the aggregate Estimated Certificate Purchase Price to the Seller in the manner provided in Section 2.1(b) and subsequently adjusted pursuant to Section 2.1(e) and the agreement by the Securitization Buyer to assume, pay, perform and otherwise accept or discharge certain obligations and liabilities of a holder of such Trust Certificates, and (ii) the Securitization Buyer hereby agrees to assume, pay, perform and accept or otherwise discharge all such obligations and liabilities related to such Trust Certificates and the Securitization Trusts from and after the Closing. The aggregate Estimated Certificate Purchase Price will be based upon the Schedule of Trust Student Loans determined as of the Applicable Measuring Date (or, if the information is not available, as of the most recent month end for which information is available) (the “Initial

Cutoff Date”), will be prepared on a basis consistent with the Model Purchase Price Calculation attached hereto as Exhibit 2.1(a) (the “Model Purchase Price Calculation”) and will be further adjusted after the Closing Date pursuant to Section 2.1(e) based upon the Schedule of Trust Student Loans determined as of the Applicable Measuring Date.

(b) Delivery or transfer of the Trust Certificates shall be made on the Closing Date at the time and in the manner agreed upon by the Seller and the Securitization Buyer, but in any event prior to the consummation of the Merger Transaction. On the Closing Date, the Securitization Buyer shall pay or cause to be paid to CBNA, as designee of the Seller, the Estimated Certificate Purchase Price for each Trust Certificate by wire transfer of immediately available funds in U.S. dollars to the account specified by CBNA to the Securitization Buyer by written notice at least two Business Days prior to the Closing Date. Upon receipt of evidence of the payment of the aggregate Estimated Certificate Purchase Price and receipt of a fully executed Accession Agreement, the Seller shall cause the Trust Certificates, accompanied by a written instrument of transfer and such signature guarantees and evidence of authority of the Persons signing the instrument of transfer as the Owner Trustee may require in accordance with the Securitization Trust Agreements, to be delivered along with the Accession Agreement and the Opinions of Counsel described in Section 2.3 to the Owner Trustee for transfer and for issuance of new Trust Certificates in the name of the Securitization Buyer or its designee.

(c) The sale and purchase of the Trust Certificates on the Closing Date shall be consummated upon (i) the execution and delivery by the Seller and the Securitization Buyer of the Trust Certificates Bill of Sale (which will include a Schedule of Trust Student Loans determined as of the Initial Cutoff Date), (ii) the payment by the Securitization Buyer to CBNA, as designee of the Seller, of the aggregate Estimated Certificate Purchase Price in the manner provided in Section 2.1(b), (iii) the assignment to the Securitization Buyer of the Trust Certificates in accordance with the applicable requirements under the related Securitization Trust Agreements, (iv) the Seller’s receipt of an executed Buyer Satisfaction Certificate and (v) the Securitization Buyer’s receipt of an executed Seller Satisfaction Certificate. Upon the satisfaction of such conditions, such sale and purchase shall be effective as of the Closing Date, prior to the consummation of the Merger Transaction.

(d) If the Owner Trustee requires the payment of a sum sufficient to cover the payment of any Taxes or other government charges required to be paid in connection with the sale and purchase of the Trust Certificates pursuant to Section 2.1(b), such sum shall be paid by the Buyer Parent and CBNA as provided in the Indemnification Agreement.

(e) Seller shall timely provide any information reasonably requested by the Buyer Parent to prepare an adjusted Schedule of Trust Student Loans, so that within fifteen (15) Business Days after the Closing Date, the Buyer Parent shall provide the Seller and CBNA with an adjusted Schedule of Trust Student Loans determined as of the Applicable Measuring Date and shall recalculate the Certificate Purchase Price for each Trust Certificate based upon such schedule to determine the aggregate Closing Certificate Purchase Price, with such calculation to be prepared on a basis consistent with the Model Purchase Price Calculation. CBNA shall have ten (10) Business Days to review and comment on the adjusted Schedule of Trust Student Loans and the adjusted Certificate Purchase Prices, including the aggregate Closing Certificate Purchase Price. During this period the Seller and Buyer Parent (to the extent available to it) will

provide information relating to the adjusted Schedule of Trust Student Loans and adjusted Certificate Purchase Prices as reasonably requested by CBNA and Buyer Parent, and Buyer Parent will meet with CBNA to discuss this information and the calculations. CBNA and Buyer Parent will reimburse Seller for its reasonable expenses incurred in connection with performing its obligations under this Section 2.1. If during this ten (10) Business Day period CBNA notifies the Buyer Parent that CBNA disagrees with these calculations, Buyer Parent and CBNA will meet to attempt to resolve any differences. If they are unable to agree on the adjustments within the next thirty (30) days, then the Buyer Parent and CBNA will be free to pursue an additional review by jointly selecting an independent accounting firm to review the calculations and make a determination as to the Closing Certificate Purchase Price. If CBNA and the Buyer Parent are unable to agree on an accounting firm, then they will apply to the American Arbitration Association to make the selection. (The independent accounting firm selected pursuant to this Section 2.1(e) is referred to herein as the "Arbitration Firm"). The Arbitration Firm will be instructed to complete its review within twenty (20) days and to calculate the Closing Certificate Purchase Price in accordance with this Section 2.1 and the Model Purchase Price Calculation. The decision of the Arbitration Firm will be final and binding on the Buyer Parent and CBNA.

(f) If the aggregate Closing Certificate Purchase Price exceeds the aggregate Estimated Certificate Purchase Price (as finally determined pursuant to Section 2.1(e)), then the Securitization Buyer shall pay CBNA the amount of such excess no later than ten (10) Business Days after the Closing Date by wire transfer of immediately available funds in U.S. dollars to the account specified by CBNA to the Securitization Buyer by written notice at least two Business Days prior to such payment. If the aggregate Closing Certificate Purchase Price is less than the aggregate Estimated Certificate Purchase Price, then CBNA on behalf of the Seller shall refund the Securitization Buyer the amount of such difference within ten (10) Business Days after the Closing Date by wire transfer of immediately available funds in U.S. dollars to the account specified by the Securitization Buyer to CBNA by written notice at least two Business Days prior to such payment. The Securitization Buyer acknowledges and agrees that the Seller shall have no responsibility for, or liability with respect to, the making of any payment required pursuant to the preceding sentence. The Seller and the Securitization Buyer shall each amend the Trust Certificates Bill of Sale to reflect the adjusted Schedule of Trust Student Loans determined as of the Closing Date and the aggregate Closing Certificate Purchase Price. If the aggregate Closing Certificate Purchase Price is less than the aggregate Estimated Certificate Purchase Price then CBNA on behalf of the Seller shall refund the Securitization Buyer the amount of such difference no later than ten (10) Business Days after the Closing Date by wire transfer of immediately available funds in U.S. dollars to the account specified by the Securitization Buyer to CBNA by written notice at least (2) two Business Days prior to such payment. The Securitization Buyer acknowledges and agrees that the Seller shall have no responsibility for, or liability with respect to, the making of any payment required pursuant to the preceding sentence. The Seller and the Trust Buyer shall amend the Trust Bill of Sale to reflect the Schedule of Trust Student Loans determined as of the Applicable Measuring Date and the Closing Certificate Purchase Price.

Section 2.2 Accession Agreement

On or prior to the Closing Date, the Securitization Buyer will provide the Seller with an executed Accession Agreement for Trust Certificates (the "Accession Agreement") in

substantially the form attached as Exhibit 2.2 or such other form as is acceptable to the Owner Trustee and is in accordance with the terms of the Securitization Trust Agreements.

Section 2.3 Opinions

On the Closing Date, pursuant to the terms of the Securitization Trust Agreements, the Seller will provide the Owner Trustee with Opinions of Counsel that (i) the transfer of the Trust Certificates will not cause any Securitization Trust to be treated for U.S. federal income tax purposes as an association (or publicly-traded partnership) taxable as a corporation and will not adversely affect the federal income tax treatment of the Noteholders in any material respect and (ii) the transfer of the Trust Certificates is exempt from registration under the 1933 Act and any applicable state securities Law.

Section 2.4 Rating Agencies

Prior to the Closing Date, the Seller shall deliver written notice to the applicable Rating Agencies of the sale of the Trust Certificates to the Securitization Buyer.

Section 2.5 Partial Release of Security Interest

On or prior to the Closing Date, CBNA, as the Omnibus Lender under the Omnibus Credit Agreement, shall release its security interest in the Trust Certificates concurrently with the sale of the Trust Certificates and the receipt of the proceeds of the aggregate Estimated Certificate Purchase Price (which will be applied to repay the Omnibus Loans) by executing a partial release substantially in the form attached as Exhibit 2.5, and the Omnibus Lender shall deliver the Trust Certificates held in its possession as collateral for the Omnibus Loans to the Owner Trustee for transfer to the Securitization Buyer in the manner provided in the Securitization Trust Agreements.

Section 2.6 Intent and Characterization

The Seller and the Securitization Buyer intend that the sale of the Trust Certificates pursuant to this Agreement and the Trust Certificates Bill of Sale constitute a valid sale of the Trust Certificates from the Seller to the Securitization Buyer, conveying good title to the Trust Certificates free and clear of any Lien, and that the beneficial interest in and title to the Trust Certificates shall not be part of the Seller's estate in the event of the bankruptcy of the Seller or the appointment of a receiver with respect to the Seller. The Seller and the Securitization Buyer intend and agree to treat the transfer and assignment of the Trust Certificates as an absolute sale for Tax, financial and accounting purposes, and as an absolute and complete conveyance of title for property Law purposes.

ARTICLE III

ASSUMPTION OF SECURITIZATION DUTIES

Section 3.1 Duties of Indenture Administrator

CBNA in its role as Indenture Administrator agrees to remain in such capacity under the related Securitization Indenture for each Securitization Trust following the Closing Date (unless and until it is no longer qualified to serve in such capacity); provided, that at any time upon receipt of a written request from Buyer Parent, CBNA will agree to resign its position as Indenture Administrator pursuant to the terms of each related Securitization Indenture; provided, further, that CBNA may resign as Indenture Administrator at any time after the 18-month anniversary of the Closing Date subject to the terms of the Securitization Indenture for the applicable Securitization Trust; in either case, CBNA shall cooperate with and assist Buyer Parent, and the entity designated by Buyer Parent as the successor Indenture Administrator in all matters required to effect such replacement, including, but not limited to, the execution and delivery of all required documentation to evidence such resignation and replacement, the transfer of all applicable property, responsibilities and obligations to such successor, providing all required notices to each applicable Rating Agency and each related Securitization Indenture Trustee, and obtaining the consent of each related Owner Trustee.

Section 3.2 Securitization Eligible Lender Trustee

CBNA in its role as Securitization Eligible Lender Trustee agrees to remain in such capacity under the related Securitization Eligible Lender Trust Agreement following the Closing Date (unless and until it is no longer qualified to serve in such capacity); provided, that at any time upon receipt of a written request from Buyer Parent, CBNA will agree to resign its position as Securitization Eligible Lender Trustee pursuant to the terms of the Securitization Eligible Lender Trust Agreement; provided, further, that CBNA may resign as Securitization Eligible Lender Trustee at any time after the 18-month anniversary of the Closing Date subject to the terms of the Securitization Eligible Lender Trust Agreement; in either case, CBNA shall cooperate with and assist Buyer Parent, and the entity designated by Buyer Parent as the successor Securitization Eligible Lender Trustee in all matters required to effect such replacement, including, but not limited to, the execution and delivery of all required documentation to evidence such resignation and replacement, the transfer of all applicable property, responsibilities and obligations to such successor, and providing all required notices, if any, as well as any required documentation to facilitate the transfer of ownership of the applicable Department Lender Identification Numbers and related state agency guarantee agreements.

Section 3.3 Appointment of Sub-Administrator

(a) Buyer Subsidiary wishes to act as Sub-Administrator to the Administrator for each Securitization Trust and the 2010-1 Trust, and the Seller, as Administrator, wishes to assign such administration responsibilities to Buyer Subsidiary. On the Closing Date,

(i) the Seller will enter into sub-administration agreements with Buyer Subsidiary, as sub-administrator (in such capacity, the “Sub-Administrator”) substantially in the form attached as Exhibit 3.3(a)(i) or such other form as mutually agreed upon by the Seller and Buyer Subsidiary (the “Sub-Administration Agreements”);

(ii) the Sub-Administrator and CSD (in such capacity, the “Sub-Sub-Administrator”) will enter into an agreement for each Securitization Trust and the 2010-1 Trust substantially in the form of Exhibit 3.3(a)(ii) or such other form as agreed upon between the Sub-Administrator and the Sub-Sub-Administrator (the “Sub-Sub-Administration Agreement”); and

(iii) the Sub-Sub-Administrator, the Seller and CBNA will enter into a service agreement for each Securitization Trust and the 2010-1 Trust substantially in the form of Exhibit 3.3(a)(iii) or such other form as agreed upon among the Sub-Sub-Administrator, the Seller and CBNA (the “Administration Services Agreement”).

(b) To the extent required pursuant to the related Securitization Administration Agreements, prior to the Closing Date, the Seller, as Administrator, shall use reasonable best efforts to obtain the consent of the Owner Trustee to the appointment of Buyer Subsidiary as Sub-Administrator. The Seller (with the reasonable cooperation of Buyer Subsidiary) will use reasonable best efforts to timely notify the applicable Rating Agencies of their intention to enter into the Sub-Administration Agreements as and if required pursuant to such related Securitization Administration Agreements, and if required thereby, to obtain confirmation from the applicable Rating Agencies of the rating of the Securitization Notes issued by the related Securitization Trust or 2010-1 Trust after giving effect to the Sub-Administration Agreements and Sub-Sub-Administration Agreements. The Seller and Buyer Subsidiary will use reasonable best efforts and cooperation to effect the appointment of Buyer Subsidiary as the successor Administrator if the Administrator is terminated pursuant to an administrator default (provided a sub-administrator default has not occurred under the terms of the Sub-Administration Agreement).

Section 3.4 Assumption of Duties of Subservicer

(a) Buyer Subsidiary wishes to act as Subservicer to the Servicer for the Trust Student Loans, and the Seller, as Servicer, wishes to assign such subservicing responsibilities to Buyer Subsidiary. On the Closing Date,

(i) the Seller will terminate the existing Securitization Subservicing Agreements with CSD and will enter into subservicing agreements with Buyer Subsidiary as the replacement subservicer substantially in the form of Exhibit 3.4(a)(i) or such other form as mutually agreed upon by the Servicer and Buyer Subsidiary (the “Replacement Subservicing Agreements”);

(ii) the Subservicer and CSD (in such capacity, the “Sub-Subservicer”) will enter into an agreement for each Securitization Trust and the 2010-1 Trust substantially in the form of Exhibit 3.4(a)(ii) or such other form as agreed upon among the Subservicer and the Sub-Subservicer (the “Sub-Subservicing Agreement”), and

(iii) the Sub-Subservicer, the Seller and CBNA will enter into a services agreement for each Securitization Trust substantially in the form of Exhibit 3.4(a)(iii) or such other form as agreed upon among the Sub-Subservicer, the Seller and CBNA (the “Servicing Services Agreement”).

(b) Pursuant to Section 3.19 of each Securitization Servicing Agreement, prior to the Closing Date, the Seller, as Servicer shall appoint Buyer Subsidiary as Subservicer. The Seller (with the reasonable cooperation of Buyer Subsidiary) will use reasonable best efforts to timely notify the applicable Rating Agencies as and if required, and if required, to obtain confirmation from the applicable Rating Agencies of the rating of the Securitization Notes issued by the related Securitization Trust after giving effect to the Replacement Subservicing Agreements and Sub-Subservicing Agreements. The Seller (with the reasonable cooperation of Buyer Subsidiary) will use reasonable best efforts to obtain the written agreement of the Owner Trustee to the appointment of Buyer Subsidiary as the successor servicer if the Servicer is terminated pursuant to a servicer default (provided a Subservicer default has not occurred under the terms of the Replacement Subservicing Agreement).

Section 3.5 Assumption of Obligations of the Seller under the Securitization Master Terms Purchase Agreements

Effective as of the Closing Date, Buyer Entity shall assume, pay, perform and otherwise accept or discharge the repurchase, indemnity and other ongoing obligations of the Seller pursuant to each of the Securitization Master Terms Purchase Agreements, and Buyer Entity and Seller shall execute an assignment and assumption agreement substantially in the form of Exhibit 3.5 or in such other form as Buyer Parent and the Seller may agree to (the “Assumption of Obligations of the Seller under Master Terms Purchase Agreements”).

Section 3.6 Makewhole and Participation Agreement

Effective as of the Closing Date, CBNA and Buyer Entity shall enter into a purchased loan makewhole and participation agreement, substantially in the form of Exhibit 3.6 or such other form as CBNA and Buyer Entity may agree to (the “Makewhole and Participation Agreement”).

Section 3.7 Costs and Expenses

All third party costs and expenses associated with effecting the transfer of the ownership of the Trust Certificates and the transfer of various obligations from The Student Loan Corporation and its affiliates and CBNA and its Affiliates, on the one hand, to Buyer Parent and its Affiliates, on the other hand, that are incurred on or prior to the Closing Date, including, without limitation, the sending of all notices, the obtaining of all consents, and the payment of the fees, cost and expenses (including attorneys fees and expenses) of all rating agencies and trustees, but excluding the costs of the attorneys for the Buyer Parties, shall be shared equally between Buyer Parent and CBNA until such costs and expenses of the Buyer Parties exceed \$1,000,000; then CBNA shall pay all such costs and expenses of Buyer Parties in excess of \$1,000,000.

ARTICLE IV

PURCHASE OF FUNDING NOTE ISSUER

Section 4.1 Purchase and Sale

(a) On the terms and subject to the satisfaction of the conditions set forth in this Agreement, including the conditions precedent set forth in ARTICLE IX and in reliance on the representations, warranties, covenants and agreements set forth in this Agreement, the Seller hereby agrees to sell and assign all of its Membership Interests in the Funding Note Issuer, without recourse to the Seller and without representations or warranties (except as specifically set forth herein), to the Conduit Buyer, and the Conduit Buyer hereby agrees to purchase the entire Membership Interests in the Funding Note Issuer from the Seller and to assume, pay, perform and otherwise accept or discharge all Buyer Assumed Obligations of the sole member of the Funding Note Issuer. Such Membership Interest will be purchased from the Seller and the Estimated Conduit Purchase Price will be based upon the Schedule of Financed Student Loans determined as of the Initial Cutoff Date, and the Estimated Conduit Purchase Price will be calculated on a basis consistent with the Model Purchase Price Calculation and will be further adjusted pursuant to this Section 4.1 after the Closing based upon an adjusted Schedule of Financed Student Loans determined as of the Applicable Measuring Date. The Financed Student Loans will be identified on the Closing Date in the Conduit Bill of Sale. As further described in Section 5.2, on the Closing Date, the Conduit Buyer shall pay or cause to be paid all outstanding Subordinated Loans of the Funding Note Issuer, together with accrued interest thereon, up to and including the Closing Date.

(b) Delivery or transfer of the Membership Interest shall be made on the Closing Date at the time and in the manner agreed upon by the Seller and the Conduit Buyer, but in any event prior to the consummation of the Merger Transaction. On the Closing Date, the Conduit Buyer shall pay or cause to be paid to CBNA, as designee of the Seller, the Estimated Conduit Purchase Price by wire transfer of immediately available funds in U.S. dollars to the account specified by CBNA to the Conduit Buyer by written notice at least two (2) Business Days prior to the Closing Date at the time and in the manner mutually agreed upon by CBNA and the Conduit Buyer.

(c) The sale and purchase of the Membership Interests on the Closing Date shall be consummated upon (i) execution and delivery by the Seller and the Conduit Buyer of a Conduit Bill of Sale (which will include a Schedule of Financed Student Loans determined as of the Initial Cutoff Date and the assignment and assumption referred to in Section 4.4) with respect to the Membership Interests, (ii) the payment by or on behalf of the Conduit Buyer of the Estimated Conduit Purchase Price in the manner provided in Section 4.1(b), (iii) receipt of written consent of the Conduit Manager and the Conduit Lender described in Section 4.5, (iv) delivery of the opinions described in Section 4.3, (v) the Seller's receipt of an executed Buyer Satisfaction Certificate and (vi) the Conduit Buyer's receipt of an executed Seller Satisfaction Certificate. Upon the satisfaction of such conditions, such sale and purchase shall be effective as of the Closing Date, prior to the consummation of the Merger Transaction.

(d) Seller shall timely provide any information reasonably requested by the Conduit Buyer to prepare an adjusted Schedule of Financed Student Loans, so that within fifteen (15) Business Days after the Closing Date, the Conduit Buyer shall provide the Seller and CBNA with a Schedule of Financed Student Loans determined as of the Applicable Measuring Date and shall calculate the Conduit Purchase Price based upon such schedule to determine the Closing Conduit Purchase Price, with such calculation to be prepared on a basis consistent with the Model Purchase Price Calculation. CBNA shall have ten (10) Business Days to review and comment on the Schedule of Financed Student Loans and the Closing Conduit Purchase Price. During this period the Seller and Buyer Parent (to the extent available to it) will provide information relating to the adjusted Schedule of Financed Student Loans and adjusted Closing Conduit Purchase Prices as reasonably requested by CBNA and Conduit Buyer, and Conduit Buyer will meet with CBNA to discuss this information and the calculations. CBNA and Buyer Parent will reimburse Seller for its reasonable expenses incurred in connection with performing its obligations under this Section 4.1(d). If during this ten (10) Business Day period CBNA notifies the Conduit Buyer that CBNA disagrees with these calculations, Conduit Buyer and CBNA will meet to attempt to resolve any differences. If they are unable to agree on the adjustments within the next thirty days, then the Conduit Buyer and CBNA will be free to pursue an additional review by jointly selecting a third party independent accounting firm to review the calculations and make a determination as to the Closing Conduit Purchase Price. If CBNA and the Conduit Buyer are unable to agree on a third party accounting firm, then they will apply to the American Arbitration Association to make the selection. The independent accounting firm selected pursuant to this Section 4.1(d) is referred to herein as the ("Conduit Arbitration Firm"). The Conduit Arbitration Firm will be instructed to complete its review within 20 days and to calculate the Closing Conduit Purchase Price in accordance with this Section 4.1 and the Model Purchase Price Calculation. The decision of the Conduit Arbitration Firm will be final and binding on the Buyer Parent and CBNA.

(e) If the Closing Conduit Purchase Price exceeds the Estimated Conduit Purchase Price (as finally determined pursuant to Section 4.1(d)), then the Conduit Buyer shall pay CBNA the amount of such excess no later than ten (10) Business Days after the Closing Date by wire transfer of immediately available funds in U.S. dollars to the account specified by CBNA to the Conduit Buyer by written notice at least two Business Days prior to such payment. If the Closing Conduit Purchase Price is less than the Estimated Conduit Purchase Price, then CBNA on behalf of the Seller shall refund the Conduit Buyer the amount of such difference no later than ten (10) Business Days after the Closing Date by wire transfer of immediately available funds in U.S. dollars to the account specified by the Conduit Buyer to CBNA by written notice at least two Business Days prior to such payment. The Conduit Buyer acknowledges and agrees that the Seller shall have no responsibility for, or liability with respect to, the making of any payment required pursuant to the preceding sentence. The Seller and the Conduit Buyer shall amend the Conduit Bill of Sale to reflect the Schedule of Financed Student Loans determined as of the Applicable Measuring Date and the Closing Conduit Purchase Price.

Section 4.2 No Dividends, Repayments or Returns of Capital Contributions; Excess Cash

(a) The Seller agrees that from and including the Commitment Date to and including the Closing Date, without the prior written consent of the Conduit Buyer, (i) it will

cause the Funding Note Issuer not to declare any dividends, repay any subordinated loans (other than pursuant to the Subordinated Credit Agreement) or return any capital contributions of its Member or (ii) except as required under the terms of the Conduit Program, sell or distribute any asset or incur any new obligation not required under the Funding Note Purchase Agreement.

(b) In the event that as of the Closing Date the Funding Note Issuer has cash on hand that exceeds its accrued expenses as of the Applicable Measuring Date, in each case to the extent that such cash and liabilities are not reflected in the Schedule of Financed Student Loans and related materials prepared pursuant to Section 4.1 (as finally adjusted pursuant to Section 4.1), either the Funding Note Issuer will distribute the amount of such extra cash to the Seller or the Buyer Parent will pay such amount to the Seller, in each case within five (5) Business Days after completion of the purchase price adjustment process contemplated by Section 4.1.

Section 4.3 Opinions

On the Closing Date, pursuant to Section 13.1(a) of the limited liability company agreement of the Funding Note Issuer, the Conduit Buyer shall deliver to the Funding Note Issuer Opinions of Counsel that the proposed transfer of the Membership Interests to the Conduit Buyer will not cause the Funding Note Issuer (i) to be treated as a publicly traded partnership for U.S. federal income tax purposes or (ii) to be an investment company subject to registration under the Investment Company Act.

Section 4.4 Assignment and Assumption

Subject and in addition to the other conditions in this ARTICLE IV, in accordance with Section 13.1(b) of the limited liability company agreement of the Funding Note Issuer, the Seller agrees to admit the Conduit Buyer as the sole member of the Funding Note Issuer if the Conduit Buyer executes the Conduit Bill of Sale substantially in the form of Exhibit 4.4 containing the terms of assignment and assumption agreement or in such other form as may be mutually acceptable to the Seller and the Conduit Buyer.

Section 4.5 Consents

Prior to the Closing Date and pursuant to Section 13.1(a) of the limited liability company agreement of the Funding Note Issuer, the Seller shall use its reasonable best efforts to obtain the prior written consent of the Conduit Manager and the Conduit Lender to transfer the Membership Interest to the Conduit Buyer, and to the extent required, the Department of Education.

Section 4.6 Release

Unless otherwise prohibited by the Department of Education, the Seller and the Funding Note Issuer will deliver a mutual release at the Closing substantially in the form of Exhibit 4.6 hereto (the "Conduit Mutual Release").

Section 4.7 Intent and Characterization

The Seller and the Conduit Buyer intend that the sale of the Membership Interest in the Funding Note Issuer pursuant to this Agreement and the Conduit Bill of Sale constitute a valid sale of such Membership Interest from the Seller to the Conduit Buyer, conveying good title to such Membership Interest free and clear of any Lien), and that the beneficial interest in and title to such Membership Interest shall not be part of the Seller's estate in the event of the bankruptcy of the Seller or the appointment of a receiver with respect to the Seller. The Seller and the Conduit Buyer intend and agree to treat the transfer and assignment of such Membership Interest as an absolute sale for Tax, financial and accounting purposes, and as an absolute and complete conveyance of title for property Law purposes.

ARTICLE V

ASSUMPTION OF CONDUIT DUTIES

Section 5.1 Department Agreements

The applicable Parties will enter into the agreements set forth on Exhibit 5.1, (collectively the "Department Form Agreements") in a form which is acceptable to the Department, pursuant to which, effective as of the Closing Date, the applicable Buyer Parties will assume all of the duties and obligations of the Seller in its various capacities under the Conduit Program.

Section 5.2 Conduit Subservicing

On the Closing Date,

(i) Buyer Subsidiary, as successor master servicer, and CSD will enter into a subservicing agreement and a related supplemental subservicing agreement in the forms of Exhibit 5.2(i) or such other forms as mutually agreed upon by such parties and which are acceptable to the Department (the "Conduit Replacement Subservicing Agreement");

(ii) the Seller, CSD and CBNA will enter into a services agreement for the Funding Note Issuer substantially in the form of Exhibit 5.2(ii) or such other form as agreed upon among the Seller, CSD and CBNA (the "Conduit Servicing Services Agreement").

Section 5.3 Conduit Administration

On the Closing Date,

(a) Buyer Subsidiary will be appointed as SPV Administrator for the Funding Note Issuer;

(b) CSD will enter into an SPV Sub-Administration Agreement substantially in the form of Exhibit 5.3(b) or such other form as agreed upon by the Buyer Subsidiary and CSD; and

(c) CSD, the Seller and CBNA will enter into a services agreement for the Funding Note Issuer substantially in the form of Exhibit 5.3(c) or such other form as agreed upon among CSD, the Seller and CBNA (the “Conduit Services Agreement”).

Section 5.4 Termination of Subordinated Credit Agreement

On the Closing Date, Buyer Parent shall pay or cause to be paid all outstanding Subordinated Loans of the Funding Note Issuer, together with accrued interest thereon, up to and including the Closing Date. Upon receipt of such payment amounts, the Seller, as Subordinated Note Lender, and the Funding Note Issuer, as borrower, shall be deemed to have designated the Closing Date as the maturity date for all such Subordinated Loans, the Subordinated Promissory Note shall be cancelled and the Subordinated Credit Agreement shall be terminated. Buyer Parent shall be responsible for arranging for another subordinated credit agreement for the Funding Note Issuer as may be required pursuant to the terms of the Conduit Program.

Section 5.5 Conduit Eligible Lender Trustee

(a) CBNA in its role as Conduit Eligible Lender Trustee agrees to remain in such capacity under the related Conduit Eligible Lender Trust Agreement following the Closing Date (unless and until it is no longer qualified to serve in such capacity); provided, that at any time upon receipt of written requested from Buyer Parent, CBNA will agree to resign its position as Conduit Eligible Lender Trustee pursuant to the terms of the Conduit Eligible Lender Trust Agreement; provided, further, that CBNA may resign as Conduit Eligible Lender Trustee at any time after the 18 month anniversary of the Closing Date subject to the terms of the Conduit Eligible Lender Trust Agreement; in either case, CBNA shall cooperate with and assist Buyer Parent, and the entity designated by Buyer Parent as the successor Conduit Eligible Lender Trustee in all matters required to effect such replacement, including, but not limited to, the execution and delivery of all required documentation to evidence such resignation and replacement, the transfer of all applicable property, responsibilities and obligations to such successor, providing all required notices, if any, and obtaining the consent of all required parties including without limitation the Conduit Manager on behalf of the Conduit Lender.

(b) CBNA will provide reasonable cooperation with any successor Conduit Eligible Lender Trustee and agrees to execute and deliver any required documentation to facilitate the transfer of the ownership of the applicable Department Lender Identification Numbers and related state agency guarantee agreements.

Section 5.6 Consents; Costs and Expenses

(a) Prior to the Closing Date, Seller and Buyer Subsidiary shall notify and shall use their reasonable best efforts to obtain the consent of the Department of Education, the Conduit Administrator and the Conduit Manager to the execution and delivery of the Conduit Replacement Servicing Agreement and the Conduit Replacement Subservicing Agreement, and

to the extent required, the Amended and Restated Funding Note Purchase Agreement and the Amended and Restated Conduit Student Loan Purchase Agreement.

(b) All third party costs and expenses associated with effecting the transfer of the ownership of the Funding Note Issuer, that are incurred on or prior to the Closing Date, including, without limitation, the sending of all notices, the obtaining of all consents, and the payment of the fees, cost and expenses (including attorneys fees and expenses, including, without limitation, attorneys for the Conduit Administrator and the Department of Education) of all rating agencies and conduit related parties, but excluding the costs of attorneys for the Buyer Parties and Seller Parties, shall be shared equally between Buyer Parent and CBNA until such costs and expenses of the Buyer Parties exceed \$1,000,000; then CBNA shall pay all such costs and expenses of Buyer Parties in excess of \$1,000,000.

ARTICLE VI

DEPOSITOR AGREEMENT

On the Closing Date, the Seller, the Depositor, the Securitization Sub-Administrator, the Servicer and each subservicer to the Depositor's public and private securitization trusts shall enter into a depositor agreement substantially in the form of Exhibit 6 (the "Depositor Agreement") or such other form as agreed upon among the parties thereto.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

Section 7.1 Representations and Warranties of each Party

Each party to this Agreement represents and warrants to each of the other parties to this Agreement, for their benefit and for the benefit of each of their respective successors and permitted assigns, as of the Commitment Date and as of the Closing Date, that:

(a) Organization; Power

Such party is duly organized or formed, validly existing and in good standing under the Laws of the jurisdiction of its organization or formation, has all requisite corporate or similar power and authority to carry on its business as now conducted and to perform its obligations under the Transaction Documents to which it is a party and, except where the failure individually or in the aggregate would not have a material adverse effect on its ability to timely perform its material obligations under such Transaction Documents, is duly qualified, has obtained all licenses and approvals to do business and is in good standing in each jurisdiction where such qualification or licensing is required.

(b) Authorization; Enforceability; Due Execution and Delivery

Such party has all necessary corporate or similar power and authority to execute and deliver the Transaction Documents to which it is a party, to perform its obligations thereunder and to consummate the Transactions contemplated thereby. The execution and

delivery by such party of the Transaction Documents to which it is a party and the consummation by such party of the Transactions contemplated thereby have been duly and validly authorized by all necessary corporate or similar action of such party, and no other proceedings on the part of such party are necessary to authorize the execution and delivery of the Transaction Documents or to consummate the Transactions contemplated thereby (other than, with respect to the Seller, the receipt of the Seller Stockholder Approval). The Transaction Documents to which such party is a party have been (or at the time of the Closing, will be) duly and validly executed and delivered by such party and, assuming the due authorization, execution and delivery of each other party, the Transaction Documents to which such party is a party constitute a legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws of general applicability relating to or affecting creditor's rights, and to general equitable principles, regardless of whether considered in a proceeding in equity or at law).

(c) Government and Third Party Approvals; No Conflicts

Except as would not reasonably be expected to have a material adverse effect on such party's ability to timely perform its material obligations under the Transaction Documents to which such party is a party and except as set forth in Section 7.1(c) of the Seller Disclosure Schedule or Section 7.1(c) of the Buyer Disclosure Schedule, as applicable, the execution and delivery of the Transaction Documents to which such party is a party by such party and the consummation of the Transactions contemplated thereby do not and will not (i) require any consent, approval, registration or filing with any Governmental Authority or any other third party by such party except for (A) those that have been obtained and are in full force and effect and (B) the applicable requirements of the Exchange Act, (ii) violate any Law, the certificate of incorporation or by-laws or other organizational documents of such party or its Subsidiaries or any Order applicable to such party, (iii) violate, conflict with or result in a default under any indenture, agreement or other instrument binding upon such party or its Subsidiaries or assets or give rise to a right thereunder to require any payment by such party or its Subsidiaries or (iv) result in any Lien on any assets of such party or its Subsidiaries.

(d) Litigation

There is no investigation, claim, action or proceeding by or before any arbitrator or Governmental Authority pending or, to the knowledge of such party, threatened, against such party or its Subsidiaries, and there is no Order, before any arbitrator or Governmental Authority, in each case, as would reasonably be expected to have, individually or in the aggregate, a Buyer Material Adverse Effect or a Seller Material Adverse Effect, as applicable. As of the Commitment Date, there is no action, investigation or proceeding pending or, to the knowledge of such party, threatened against or affecting, such party that challenges or seeks to prevent, enjoin, alter or materially delay the Transactions.

(e) Compliance with Law

Such party and each of its Subsidiaries is in compliance with all applicable Laws, except where the failure to be in compliance would not reasonably be expected to have a material

adverse effect on such party's ability to timely perform its material obligations under any Transaction Documents to which it is a party or would not reasonably be expected to have a Seller Material Adverse Effect or Buyer Material Adverse Effect, as the case may be.

(f) Brokers

No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Transaction Documents or the Transactions based upon arrangements made by such party (other than, in the case of the Seller, Moelis & Company LLC and, in the case of Buyer Parent, Goldman, Sachs & Co.).

Section 7.2 Additional Representations and Warranties of the Seller

The Seller represents and warrants to each of the other parties to this Agreement, for their benefit and for the benefit of each of their respective successors and permitted assigns, as of the Commitment Date and as of the Closing Date, that:

(a) Seller Recommendation

In connection with its approval of the Transactions and the Related Transactions, the Board of Directors of the Seller (upon the recommendation of the Special Committee), at a meeting duly called and held, has (i) approved the Transaction Documents and the Transactions, (ii) determined that the Transactions are advisable and fair to and in the best interests of, the stockholders of the Seller, and (iii) resolved to submit this Agreement to the stockholders of the Seller for approval, file the Proxy Statement with the SEC and, subject to Section 10.4, make the Seller Recommendation.

(b) Investment Company Act Status

None of the Seller, the Funding Note Issuer, the Depositor, or any Securitization Trust is an investment company as defined in the Investment Company Act.

(c) Solvency

The Seller is Solvent as of the Commitment Date and as of the Closing Date.

(d) Title and Security

(i) The Seller holds good and marketable title to the Trust Certificates, the Membership Interest and in the Funding Note free and clear of all Liens other than Liens granted under the Omnibus Credit Agreement that shall be released on or prior to the Closing Date. The Funding Note Issuer holds good and marketable title to the Financed Student Loans free and clear of all Liens other than the security interest of the Conduit Lender under the Funding Note Purchase Agreement and provided that the Conduit Eligible Lender Trustee holds legal title to the Financed Student Loans.

(ii) At the Closing the Seller will transfer good and marketable title to the Acquired Assets free and clear of all Liens.

(e) Compliance with Laws with respect to Origination of Student Loans

With respect to each state or jurisdiction therein in which the Seller or any of its Affiliates undertakes origination activities, the Seller or such Affiliate is in compliance and has complied in all material respects with such state's or jurisdiction's (as applicable) Laws, settlement agreements and other standards and procedures, including those promulgated by agencies or officers thereof, applicable to it and pertaining to the conduct of participants in the student loan industry to the extent the Seller or any such Affiliate has assented to such voluntary code of conduct.

(f) Compliance with FFELP

The Seller has administered, operated and maintained its federal family education loan program in such manner as to ensure that such program and the Trust Student Loans and Financed Student Loans will benefit, in all material respects, from FFELP, the Guarantee Agreements related thereto and the federal program of reimbursement for FFELP student loans pursuant to the Higher Education Act. The Seller has been and is currently in good standing with the Department of Education and has timely submitted all annual audit and other reports required by the Higher Education Act.

(g) Compliance with Law

All automated data processing systems used by the Seller or its Subsidiaries comply and have complied in all material respects with all applicable Laws governing guaranty or loan originator or servicing, including, the Gramm-Leach-Bliley Act of 1999 restrictions, information reporting requirements of the Internal Revenue Service and credit bureau report format requirements of the Consumer Data Industry Association and applicable state Law restrictions on the use of Social Security numbers in correspondence related to the Acquired Assets.

(h) Compliance with Securitizations

Neither the Seller nor any of its Subsidiaries is in default under, or in material breach of, any provision of any agreement relating to (i) a Securitization Trust, (ii) the Financed Student Loans or (iii) any private loans owned or at one time owned by a Private Securitization Trust. The Depositor is not in default under, or in material breach of, any provision of any agreement relating to a Private Securitization Trust. The Seller does not have any obligations as a holder of the Trust Certificates except pursuant to the agreements and instruments listed on Section 7.2(h) of the Seller Disclosure Schedule.

(i) Servicing Agreements

Section 7.2(i) of the Seller Disclosure Schedule is a true and complete list of all existing agreements of the Seller and its Subsidiaries relating to the servicing or administering of FFELP Loans held by any of the Securitization Trusts or any of the Financed Student Loans (collectively, the "Applicable Loans").

(j) Loan Repurchases

Section 7.2(j) of the Seller Disclosure Schedule sets forth the dollar amounts of any FFELP Loan or private student loan that has been purchased, repurchased or substituted by the Seller or any of its Subsidiaries as a result of a breach of any representation, warranty or covenant contained in any agreement relating to (i) a Securitization Transaction, (ii) a securitization transaction sponsored by a third party as to which the Seller or any of its Subsidiaries has sold FFELP Loans or private student loans or as to which the Seller or any of its Subsidiaries is servicing or administering FFELP Loans or private student loans or (iii) the sale of any FFELP Loans or private student loans by the Seller or any of its Subsidiaries to a third party. Neither the Seller nor any of its Subsidiaries has received a request since January 1, 2007 to purchase, repurchase or substitute any FFELP loans or private student loans as a result of a breach of any representation, warranty or covenant contained in any Securitization Basic Document or document relating to private student loan securitization as applicable that has not been satisfied, waived or withdrawn.

(k) Agreements with Regulators

Except as set forth in Section 7.2(k) of the Seller Disclosure Schedule, neither the Seller nor any of its Subsidiaries is subject to any material cease-and-desist or other material order or enforcement action issued by, or is a party to any written agreement, consent agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any order or directive by, or has been since January 1, 2007 a recipient of any supervisory letter from, or has been ordered to pay any material civil money penalty by, relating to the conduct of its business relating to the Applicable Loans, or since January 1, 2007 has adopted any related policies, procedures or resolutions of the board of directors or any committee thereof at the request or suggestion of, any Governmental Authority relating to the Applicable Loans and addressed specifically to the Seller and not the industry in general.

(l) Securitization Transactions

Except as would not be reasonably expected to have, individually or in the aggregate, a Seller Material Adverse Effect:

(i) Section 7.2(l)(i) of the Seller Disclosure Schedule sets forth, as of the date of this Agreement, a list of all Securitization Trusts and Private Securitization Trusts and other types of securitizations (including warehouse, reverse repurchase and asset-backed commercial paper programs) or similar transactions (each a "Securitization Transaction") effected by the Seller or any of its Subsidiaries since January 1, 2007 and relating to FFELP Loans or private education loans. The Seller has made available to Buyer true and correct copies of the documentation creating or governing each Securitization Transaction.

(ii) Except as set forth in Section 7.2(l)(ii) of the Seller Disclosure Schedule, neither the Seller nor any of its Subsidiaries nor, to the Knowledge of the Seller, the Depositor Eligible Lender Trustee, the Securitization Eligible Lender Trustee, the Conduit Eligible Lender Trustee, the Indenture Administrator, any indenture trustee, master servicer, subservicer, Securitization Trust, or Private Securitization Trust with

respect to any Securitization Transaction, has taken or failed to take any action which would reasonably be expected to adversely affect the intended tax characterization or tax treatment for federal, state or local income or franchise tax purposes of the related Securitization Trust or Private Securitization Trust, as applicable or any securities issued in any such Securitization Transaction. Except as set forth in Section 7.2(l)(ii) of the Seller Disclosure Schedule, to the Knowledge of the Seller, (i) all federal, state and local income or franchise tax and information returns and reports required to be filed by the Seller, the Depositor Eligible Lender Trustee, the Securitization Eligible Lender Trustee, the Conduit Eligible Lender Trustee, any indenture trustee, master servicer, subservicer, Securitization Trust or Private Securitization Trust relating to any Securitization Transaction, and (ii) all tax elections required to be made in connection therewith, have been properly filed or made.

(m) Affiliate Transactions

Section 7.2(m) of the Seller Disclosure Schedule sets forth each material contract, arrangement, commitment or understanding, in effect as of the Commitment Date hereof and related to the Acquired Assets or Applicable Loans, between (x) the Seller and its Subsidiaries, on the one hand, and (y) CBNA, any of its Affiliates (other than the Seller and its Subsidiaries), or any officer or director of the Seller or any of its Subsidiaries, on the other hand. Section 7.2(m) of the Seller Disclosure Schedule sets forth each material contract, arrangement, commitment or understanding, in effect as of the Commitment Date but not related to the Acquired Assets or Applicable Loans, between the Depositor on the one hand, and Seller or any of its Affiliates, on the other hand, including any Private Securitization Basic Documents. The Seller has delivered or made available true and correct copies of all contracts listed in Section 7.2(m) of the Seller Disclosure Schedule.

(n) Data Tape

The Data Tape prepared as of June 30, 2010 previously delivered to Buyer is true and correct, contains all of the information it purports to contain and fairly presents, in all material respects, the information contained therein. Section 7.2(n) of the Seller Disclosure Schedule accurately sets out a description of the meanings of the codes that are used on the Data Tape, which descriptions shall be supplemented by the Seller from time to time upon the reasonable request of the Buyer in connection with the Buyer's review of the Data Tape. The Data Tape includes all loans included in the Applicable Loans as of the date thereof. For purposes of this Agreement, "Data Tape" means, as of the relevant date, a data storage disk produced by the Seller from its management information system setting forth the applicable information for each loan in the Acquired Assets in the form of the June 30, 2010 Data Tape previously delivered to Buyer.

(o) Additional Seller Representations and Warranties regarding the Trust Student Loans and Financed Student Loans

(i) The Seller affirms each of its representations and warranties set forth in Appendix E and Appendix F and as of the Closing Date affirms the accuracy of the information provided in each Bill of Sale.

(ii) In addition, the Seller hereby confirms that as of the Commitment Date and as of the Closing Date: (A) all required reports on Forms 10-K, 10-D and 8-K have been timely filed with the SEC for each Securitization Trust; (B) it has not received any notification regarding the continued effectiveness of the Depositor's existing shelf registration statement; (C) as holder of the Trust Certificates, it has not directed or assigned any right to distributions from the related Securitization Trust to a third person; and (D) it has timely delivered all annual audited financial statements of the Funding Note Issuer and the Seller, certified by an independent public accounting firm, as required under the Funding Note Purchase Agreement (copies of which have been previously furnished to the Buyer Parent).

(p) Delivery of Transaction Agreements

Seller has delivered to Buyer Parent true, correct and complete copies of each of the CBNA Transaction Agreement, the Merger Transaction Agreement and any Related Transaction Documents in effect as of the date hereof, and all exhibits and disclosure schedules related to the foregoing.

(q) Vote Required

(i) Except for the Seller Stockholder Approval, there is no vote of holders of securities of the Seller that is necessary to approve and adopt this Agreement and the transactions contemplated hereby.

(ii) The affirmative vote of Seller's stockholders holding a majority of the Seller's outstanding stock entitled to vote at the Seller's stockholders meeting approving the Merger Transaction Agreement and the transaction contemplated thereby is the only vote of Seller's stockholders required to approve the Merger Transaction Agreement and the transactions contemplated thereby.

(r) Anti-Takeover Statutes, etc.

Seller has taken all such action necessary to exempt this Agreement and the transactions contemplated hereby from the provisions of Section 203 of the DGCL, and assuming the accuracy of the representations in Section 7.3(e), no other state takeover, "moratorium," "fair price," "business combination" or similar statute or regulation under any applicable Law is applicable to the transactions contemplated by this Agreement. The Seller does not have in effect any stockholder rights plan, "poison pill" or similar plan or arrangements.

(s) Eligible Servicer

The Seller is now and has always been, an "eligible servicer" under the provisions of the FFELP program and has at times caused the Trust Student Loans and Financed Student Loans to be serviced by an "eligible servicer."

(t) Funding Note Issuer: Compliance with LLC Agreement

(i) The Seller is the sole member of the Funding Note Issuer. There are no options, warrants or other rights to convert or exchange into or otherwise acquire any equity interest in the Funding Note Issuer. The Seller has provided true and correct copies of the Funding Note Issuer's organizational documents and any minute book or other compilation of official actions of the sole member of any manager or management committee of the Funding Note Issuer.

(ii) The Funding Note Issuer has no obligations of any nature other than obligations under the agreements and instruments listed in Section 7.2(t)(ii) of the Seller Disclosure Schedule. The Seller has made available true and correct copies of all agreements and instruments to which the Funding Note Issuer is a party or by which its assets are bound, including any commitment to lend made to the Department of Education or any third party. The Funding Note Issuer has not breached in any material respect and is currently in compliance in all material respects with all agreements and instruments to which it is a party or by which any of its assets are bound.

(iii) The Funding Note Issuer is not obligated as borrower or guarantor or otherwise with respect to any indebtedness, except indebtedness issued in connection with the Conduit Program. The Funding Note Issuer's assets are not subject to any Liens of any nature except Liens in connection with the Conduit Program.

(iv) The Funding Note Issuer is in compliance with the provisions of its limited liability company agreement and the Seller is in compliance with all of its obligations as a member under the Funding Note Issuer's limited liability company agreement. The Funding Note Issuer is in compliance with all assumptions of fact relating to the Funding Note Issuer or the transfer of its assets contained in any true sale or nonconsolidation opinion delivered in connection with the Conduit Program.

(v) Except as set forth in Section 7.2(t)(v) of the Seller Disclosure Schedule, or except as would not reasonably be expected to have, individually or in the aggregate, a Seller Material Adverse Effect, neither the Seller nor any of its Affiliates has taken or failed to take any action which would reasonably be expected to adversely affect the intended tax characterization or tax treatment for federal, state or local income or franchise tax purposes of the Funding Note Issuer or any securities issued by the Funding Note Issuer. Except as set forth in Section 7.2(t)(v) of the Seller Disclosure Schedule, or except as would not reasonably be expected to have, individually or in the aggregate, a Seller Material Adverse Effect, to the Knowledge of the Seller, (i) all federal, state and local income or franchise tax and information returns and reports required to be filed by the Seller or its Affiliates relating in whole or in part to the Funding Note Issuer, and (ii) all tax elections required to be made in connection therewith, have been properly filed or made.

(u) Depositor

(i) The Seller has made available to the Buyer Parent true and correct copies of the Depositor's Certificate of Incorporation and By-Laws, and the minute book of the Depositor made available to the Buyer Parent contains all minutes of meetings and

written consents of the Board of Directors of the Depositor and any committee thereof and the stockholders of the Depositor.

(ii) The Depositor has no obligations of any nature except pursuant to the agreements and instruments identified in Section 7.2(u)(ii) of the Seller Disclosure Schedule. The Seller has made available true and correct copies of all agreements and instruments to which the Depositor is a party or by which its assets are bound. The Depositor has not breached in any material respect and is in compliance in all material respects with all agreements and instruments to which it is a party or by which any of its assets are bound.

(iii) The Depositor is not obligated as borrower or guarantor or otherwise with respect to any indebtedness for borrowed money. The Depositor's assets are not subject to any Liens of any nature (provided, however, that the Depositor has granted security interests in the Trust Student Loans pursuant to Section 3(D) of the Securitization Master Terms Sale Agreements in the event that the sale and transfer of the related Trust Student Loans to the Securitization Trust is ever deemed to be re-characterized as a pledge of assets to secure a financing and not as a sale).

(iv) The Depositor is in all respects in compliance with its permitted purposes and activities clause and in all material respects in compliance with the other provisions of its Certificate of Incorporation and By-laws. The Depositor is in compliance with all material assumptions of fact relating to the Depositor or the transfer of its assets contained in any true sale or nonconsolidation opinion delivered in connection with any Securitization Transactions.

(v) The Depositor has timely filed all reports, schedules, forms, statements and other documents (including exhibits and other information incorporated therein) with the SEC required under the applicable requirements of the 1933 Act and the Exchange Act including reports on Form 10-D and Form 10-K (such documents, together with any documents filed during such period with the SEC on a voluntary basis on Current Reports on Form 8-K, the "Depositor SEC Reports"). As of the time it was filed with the SEC, each of the Depositor SEC Reports filed by the Depositor with the SEC was true and correct as of its applicable date, and contained all information that was required to be set forth therein.

(vi) No registration statement, prospectus, private placement memorandum or other offering documents, or any amendments or supplements to any of the foregoing, utilized in connection with the offering of securities in any Securitization Transaction, true and correct copies of which have been made available to Buyer, as of its effective date (in the case of a registration statement) or as of its issue date (in the case of any other such document), contained any untrue statement of any material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, with the foregoing representation regarding untrue statements or omissions provided from the perspective of a purchaser of a security offered thereby.

(v) Electronic Promissory Notes

To the extent any Trust Student Loan or Financed Student Loan is evidenced by an electronic promissory note, the Seller complied (and has caused each Securitization Trust, the Depositor, the Funding Note Issuer, any originator and each Servicer or Sub-Servicer of such Trust Student Loan or Financed Student Loan to comply) with all regulations and other requirements adopted by the applicable Guarantor or the Department relating to the validity and enforceability of such promissory note. In addition, the Seller, the Servicer and the Subservicer each hereby covenants, and agrees to cause any applicable Affiliate, to provide Buyer Subsidiary, as replacement Subservicer, with all documentation, materials or testimony necessary to satisfy the requirements of 34 CFR § 682.414(a)(6) of the Higher Education Act as part of a claims process under the related Guarantee Agreement with respect to such Trust Student Loan or Financed Student Loan.

(w) Special Programs

The Seller has not offered any borrower incentive programs to any Borrower in respect of any Trust Student Loan or Financed Student Loan since the Data Tape prepared as of June 30, 2010, was delivered to Buyer Parent in connection with the Transactions (the "Disclosure Date"), except as required by the Higher Education Act or to the extent such incentive program was already in effect with respect to the related Trust Student Loans or Financed Student Loans on or before the Disclosure Date.

(x) No Other Representations and Warranties

Except for the representations and warranties contained in Sections 7.1 and 7.2, in Appendix E and Appendix F and in any other Transaction Documents and the information provided in each Bill of Sale, neither the Seller nor any other Person on behalf of the Seller or any of its Subsidiaries or Affiliates makes any express or implied representation or warranty with respect to the Seller or any of its Subsidiaries or Affiliates or with respect to the Acquired Assets or any other information provided to the Buyer Parties in connection with the Transactions.

Section 7.3 Additional Representations and Warranties of each Buyer

Each Buyer (unless only one such Buyer is specified, in which case only the specified Buyer) represents and warrants, solely as to itself, to each of the other parties to this Agreement, for their benefit, and for the benefit of each of their respective successors and permitted assigns, as of the Commitment Date and as of the Closing Date that:

(a) Investment Company Act Status

Neither the Buyer nor the portfolio of student loans held by the Buyer is an investment company as defined in, or subject to regulation under, the Investment Company Act.

(b) Solvency

The Buyer is Solvent as of the Commitment Date and as of the Closing Date.

(c) Accession Agreement

The Securitization Buyer affirms each of the representations and warranties to be made by it in the Accession Agreement.

(d) No Other Representations and Warranties

Except for the representations and warranties contained in Section 7.1 and this Section 7.3 and in the Transaction Documents, no Buyer nor any other Person on behalf of such Buyer or any of its Subsidiaries or Affiliates makes any express or implied representation or warranty with respect to such Buyer or any of its Subsidiaries or Affiliates or with respect to the Acquired Assets or any other information provided to the Seller Parties in connection with the Transactions.

(e) Section 4.1(d) Ownership

Neither Buyer nor any of its Affiliates owns any shares of Capital Stock or other equity or voting interest (including any securities exercisable or exchangeable for or convertible into Capital Stock or other equity or voting interest) in the Seller.

Section 7.4 Additional Representations and Warranties of Buyer Parent

Buyer Parent represents and warrants to each of the other parties to this Agreement, for their benefit and for the benefit of each of their respective successors and permitted assigns, as of the Commitment Date and as of the Closing Date that:

(a) Investment Company Act Status

The Buyer is not an investment company as defined in, or subject to regulation under, the Investment Company Act.

(b) Solvency

Buyer Parent is Solvent as of the Commitment Date and as of the Closing Date.

(c) Agreements with Other Parties

As of the date hereof, there are no agreements, arrangements or understandings (other than as provided in the Transaction Documents and the Related Transaction Documents) between Buyer Parent or its Affiliates and either (i) Merger Buyer or its Affiliates with respect to any of the Transactions or the Related Transactions or (ii) CBNA or its Affiliates, with respect to any of the Transactions or the Related Transactions that would have the effect of providing additional consideration in excess of the Merger Consideration (as defined in the Merger Transaction Agreement) provided to CBNA pursuant to the Merger Transaction Agreement.

(d) No Other Representations and Warranties

Except for the representations and warranties contained in Sections 7.1, 7.3, and this Section 7.4 and in the applicable Transaction Documents, neither Buyer Parent nor any other Person on behalf of Buyer Parent or any of its Subsidiaries or Affiliates makes any express or implied representation or warranty with respect to the Buyer Parent or any of its Subsidiaries or Affiliates or with respect to the Acquired Assets or any other information provided to the Seller Parties in connection with the Transactions.

**ARTICLE VIII
CLOSING**

Section 8.1 Closing

(a) Subject to the satisfaction or, if permissible, waiver of the conditions set forth in ARTICLE IX, the closing of the Transactions (the “Closing”) will take place at 10:00 a.m., New York time, on the third Business Day after the date on which the last of the conditions required to be satisfied or waived pursuant to ARTICLE IX hereof is either satisfied or waived (other than conditions that, by their nature, are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions), but no earlier than December 1, 2010 at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York 10036, unless another time, date or place is agreed to in writing by the parties hereto (such date on which the Closing occurs, the “Closing Date”). The parties will cooperate to cause the Closing to occur immediately following or concurrently with the closing of the CBNA Transaction and prior to the closing of the Merger Transaction.

(b) Each condition precedent to the Closing will be deemed to have been satisfied or waived for the purposes of ARTICLE IX, and each of the Transactions will be deemed to have been consummated, upon the execution and delivery by the Seller of the Seller Satisfaction Certificate and the execution and delivery by Buyer Parent of the Buyer Satisfaction Certificate. The execution and delivery of a Buyer Satisfaction Certificate or Seller Satisfaction Certificate is not intended to affect any party’s rights under any Merger Transaction Agreement, CBNA Transaction Agreement or Transaction Agreement after the Closing, including any right to claim that a breach of any representation, warranty or covenant in this Agreement has occurred at any time prior to the Closing.

**ARTICLE IX
CONDITIONS PRECEDENT**

Section 9.1 Conditions to the Obligations of the Parties

The obligation of each party to this Agreement to consummate the Transactions is subject to the satisfaction or waiver (by mutual agreement of the parties, to the extent permitted by applicable Law) of the following conditions:

(a) the Seller Stockholder Approval shall have been obtained;

(b) if applicable, any waiting period (or extension thereof) under the HSR Act relating to the Transactions shall have expired or been terminated; and

(c) no Governmental Authority shall have commenced, enacted, issued, promulgated, enforced or entered any suit, proceeding, Order or Law which is then in effect and has the effect of making the Transactions illegal or otherwise prohibiting the consummation of the Transactions.

Section 9.2 Conditions to the Obligations of the Buyer Parties

The obligation of the Buyer Parties to consummate the Transactions is subject to the satisfaction or waiver by the Buyer Parent of the following further conditions:

(a) the representations and warranties of each Seller Party contained in the Transaction Documents to which it is a party shall be true and correct (without giving effect to any limitation as to materiality or material adverse effect or similar qualifiers set forth therein) at and as of the Closing Date with the same force and effect as if made at and as of the Closing Date (other than those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time, which need only be true and correct as of such date or with respect to such period), except where the failure of such representations and warranties to be true and correct would not reasonably be expected to have a Seller Material Adverse Effect;

(b) the Seller Parties shall have performed and complied in all material respects with all agreements and covenants required by the Transaction Documents to be performed or complied with by the Seller Parties at or prior to the Closing;

(c) the Seller shall have delivered to the Buyer Parent a certificate, substantially in the form of Exhibit 9.2, dated the Closing Date and signed by an executive officer of the Seller, certifying to the effect that the conditions set forth in Sections 9.2(a) and 9.2(b) have been satisfied;

(d) the Seller shall have delivered to the Buyer Parent the Seller Satisfaction Certificate, dated the Closing Date and signed by an executive officer of the Seller;

(e) since the Commitment Date, there shall not have been:

(i) an event whereby Seller is no longer eligible to act or has been terminated as Servicer for the Trust Student Loans;

(ii) "gross claim rejects" as set forth in the Seller's Report of Operations (as would be calculated on the Commitment Date), in excess of 30 basis points in the last full quarter prior to the Closing; or

(iii) any receiver or conservator appointed for CBNA or for all or any substantial part of its property;

(f) all documents, certificates and opinions specified in Section 9.4 to be delivered by the other parties to the Transaction Documents on the Closing Date shall be duly executed and delivered by all signatories as required pursuant to the respective terms thereof;

(g) the receipt of all third party consents and Rating Agency confirmations, and the satisfaction or waiver of all applicable notice conditions, if required in connection with the Transactions, as set forth in Section 9.2(g) of the Buyer Disclosure Schedule; and

(h) CBNA as the lender under the Term Loan Agreement shall have confirmed in writing to the Buyer Parent, that all conditions to its obligations to fund under the Term Loan Agreement (other than the Closing under this Agreement) have been satisfied or waived, and CBNA will fund the loans under the Term Loan Agreement.

Section 9.3 Conditions to the Obligations of the Seller Parties

The obligation of the Seller Parties to consummate the Transactions is subject to the satisfaction or waiver by the Seller of the following further conditions:

(a) the representations and warranties of each Buyer Party contained in each Transaction Document to which it is a party shall be true and correct (without giving effect to any limitation as to materiality or material adverse effect or similar qualifiers set forth therein) at and as of the Closing Date with the same force and effect as if made at and as of the Closing Date (other than those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time, which need only be true and correct as of such date or with respect to such period), except where the failure of such representations and warranties to be true and correct would not reasonably be expected to have a Buyer Material Adverse Effect;

(b) the Buyer Parties shall have performed and complied in all material respects with all material agreements and covenants required by the Transaction Documents to be performed or complied with by the Buyer Parties at or prior to the Closing Date;

(c) Buyer Parent shall have delivered to the Seller a certificate, substantially in the form of Exhibit 9.3, dated the Closing Date and signed by an executive officer of the Buyer, certifying to the effect that the conditions set forth in Sections 9.3(a) and 9.3(b) have been satisfied;

(d) Buyer Parent shall have delivered to the Seller the Buyer Satisfaction Certificate, dated the Closing Date and signed by an executive officer of the Buyer Parent;

(e) all documents, certificates and opinions specified in Section 9.4 to be delivered by the other parties to this Agreement or the other Transaction Documents on the Closing Date shall be duly executed and delivered by all signatories as required pursuant to the respective terms thereof;

(f) the closing of the CBNA Transaction shall have occurred or will occur concurrently with the Closing;

(g) the parties to the Merger Transaction Agreement shall be in a position to close the Merger Transaction immediately following the Closing and shall have notified the parties hereto in writing of their intent to do so; and

(h) the receipt of all third party consents and Rating Agency confirmations, and the satisfaction or waiver of all applicable notice conditions, if required in connection with the Transactions, as set forth in Section 9.3(h) of the Seller Disclosure Schedule.

Section 9.4 Closing Documents

On the Closing Date, each of the parties hereto shall deliver or cause to be delivered duly executed copies of the following documents to which they are a party or for which they are otherwise responsible as set forth below:

- (a) the Trust Certificates Bill of Sale;
- (b) the Accession Agreement;
- (c) the Partial Release of Security Interest;
- (d) the Sub-Administration Agreement for each Securitization Trust;
- (e) the Sub-Sub-Administration Agreement for each Securitization Trust,
- (f) the Administration Services Agreement for each Securitization Trust,
- (g) the Conduit Replacement Servicing Agreement;
- (h) the Replacement Subservicing Agreement for each Securitization Trust;
- (i) the Sub-Subservicing Agreement for each Securitization Trust;
- (j) the Servicing Services Agreement for each Securitization Trust;
- (k) the Assumption of Obligations of the Seller under Master Terms Purchase Agreements for each Trust;
- (l) the Makewhole and Participation Agreement;
- (m) the Conduit Bill of Sale;
- (n) the Conduit Mutual Release;
- (o) the Department Form Agreements;
- (p) the Conduit Replacement Subservicing Agreement;
- (q) the Conduit Services Agreement;

- (r) the Sub-Sub-Administration Agreement;
- (s) the Depositor Agreement;
- (t) the Amended and Restated Confidentiality Agreement;
- (u) the Buyer/Seller Release;
- (v) the Buyer Satisfaction Certificate;
- (w) the Seller Satisfaction Certificate;

(x) certificates of good standing of each of the parties to this Agreement dated as of a date within five (5) Business Days prior to the Closing Date to be delivered by the Buyer and the Seller, respectively;

(y) a certificate of the Secretary of each of the Buyer and the Seller attaching their respective organizational documents, board resolutions and incumbency certificate;

(z) evidence of the receipt of all third party consents and Rating Agency confirmations required in connection with the Transactions as to be delivered by the Seller pursuant to Sections 9.3(g) and 9.3(h);

(aa) all Opinions of Counsel required to be delivered pursuant to this Agreement and the Transaction Documents;

(bb) all government filings required in connection with the Transactions to be delivered by the Seller; and

(cc) all UCC-3 financing statements required to release the security interest of the Omnibus Lender under the Omnibus Credit Agreement in respect of the Trust Certificates to be delivered by the Seller on behalf of the Omnibus Lender for filing within three (3) Business Days following the Closing Date.

ARTICLE X COVENANTS

Section 10.1 No Public Announcements

The initial press releases with respect to the Transactions and the Related Transactions shall be press releases mutually agreed upon by Buyer Parent, the Seller, CBNA and Merger Buyer. The Seller, CBNA and Buyer Parent shall also consult with each other before issuing any other press release with respect to the Transaction Documents or the Transactions (and none of Buyer Parent or its Affiliates shall issue or make any other press release with respect to the Related Transactions) and shall not issue any such press release without the prior consent of the other (which consent shall not be unreasonably withheld,

delayed or conditioned), except as may be required by Law or any listing agreement with the New York Stock Exchange to which the Seller or Buyer Parent is a party.

Section 10.2 Proxy Statement

(a) Covenants of the Seller with Respect to the Proxy Statement. As promptly as reasonably practicable following the date of this Agreement, the Seller shall prepare and shall cause to be filed with the SEC a proxy statement (together with any amendments thereof or supplements thereto, the “Proxy Statement”) relating to the meeting of the Seller’s stockholders to be held for the purpose of voting upon (i) the approval of this Agreement and the Transactions and (ii) the adoption of the Merger Transaction Agreement and the approval of the Merger Transaction (the “Stockholders’ Meeting”). The Seller shall include in the Proxy Statement, except to the extent permitted by Section 10.4, the Seller Recommendation. Seller shall use all reasonable efforts to respond to any comments by the SEC staff in respect of the Proxy Statement. The Seller covenants and agrees that none of the information with respect to the Seller or its Subsidiaries to be included in the Proxy Statement will, at the time of the mailing of the Proxy Statement or any amendments or supplements thereto, and at the time of the Stockholders’ Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Seller shall use its reasonable best efforts to ensure that the Proxy Statement will comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations promulgated thereunder.

(b) Covenants of Buyer Parent with Respect to the Proxy Statement. Buyer shall use all reasonable efforts to cooperate with the Seller to respond to any comments by the SEC staff in respect of the Proxy Statement. Buyer Parent covenants and agrees that none of the information with respect to Buyer Parent or its Subsidiaries furnished by Buyer Parent, its Affiliates or their respective representatives for the purpose of inclusion in the Proxy Statement will, at the time of the mailing of the Proxy Statement or any amendments or supplements thereto, and at the time of the Stockholders’ Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) Cooperation. The Seller and Buyer Parent shall cooperate and consult with each other in the preparation of the Proxy Statement and the Seller will provide Buyer Parent a reasonable opportunity for review and comment on the draft Proxy Statement (including each amendment or supplement thereto). Without limiting the generality of the foregoing, Buyer Parent will furnish to the Seller the information relating to it required by the Exchange Act and the rules and regulations promulgated thereunder to be set forth in the Proxy Statement. Each of the Seller and Buyer Parent shall promptly (i) notify the other of the receipt of any comments from the SEC with respect to the Proxy Statement and of any request by the SEC for amendments of, or supplements to, the Proxy Statement, and (ii) provide the other party with copies of all filings made with the SEC and all correspondence between the Seller and the SEC with respect to the Proxy Statement. Each of the Seller and Buyer Parent shall use its reasonable

best efforts to resolve all comments from the SEC with respect to the Proxy Statement as promptly as practicable.

(d) **Mailing of Proxy Statement: Amendments.** As promptly as reasonably practicable after the Proxy Statement has been cleared by the SEC, the Seller shall mail the Proxy Statement to the holders of the Seller Common Stock as of the record date established for the Stockholders' Meeting and, unless the Seller has effected a Change of Recommendation, shall use reasonable best efforts to solicit proxies and votes in favor of the approval of this Agreement and the Transactions. If at any time prior to the Closing Date any event or circumstance relating to the Seller or Buyer Parent or any of their respective Subsidiaries, or their respective officers or directors, should be discovered by the Seller or Buyer Parent, respectively, which, pursuant to the Exchange Act, should be set forth in an amendment or a supplement to the Proxy Statement, such party shall promptly inform the other (in which case the parties shall cooperate to effect the applicable amendment or supplement). Prior to the Stockholders' Meeting, each of Buyer Parent and the Seller agrees to correct any information provided by it for use in the Proxy Statement which shall have become false or misleading.

Section 10.3 Stockholders' Meeting

The Seller shall, as promptly as reasonably practicable following the date of this Agreement, establish a record date for, duly call, give notice of, convene and hold the Stockholders' Meeting, whether or not the Board of Directors of the Seller has made a Permitted Change of Recommendation. At such Stockholders' Meeting, the Seller shall recommend to its stockholders the approval of the Transactions (the "Seller Recommendation"), except for a Permitted Change of Recommendation effected pursuant to Section 10.4(e).

Section 10.4 No Solicitation of Competing Proposal

(a) From and after the date of this Agreement until the earlier of the Closing Date or the date, if any, on which this Agreement is terminated pursuant to Section 11.1, and except as otherwise provided for in Sections 10.4 or 10.11, the Seller agrees that neither it nor any Subsidiary of the Seller shall, and that it shall cause its and their respective officers, directors, employees, managers, accountants, consultants, legal counsel, financial advisors, agents and other advisors and representatives (collectively, the "Representatives") not to directly or indirectly: (i) solicit, initiate, assist or knowingly facilitate or encourage the making of, any Competing Proposal or any inquiry offer or proposal that could reasonably be expected to lead to any Competing Proposal, (ii) enter into, engage or participate in, or continue any negotiations regarding any Competing Proposal or any inquiry proposal or offer that could reasonably be expected to lead to, any Competing Proposal, (iii) other than in the ordinary course of business consistent with past practice and not in connection with any Competing Proposal, furnish to any person or group (other than Buyer Parent and its Affiliates) any non-public information relating to the Seller or any of its Subsidiaries (provided that the Seller may furnish information with respect to the Merger Transaction to the Merger Buyer and may furnish information with respect to the CBNA Transaction to CBNA), (iv) engage or participate in discussions with any Person with respect to any Competing Proposal or any proposal, inquiry or offer that could reasonably be expected to lead to any Competing Proposal, (v) approve, endorse or recommend or propose publicly to approve, endorse or recommend any Competing Proposal or any proposal, inquiry or

offer that could reasonably be expected to lead to any Competing Proposal; or (vi) approve, endorse or recommend or publicly announce an intention to approve, endorse or recommend, or enter into any letter of intent or similar document or any agreement, commitment or other contract or agreement relating to any Competing Proposal or any inquiry, offer or proposal that could reasonably be expected to lead to, any Competing Proposal (other than as contemplated by the Related Transactions). The Seller agrees that any breach of this Section 10.4(a) by any Subsidiary or Affiliate of the Seller or any of its or their respective Representatives shall constitute a breach of this Section 10.4(a) by the Seller.

(b) The Seller shall, and shall cause its Subsidiaries and its and their respective Representatives to, immediately cease any existing solicitations, discussions or negotiations with any Person (other than the parties hereto) with respect to any Competing Proposal (other than as contemplated by the Related Transactions).

(c) Notwithstanding any limitations set forth in this Agreement, if after the date hereof and prior to the receipt of the Seller Stockholder Approval, the Seller receives an unsolicited bona fide written Competing Proposal that (i) did not result from a violation of Section 10.4 and (ii) the Board of Directors of the Seller (upon the recommendation of the Special Committee) determines in good faith after consultation with the Seller's outside legal and financial advisors that such Competing Proposal constitutes or would reasonably be expected to result, after the taking of any of the actions referred to in any of clause (x), (y) or (z) below, in a Superior Proposal or an Alternate Superior Proposal, then, the Seller may, at any time prior to the receipt of the Seller Stockholder Approval, take the following actions: (x) furnish non-public information with respect to the Seller and its Subsidiaries to the third party making such Competing Proposal, if, and only if, such information has been previously or is contemporaneously provided to Buyer Parent and prior to so furnishing such information, the Seller receives from the third party an executed confidentiality agreement with terms no less favorable in the aggregate to the third party than the Confidentiality Agreement is to Buyer Parent, (y) engage or participate in discussions or negotiations with such third party with respect to the Competing Proposal, and (z) in the case of a Competing Proposal that constitutes or would reasonably be expected to result in an Alternate Superior Proposal, engage in discussions or negotiations with CBNA and Merger Buyer, with respect to the Competing Proposal; provided, however, that as promptly as reasonably practicable following the Seller taking such actions as described in clauses (x), (y) or (z) above (and in any event within 24 hours), the Seller shall provide written notice to Buyer Parent of such determination as provided for in clause (ii) above, the identity of the third party making such Competing Proposal and the terms and conditions of the Competing Proposal. The Seller shall keep Buyer Parent informed on a current basis of the status of any such discussions or negotiations, including any discussions or negotiations with CBNA and Merger Buyer. Buyer Parent shall be permitted to engage in discussions and negotiations with CBNA and Merger Buyer in connection with any Competing Proposal.

(d) Neither the Board of Directors of the Seller nor any committee thereof shall: (i) change, qualify, withdraw or modify, or publicly propose to change, qualify, withdraw or modify the Seller Recommendation (a "Change of Recommendation"); (ii) approve or recommend, or publicly propose to approve or recommend any Competing Proposal; or (iii) exempt any person from any state takeover law, except as provided or permitted by this Section 10.4.

(e) If prior to the receipt of the Seller Stockholder Approval either:

(i) the Seller receives an unsolicited Superior Proposal or an unsolicited Alternate Superior Proposal and the Seller has complied with its obligations under this Section 10.4, or

(ii) other than in connection with a Competing Proposal, the Board of Directors of the Seller (upon the recommendation of the Special Committee) determines in good faith in response to the occurrence of a Seller Intervening Event, after consultation with outside legal and financial advisors that, the failure of the Board of Directors of the Seller to effect a Change of Recommendation would be inconsistent with the fiduciary duties of the Board of Directors of the Seller to the Seller's stockholders under applicable Law,

then, prior to the receipt of the Seller Stockholder Approval, the Board of Directors of the Seller may effect a Change of Recommendation (a "Permitted Change of Recommendation"); provided, that with respect to clause (i), (x) the Seller shall have first (A) provided seven (7) Business Days' prior written notice (a "Notice of Superior Proposal") to Buyer Parent that it is prepared to effect a Permitted Change of Recommendation in response to a Superior Proposal or an Alternate Superior Proposal and specifying the reasons therefor, including the terms and conditions of the Superior Proposal or the Alternate Superior Proposal that are the basis of such proposed Permitted Change of Recommendation, copies of the agreements proposed to effect such Superior Proposal or Alternate Superior Proposal, as well as all material correspondence relating to such Superior Proposal or Alternate Superior Proposal and the identity of the Person making such proposed Superior Proposal or Alternate Superior Proposal (it being understood and agreed that any amendment to the financial terms or any material amendment of any such Superior Proposal or Alternate Superior Proposal shall require a new Notice of Superior Proposal and a new seven (7) Business Day period), and (B) during such seven (7) Business Day period, if requested by Buyer Parent, engaged in good faith negotiations with Buyer Parent (and the parties to the Related Transactions, if applicable) to amend this Agreement, the Transaction Documents (and/or the Related Transaction Documents) in such a manner that any Competing Proposal which was determined to be a Superior Proposal or an Alternate Superior Proposal, as the case may be, would no longer constitute a Superior Proposal or Alternate Superior Proposal, as the case may be, and (y) at the end of such seven (7) Business Day period (or at such earlier time following receipt of a Notice of Superior Proposal that Buyer Parent notifies the Seller that it is not interested in pursuing further negotiations to amend this Agreement), such Competing Proposal has not been withdrawn and continues to constitute a Superior Proposal or an Alternate Superior Proposal taking into account any changes, which have not been withdrawn, to the terms of this Agreement proposed by Buyer Parent and/or, in the case of a Superior Proposal only, any changes to the Transaction Documents or Related Transaction Documents proposed by the parties thereto following a Notice of Superior Proposal, as a result of the negotiations required by sub-clause (B) or otherwise) and in the case of clause (ii), the Seller shall have first provided seven (7) Business Days' prior written notice ("Notice of a Proposed Change of Recommendation") to Buyer Parent that it is prepared to effect a Permitted Change of Recommendation in response to a Seller Intervening Event and describing such Seller Intervening Event and during such seven (7) Business Day period, if requested by Buyer Parent, engaged in, and caused its Representatives and Affiliates to have engaged in, good faith

negotiations with Buyer Parent and its Representatives (and the parties to the Related Transaction Documents and their Representatives) to amend this Agreement, the Transaction Documents and/or the Related Transaction Documents and at the end of such seven (7) Business Day period, the Board of Directors of the Seller (upon the recommendation of the Special Committee) after taking into account all changes, which have not been withdrawn, to the terms of this Agreement, the Transaction Documents and/or the Related Transaction Documents proposed by Buyer Parent or the parties thereto following such Notice of a Proposed Change of Recommendation, again determines in good faith that the failure to effect a Change of Recommendation would be inconsistent with the fiduciary duties of the Board of Directors of the Seller to the Seller's stockholders under applicable Law.

(f) The Seller shall advise Buyer Parent promptly (and in any event within 24 hours) of: (i) any Competing Proposal or indication, inquiry proposal or offer with respect to or that could reasonably be expected to lead to any Competing Proposal; (ii) any request for non-public information relating to the Seller; and (iii) any inquiry or request for discussion or negotiation regarding a Competing Proposal, including in each case the identity of the Person making any such Competing Proposal or indication, inquiry offer or proposal the material terms of any such Competing Proposal or indication, inquiry offer or proposal and any material correspondence relating thereto. The Seller shall keep Buyer Parent informed on a current basis of any material changes to the terms of any such Competing Proposal or indication or inquiry.

(g) Notwithstanding the limitations set forth in this Section 10.4, and in accordance with Section 10.4(e), if the Board of Directors of the Seller has effected a Permitted Change of Recommendation in compliance with the requirements of Section 10.4(e)(i) and in response to a Superior Proposal (but not an Alternate Superior Proposal) and is not in breach of Section 10.4, then prior to receipt of the Seller Stockholder Approval, the Board of Directors of the Seller (upon the recommendation of the Special Committee) may cause the Seller to enter into a binding written agreement (a "Superior Proposal Agreement") to effect a Superior Proposal and terminate this Agreement in accordance with Section 11.1(h).

(h) Nothing contained in this Agreement shall prohibit the Seller or the Board of Directors of the Seller from (i) disclosing to the Seller's stockholders a position contemplated by Rules 14d-9 and 14e-2(a) promulgated under the Exchange Act or (ii) making any disclosure to its stockholders if the Board of Directors of the Seller (or a committee thereof, as applicable) has reasonably determined in good faith, after consultation with outside legal and financial advisors, that the failure to do so would be inconsistent with any applicable Law; provided, however, that (A) any disclosure of a position contemplated by Rule 14e-2(a) or Rule 14d-9 promulgated under the Exchange Act other than a "stop, look and listen", an express rejection of any applicable Competing Proposal or an express reaffirmation of the Seller Recommendation shall be deemed to be a Change of Recommendation and (B) neither the Seller nor the Seller's Board of Directors (nor any committee thereof) shall make any Change of Recommendation except in accordance with the other provisions of this Section 10.4.

(i) As used in this Agreement, "Competing Proposal" shall mean any proposal or offer from any Person or group of Persons other than Buyer Parent and its Affiliates to effect: (A) any direct or indirect acquisition or purchase, in any single transaction or series of related transactions, by any such Person or group, of 15% or more of the fair market value of the

Acquired Assets; (B) any direct or indirect acquisition or purchase by any person or group of persons of 15% or more of the total outstanding voting securities of the Seller or any of its Subsidiaries; (C) any tender offer or exchange offer (including through the filing with the SEC of a Schedule TO), as defined pursuant to the Exchange Act, that if consummated, would result in any Person or group beneficially owning 15% or more of the Seller Common Stock or (D) any merger, consolidation, business combination, recapitalization, issuance of or amendment to the terms of outstanding stock or other securities, liquidation, dissolution or other similar transaction involving the Seller as a result of which any Person or group acting in concert would acquire assets or securities or interests described in clause (A), (B) or (C) above.

(j) As used in this Agreement, “Seller Intervening Event” means an event or circumstance material to the Seller and its Subsidiaries, taken as a whole (other than any event or circumstance resulting from a breach of this Agreement by the Seller or its Subsidiaries or any breach of any of the Related Transaction Documents), that was unknown to the Board of Directors of the Seller on the date hereof, which event or circumstance becomes known to the Board of Directors of the Seller prior to the Seller Stockholder Approval; provided, however, that (A) in no event shall the receipt, existence or terms of a Competing Proposal (or any proposal or inquiry to acquire any of the assets purchased under the CBNA Transaction or the Seller assets that remain in the Seller after the closing under the Merger Transaction Agreement), or any inquiry or matter relating thereto or consequence thereof, constitute a Seller Intervening Event, (B) in no event shall events or circumstances arising from the announcement or the existence of, or any action taken by either party pursuant to and in compliance with the terms of, this Agreement or the Related Transaction Documents constitute a Seller Intervening Event and (C) in no event shall any increase in the market price of the Seller Common Stock, in and of itself, constitute a Seller Intervening Event (provided that the event or circumstance underlying such increase in the market price of the Seller Common Stock shall not be excluded, and may be taken into account, in determining whether there is a Seller Intervening Event).

(k) As used in this Agreement, “Superior Proposal” shall mean any unsolicited, bona fide written Competing Proposal (except the references in clauses (A), (B) and (C) thereof to “15%” shall be replaced by “80%” and the reference in clause (A) thereof to Acquired Assets shall be replaced by “all assets of the Seller”) that (A) is on terms that the Board of Directors of the Seller (upon the recommendation of the Special Committee) determines in good faith, after consultation with outside financial and legal advisors and consideration of all relevant factors, would, if consummated, result in a transaction that is more favorable from a financial point of view to the holders of the Seller Common Stock than the Transactions (taking into account any binding proposal to amend the terms of this Agreement, the Transaction Documents and/or any of the Related Transaction Documents), and (B) is reasonably capable of being completed on the terms set forth in the proposal within a reasonable period of time, taking into account all financial, legal, regulatory and other aspects thereof.

(l) As used in this Agreement, “Alternate Superior Proposal” shall mean any unsolicited, bona fide written Competing Proposal of the type set forth in clause (A) of the definition of “Competing Proposal” (except the references in clause (A) thereof to “15%” shall be replaced by “100%”) that (A) is on terms that the Board of Directors of the Seller (upon the recommendation of the Special Committee) determines in good faith, after consultation with outside financial and legal advisors and consideration of all relevant factors, would, if

consummated, result in a transaction that is more favorable from a financial point of view to the holders of the Seller Common Stock than the Transactions (taking into account any binding proposal to amend the terms of this Agreement, the Transaction Documents and/or any of the Related Transaction Documents), (B) is reasonably capable of being completed on the terms set forth in the proposal within a reasonable period of time, taking into account all financial, legal, regulatory and other aspects thereof, and (C) would, if consummated, not result (I) in any person other than CBNA acquiring the assets being sold in the CBNA Transaction Agreement in accordance with the terms and conditions of the CBNA Transaction Agreement (as in effect immediately prior to the announcement of or the Seller's receipt of such Competing Proposal) and the Transaction Documents (as defined in the CBNA Transaction Agreement) and (II) in any person other than Merger Buyer (and its Affiliates) consummating the Merger Transaction in accordance with the terms and conditions of the Merger Transaction Agreement (as in effect immediately prior to the Seller's receipt of such Competing Proposal) and the Transaction Documents (as defined in the CBNA Transaction Agreement).

(m) During the period from the date of this Agreement through the earlier of the Closing Date and the date of termination of this Agreement, the Seller shall not terminate, amend, modify or waive any provision of any confidentiality agreement relating to a Competing Proposal or standstill agreement to which the Seller or any of the Seller's Subsidiaries is a party (other than any involving Buyer Parent). During such period, the Seller agrees to enforce, to the fullest extent permitted under applicable Law, the provisions of any such agreements, including obtaining injunctions to prevent any breaches of such agreements and to enforce specifically the terms and provisions thereof in any court of the U.S. or any state thereof having jurisdiction. Notwithstanding the foregoing, the Seller may waive any such standstill if the Board of Directors of the Seller, after consultation with outside legal counsel, determines that the failure to do so would be inconsistent with the fiduciary duties of the Board of Directors of the Seller to the Seller's stockholders under applicable Law.

(n) From and after the date of this Agreement until the earlier of the Closing Date or the date, if any, on which this Agreement is terminated pursuant to Section 11.1, the Seller agrees that it will comply with all agreements and covenants to be performed by it under Section 6.6 of the Merger Transaction Agreement.

(o) Buyer Parent agrees that neither it nor any of its Affiliates shall make any Competing Proposal (as defined in the Merger Transaction Agreement) without the prior written consent of Seller or except as otherwise permitted through the Merger Transaction Agreement.

Section 10.5 Appropriate Action; Consents; Filings

(a) Subject to the terms and conditions hereof, the parties hereto will use their respective reasonable best efforts to consummate and make effective the Transactions and the Related Transactions and to cause the conditions to the Transactions set forth in ARTICLE IX to be satisfied, including:

(i) the obtaining of all necessary actions or nonactions, consents, terminations or expirations of waiting periods and approvals from Governmental Authorities or other Persons necessary in connection with the consummation of the

Transactions and the making of all necessary registrations and filings (including filings with Governmental Authorities, if any) and the taking of all steps as may be necessary to obtain an approval from, or to avoid an action or proceeding by, any Governmental Authority or other Persons necessary in connection with the consummation of the Transactions (provided that, notwithstanding anything in this Agreement, in no event shall any party be required to make any payment to any such other Persons to obtain such approval);

(ii) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement or the performance or consummation of the Transactions in accordance with the terms of this Agreement, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Authority vacated or reversed; and

(iii) the execution and delivery of any additional instruments necessary to consummate the transactions to be performed or consummated by such party in accordance with the terms of this Agreement and to fully carry out the purposes of this Agreement.

Without limiting the foregoing, although Seller and Buyer Parent each acknowledge that they do not anticipate filings under the HSR Act are required, in the event any filing or submission is required under the HSR Act, each of the parties hereto shall promptly make its respective filings, and thereafter make any other required submissions, under the HSR Act with respect to the Transactions. The Seller and Buyer Parent shall cooperate (A) in promptly determining whether any filings are required to be or should be made or whether any consents, approvals, permits or authorizations are required to be or should be obtained under any other federal, state or non-U.S. Law or regulation or whether any consents, approvals or waivers are required to be or should be obtained from other parties to loan agreements or other contracts or instruments material to the Seller's business in connection with the consummation of the Transactions and (B) in promptly making any such filings, furnishing information required in connection therewith and seeking to obtain timely any such consents, permits, authorizations, approvals or waivers.

(b) In furtherance and not in limitation of the covenants of the parties contained in Section 10.5(a), each of the parties hereto shall use its reasonable best efforts to resolve such objections, if any, as may be asserted with respect to the Transactions by or under the HSR Act, the Federal Trade Commission or Department of Justice, including taking all reasonable actions to obtain clearance, or if such clearance cannot be obtained, to reach an agreement, settlement or consent with the Governmental Authority investigating the Transactions; provided, however, that the foregoing shall not require any party to agree to any asset divestiture or restriction on its or its Subsidiaries' business operations. In connection with the foregoing, if any administrative or judicial action or proceeding, including any proceeding by a private person, is instituted (or threatened to be instituted) challenging any of the Transactions as violative of the HSR Act or any other antitrust or other Law in any jurisdiction, Buyer Parent shall use its reasonable best efforts to contest and resist any such action or proceeding and to have vacated, lifted, reversed or overturned any judgment or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts the consummation of the Transactions, including defending through litigation on the merits any

claim asserted in any such action or proceeding by any Person (and the Seller shall cooperate with Buyer Parent with respect to such matters).

(c) Each of Buyer Parent and the Seller shall give (or shall cause its respective Subsidiaries to give) any notices to third parties, and Buyer Parent and the Seller shall use, and cause each of its Subsidiaries to use, its reasonable best efforts to obtain any third party consents not covered by Sections 10.5(a) and 10.5(b), necessary, proper or advisable to consummate the Transactions. Each party shall without limitation: (1) promptly notify the other of, and if in writing, furnish the other with copies of (or, in the case of oral communications, advise the other of) any communications from or with any Governmental Authority with respect to the Transactions, (2) use its reasonable best efforts to permit the other to review and discuss in advance, and consider in good faith the views of the other in connection with, any proposed written or any oral communication with any such Governmental Authority with respect to the Transactions, (3) use its reasonable best efforts not to participate in any meeting or have any communication with any such Governmental Authority with respect to the Transactions, unless it has given the other an opportunity to consult with it in advance and, to the extent permitted by such Governmental Authority, gives the other the opportunity to attend and participate therein, and (4) furnish the other with such necessary information and reasonable assistance as the other may reasonably request in connection with its preparation of necessary filings or submissions of information to any such Governmental Authority with respect to the Transactions. Such materials and the information contained therein that is competitively sensitive shall be given only to the outside legal counsel of the other party and will not be disclosed by such outside counsel to employees, officers, or directors of their respective client unless express permission is obtained in advance from the disclosing party or its legal counsel.

(d) Seller will keep Buyer reasonably informed of the status of any approvals of a Governmental Authority or third party consents required with respect to the transactions contemplated by the Related Transaction Documents.

Section 10.6 Access to Information; Confidentiality

(a) From the date hereof to the Closing Date, or the date, if any, on which this Agreement is terminated pursuant to Section 11.1, to the extent permitted by applicable Law, the Seller shall (i) provide to Buyer Parent and its Representatives (A) complete and full access to the Data Room as it relates to the Acquired Assets including the ability of Buyer Parent and its Representatives to print copies of all documents contained therein and (B) reasonable access during normal business hours and, following reasonable notice from Buyer Parent, to the Seller's and its Subsidiaries' properties, books, contracts and records and other information as Buyer Parent may reasonably request regarding the Acquired Assets or as may otherwise be reasonably required in connection with the Transactions, and (ii) furnish promptly to Buyer Parent such information concerning the same as Buyer Parent or its Representatives may reasonably request; provided, however, that the Seller shall not be required to provide access to any information or documents which would, in the reasonable judgment of the Seller, (x) breach any agreement with any third party, (y) constitute a waiver of the attorney-client or other privilege held by the Seller or (z) otherwise violate any applicable Laws.

(b) The Buyer Parent shall use the information provided pursuant to Section 10.6(a) solely for the purposes of effecting the Transactions, and the parties shall comply with, and shall cause their respective Representatives to comply with, all of their respective obligations under the Confidentiality Agreement, dated March 11, 2010 (the “Confidentiality Agreement”) with respect to such information (which shall be deemed “Evaluation Material” (as defined therein) for purposes thereof). The Confidentiality Agreement shall be amended and restated at the Commitment Date substantially in the form of Exhibit 10.6(b).

(c) Following the Closing, the Seller and the Buyer Parent shall use reasonable best efforts to make available to each other, upon written request, (i) their respective Representatives for fact finding, consultation and interviews and as witnesses or other participants to the extent that any such Person may reasonably be requested in connection with any action, suit, proceeding, claim, arbitration, investigation or litigation, whether civil or criminal, at law or in equity, in which the requesting party may from time to time be involved relating to the business of the Seller as such business was conducted prior to the Closing (and the Seller and the Buyer Parent will cause such Representatives to cooperate with the requesting party to produce, subject to and in accordance with this Section 10.6(c), such books and records as are reasonably required in connection with such matters) and (ii) reasonable access during normal business hours to, or copies of, the Seller’s and its Subsidiaries’ books and records and other information as Buyer Parent may reasonably request regarding the Acquired Assets; provided, however, that the Seller shall not be required to provide access to any information or documents which would, in the reasonable judgment of the Seller, (x) breach any agreement with any third party, (y) constitute a waiver of the attorney-client or other privilege held by the Seller or (z) otherwise violate any applicable Laws. Except as otherwise agreed, the Seller and the Buyer Parent hereby agree to reimburse each other for Expenses incurred by the other in connection with providing individuals, witnesses and/or books and records pursuant to this Section 10.6(c).

Section 10.7 Non-Solicit

From the date hereof until the 18 month anniversary of the Closing Date, neither the Buyer Parent, nor any of its Affiliates, shall, without the prior written consent of the Seller, directly or indirectly solicit for employment any employee of the Seller that the Buyer Parent or its Subsidiaries either met in person in connection with the Buyer Parent’s due diligence investigation or negotiation and execution of this Agreement or work with directly after the Closing in connection with servicing Student Loans. In addition, until the sixth month anniversary of the Closing Date neither the Buyer Parent nor any of its Affiliates will conduct any recruitment events such as job fairs that are targeted at groups of employees of the Seller. However, nothing in this Section 10.7 shall prevent the Buyer Parent, or any of its Affiliates, from (i) hiring persons who are referred by search firms or employment agencies or similar entities (so long as such entities have not been instructed to solicit the employees of the Seller) or persons who respond to a general solicitation or advertisement that is not specifically directed to the employees of the Seller (and nothing shall prohibit the use of such search firm or employment agency or similar entity or the making of any such solicitation or advertisement) or (ii) soliciting or hiring any person who, at the time of such solicitation or hiring, is not an employee of the Seller.

Section 10.8 Related Transaction Documents

Without the prior written consent of the Buyer, the Seller shall not (i) amend, modify or waive any provision of the Related Transaction Documents in a manner that would reasonably be expected to materially adversely affect Buyer's rights or obligations or materially delay the Closing Date or (ii) terminate the Merger Transaction Agreement pursuant to Section 8.1(a) or the CBNA Transaction Agreement pursuant to Section 8.1(a) by the mutual written agreement of the Seller and the applicable counterparty. Subject to the foregoing, the Seller shall deliver promptly to Buyer copies of all material amendments, modifications and waivers to any Related Transaction Document.

Section 10.9 Agreements with Other Parties

Without the prior written consent of the Seller (upon the recommendation of the Special Committee), between the date of this Agreement and the Closing Date, Buyer Parent shall not, and shall not permit any of its Affiliates to, enter into any agreements, arrangements or understandings (other than as provided in the Transaction Documents and the Related Transaction Documents) between Buyer Parent or its Affiliates and either (i) Merger Buyer or its Affiliates with respect to any of the Transaction or the Related Transactions or (ii) CBNA or its Affiliates, with respect to any of the Transactions or the Related Transactions that would have the effect of providing additional consideration in excess of the Merger Consideration (as defined in the Merger Transaction Agreement) provided to CBNA pursuant to the Merger Transaction Agreement. This Section 10.9 shall not prohibit the Buyer Parent or Merger Buyer from making a proposal pursuant to Section 10.4(e).

Section 10.10 Conduct of Business by the Seller Pending the Closing

The Seller covenants and agrees that, between the Commitment Date and the Closing or the date, if any, on which this Agreement is terminated pursuant to Section 11.1:

(a) Except (i) as may be required by Law or any Governmental Authority, (ii) as may be consented in writing by Buyer Parent (which consent shall not be unreasonably delayed, conditioned or withheld), (iii) as may be contemplated by or required under, the Transaction Documents or as may be required under the Related Transaction Documents, (iv) as set forth in Section 10.10 of the Seller Disclosure Schedule or (v) as would not reasonably be expected to have any adverse effect on the Acquired Assets or the Applicable Loans or the ability of the Seller and its Affiliates to perform their obligations under the Transaction Documents, the business of the Seller and its Subsidiaries to the extent relating to Acquired Assets shall be conducted only in, and such entities shall not take any action except in, the ordinary course of business and in a manner consistent with past practice in all material respects; provided, however, that no action by the Seller or its Affiliates with respect to the matters specifically addressed by any provision of Section 10.10(b) below shall be deemed a breach of this sentence unless such action would also itself constitute a breach of such specific provision.

(b) Without limiting the generality of the foregoing, the Seller agrees with Buyer Parent that, except (i) as may be required by Law or any Governmental Authority, (ii) as may be consented to in writing by Buyer Parent (which consent shall not be unreasonably

delayed, conditioned or withheld in the case of Section 10.10(b)(iii) below), (iii) as may be contemplated by or required under the Transaction Documents or as may be required under the Related Transaction Documents or (iv) as set forth in Section 10.10 of the Seller Disclosure Schedule, it shall not, and shall not permit its Subsidiaries to:

(i) effect a new Securitization Transaction, or amend, modify or waive in any material respect any term of any outstanding Securitization Transaction or any Securitization Basic Document or any contract, arrangement, commitment or understanding relating to the Conduit Program to the extent relating to the Acquired Assets or the Applicable Loans or the Depositor;

(ii) sell or dispose of any loans to the extent relating to the Acquired Assets or the Applicable Loans except pursuant to existing commitments identified in Section 10.10 of the Seller Disclosure Schedule;

(iii) modify or amend in any material respect any provisions of any contract, commitment, arrangement or understanding set forth in Section 10.10(b)(iii) of the Seller Disclosure Schedule, or amend, waive, modify or consent to the early termination of any material rights thereunder;

(iv) terminate any trustee, servicer, subservicer or administrator or similar party under any contract to the extent relating to any of the Acquired Assets or the Applicable Loans except to the extent required under the terms of any of the Securitization Basic Documents; or

(v) offer Borrowers of Trust Student Loans or Financed Student Loans any borrower incentive programs not (A) required by the Higher Education Act or (B) in effect with respect to the related Trust Student Loans or Financed Student Loans on or before the Disclosure Date.

(c) With respect to the Depositor, the Seller shall cause the Depositor to:

(i) comply in all respects with its permitted purposes and activities clause and in all material respects with all other provisions of its Certificate of Incorporation or By-Laws and not amend its Certificate of Incorporation or By-Laws;

(ii) not act as a depositor with respect to any new securitization vehicle, or except as provided herein, enter into any new agreements or amend any of its existing agreements;

(iii) comply in all material respects with all agreements to which it is currently a party;

(iv) timely file all required reports under the Exchange Act; and

(v) remain a wholly owned subsidiary of the Seller.

(d) With respect to the Funding Note Issuer, the Seller shall cause the Funding Note Issuer to:

(i) comply in all respects with its permitted purposes and activities clause and in all material respects with all other provisions of its Certificate of Incorporation or By-Laws and not amend its Certificate of Incorporation or By-Laws;

(ii) not act as a funding note issuer with respect to any new securitization vehicle, or except as provided herein, enter into any new agreements or amend any of its existing agreements, except as required by the Department;

(iii) comply in all material respect with all agreements to which it is currently a party; and

(iv) remain a wholly owned subsidiary of the Seller.

(e) Promptly upon acquiring Knowledge thereof, the Seller will provide prompt written notice to the Buyer Parent of:

(i) any inquiries or claim or threatened claim of any material litigation or material proceeding of a Governmental Authority in each case, related to the Acquired Assets, the Depositor, the Funding Note Issuer, each Securitization Trust and each Private Securitization Trust or any written assertion by any investor of a material misstatement or omission in any prospectus or offering document in each case, related to the Acquired Assets, the Depositor, the Funding Note Issuer, each Securitization Trust and each Private Securitization Trust;

(ii) any dispute related to the obligations to repurchase any student loans under any of the Securitization Basic Documents and all similar agreements relating to each Private Securitization Trust; and

(iii) the repurchase of any material Student Loan or private education loan pursuant to any of the Securitization Basic Documents and all similar agreements relating to each Private Securitization Trust.

Other than the right to consent or withhold consent with respect to the foregoing matters, nothing contained in this Agreement shall give to Buyer Parent, directly or indirectly, any right to control or direct the operation of the business or operations of the Seller or its Subsidiaries prior to the Closing. Subject to the foregoing and the other terms and conditions of this Agreement, prior to the Closing, the Seller and its Subsidiaries shall exercise complete control over their business and operations.

Section 10.11 Merger Transaction Restructuring

(a) Notwithstanding anything contained herein to the contrary but subject to paragraph (b) below, in the event the Merger Transaction Agreement is terminated (i) the Seller shall be permitted to discuss with CBNA the possibility of entering into a transaction pursuant to which CBNA would acquire the Acquired Assets (as defined in the Merger Transaction

Agreement) in a transaction that delivers value directly to the Seller's stockholders (a "Substitute Merger Transaction") and (ii) in the event that the Seller and CBNA desire to revise the existing CBNA Transaction Agreement or enter into a different agreement to provide for a Substitute Merger Transaction, each of the parties shall use their reasonable best efforts to cooperate in good faith to revise this Agreement and any Transaction Document to provide for the consummation of a Substitute Merger Transaction and shall use their reasonable best efforts to cause the transactions contemplated by such agreements to be consummated as promptly as reasonably practicable, including filing such amendments, supplements to the Proxy Statement and making such other filings with Governmental Authorities as may be reasonably necessary to consummate the transactions contemplated hereby and by the agreement related to such Substitute Merger Transaction.

(b) In connection with any proposed Substitute Merger Transaction, the Buyer Parent will not be required to enter into any amendments or modifications to this Agreement or any Transaction Document, unless such amendment or modification would not reasonably be expected to adversely affect Buyer's rights thereunder. The Seller and CBNA agree that any costs and expenses incurred by the Buyer Parent in connection with such proposed Substitute Merger Transaction, other than those that would not have been incurred under this Agreement in the absence of a proposed Substitute Merger Transaction, will be borne by Seller and CBNA.

ARTICLE XI

TERMINATION, AMENDMENT AND WAIVER

Section 11.1 Termination

Notwithstanding anything contained in this Agreement to the contrary, this Agreement may be terminated and the Transactions may be abandoned, at any time prior to the Closing Date, whether before or after the Seller Stockholder Approval, as follows:

(a) by mutual written consent of each of Buyer Parent and the Seller;

(b) by written notice of either Buyer Parent or the Seller, if (i) the purchase and sale of the Acquired Assets contemplated hereby has not been consummated on or before March 31, 2011 (the "Termination Date"); and (ii) the party seeking to terminate this Agreement pursuant to this Section 11.1 shall not have breached in any material respect its obligations under this Agreement, in any manner that shall have proximately caused the failure to consummate the Transactions on or before such date; provided, that if as of the Termination Date, (A) all of the conditions to this Agreement (other than those that are to be satisfied by action taken at the Closing) shall have been satisfied or waived other than the conditions set forth in (x) Sections 9.1(b), 9.1(c), (y) Section 9.2(g) or (z) Sections 9.3(f) or 9.3(g) (to the extent resulting from the failure to obtain regulatory approvals), or (B) the "Termination Date" (as defined in the CBNA Transaction Agreement or the Merger Transaction Agreement, as applicable) has been extended, then the Termination Date shall be automatically extended to April 30, 2011 or such date as the Termination Date (as defined in the CBNA Transaction Agreement or the Merger Transaction Agreement) has been extended; provided, further, if the Seller and CBNA enter into a definitive agreement relating to a Substitute Merger Transaction,

then, in any event, the Termination Date shall be the later of (1) March 31, 2011 or (2) the date which is four months following the date of such definitive agreement. Notwithstanding anything contained herein to the contrary, in no event may the Termination Date be extended past April 30, 2011;

(c) by written notice of either Buyer Parent or the Seller, if any Governmental Authority of competent jurisdiction shall have issued an Order or taken any other action permanently restraining, enjoining or otherwise prohibiting the Transactions, and such Order or other action shall have become final and nonappealable; provided, that the party seeking to terminate this Agreement pursuant to this Section 11.1(c) shall have complied in all material respects with its obligations under Section 10.5;

(d) by written notice of either Buyer Parent or the Seller if the Seller Stockholder Approval shall not have been obtained at a duly held Stockholders' Meeting (including any adjournment or postponement thereof at which a quorum is present and the votes to approve this Agreement and the Transactions are taken);

(e) by written notice from Buyer Parent to the Seller, if any Seller Party shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements set forth in this Agreement, which breach or failure to perform (1) would result in a failure of a condition set forth in Sections 9.2(a) or 9.2(b) and (2) cannot be cured by the Termination Date; provided, that Buyer Parent shall have given the Seller written notice, delivered at least forty-five (45) days prior to such termination, stating Buyer Parent's intention to terminate this Agreement pursuant to this Section 11.1(e) and the basis for such termination and; provided, further, that in no event will the delivery of such notice result in an extension of the Termination Date;

(f) by written notice from the Seller to Buyer Parent, if any Buyer Party shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements set forth in this Agreement, which breach or failure to perform (1) would result in a failure of a condition set forth in Sections 9.3(a) or 9.3(b) and (2) cannot be cured by the Termination Date; provided, that the Seller shall have given Buyer Parent written notice, delivered at least forty-five (45) days prior to such termination, stating the Seller's intention to terminate this Agreement pursuant to this Section 11.1(f) and the basis for such termination and; provided, further, that in no event will the delivery of such notice result in an extension of the Termination Date;

(g) by written notice from Buyer Parent to Seller, if any Seller Party shall have breached Section 10.4 and such breach is not cured within five (5) Business Days after such notice;

(h) by written notice from the Seller (upon the recommendation of the Special Committee) to Buyer Parent simultaneously with the Seller or its Subsidiaries entering into a Superior Proposal Agreement in accordance with Section 10.4(g), with the effectiveness of such notice of termination to be contingent on Seller's payment of the Seller Termination Fee; or

(i) by written notice of either Buyer Parent or the Seller, if either (x) the CBNA Transaction Agreement has been terminated or (y) the Merger Transaction Agreement has been terminated and CBNA and the Seller have not entered into a definitive agreement relating to a Substitute Merger Transaction within 45 days of the termination of the Merger Transaction Agreement.

(j) by written notice from Buyer Parent if the Seller effects a Change of Recommendation in response to a Superior Proposal.

Section 11.2 Effect of Termination

If this Agreement is terminated pursuant to Section 11.1, this Agreement shall become void and of no effect without liability of any party (or any stockholder, director, officer, employee, agent, legal counsel, accountant, consultant, representative or Affiliate of such party) to the other party hereto; provided, however, no party to this Agreement shall be relieved or released from any liabilities or damages arising out of its knowing and intentional breach of its obligations under this Agreement. For purposes of this Agreement, “knowing and intentional breach” means an act or failure to act which constitutes a material breach of this Agreement with respect to which the breaching party has knowledge (actual or constructive) that such act or failure to act would or would reasonably be expected to breach its obligations under this Agreement. The provisions of this ARTICLE XI, Section 12.1, ARTICLE XIII and the Confidentiality Agreement referred to in Section 10.6(b) shall survive any termination hereof pursuant to Section 11.1.

Section 11.3 Termination Fee

(a) If (i) prior to the termination of this Agreement, a Qualifying Transaction is proposed or publicly disclosed, (ii) this Agreement is terminated by Buyer Parent or the Seller pursuant to Section 11.1(b) and (iii) concurrently with, or within twelve (12) months after any such termination, any Qualifying Transaction is consummated or the Seller or any of its Affiliates enters into any letter of intent, agreement in principle or contract with respect to a Qualifying Transaction, then the Seller shall pay to Buyer Parent a fee of \$24,000,000 in cash, such payment to be made upon the earlier of entry into the letter of intent, agreement in principle or contract or agreement with respect to such Qualifying Transaction or the consummation of such Qualifying Transaction; provided, that if at the time of such payment the Merger Buyer is entitled to a payment from the Seller pursuant to Section 8.3(a) of the Merger Transaction Agreement, then the Seller shall pay to Buyer Parent a fee of \$12,000,000 in cash.

(b) If (i) prior to the termination of this Agreement, an Alternate Superior Proposal is proposed or publicly disclosed and (ii) this Agreement is terminated by Buyer Parent or the Seller pursuant to Sections 11.1(b) or 11.1(d), then the Seller shall pay to Buyer Parent a fee of \$24,000,000 in cash, such payment to be made promptly upon termination of this Agreement and in any event within two (2) Business Days after the termination of this Agreement.

(c) If this Agreement is terminated by the Seller pursuant to Section 11.1(h), then the Seller shall pay to Buyer Parent a fee of \$12,000,000 in cash, such payment to be made concurrently with such termination.

(d) If this Agreement is terminated by Buyer Parent pursuant to Section 11.1(j), then the Seller shall pay to Buyer Parent a fee of \$12,000,000 in cash, such payment to be made promptly upon termination of this Agreement and in any event within two (2) Business Days after the termination of this Agreement.

(e) If this Agreement is terminated by the Seller or Buyer Parent (i) pursuant to Section 11.1(i) and, prior thereto, the Merger Transaction Agreement was terminated by the Merger Buyer pursuant to Section 8.1(f) of the Merger Transaction Agreement or (ii) pursuant to Section 11.1(b) and there had previously occurred a willful breach by the Seller of the Merger Transaction Agreement, then the Seller shall pay Buyer Parent a fee of \$24,000,000 in cash, such payment to be made no later than two (2) Business Days after the date of termination of this Agreement. In the event that Buyer Parent receives the Seller Termination Fee pursuant to this Section 11.3(e) the receipt of such fee shall be deemed to be liquidated damages for any and all losses or damages suffered or incurred by Buyer Parent in connection with this Agreement (and the termination hereof); provided, that nothing in this Section 11.3(e) shall prohibit any payment required to be made pursuant to Section 11.3(f).

(f) Unless a Seller Termination Fee is payable under Section 11.3(e), if this Agreement is terminated by the Seller or Buyer Parent pursuant to (i) Section 11.1(b) and at the time of such termination the only conditions that were not satisfied were Sections 9.3(f) or 9.3(g), and any other conditions that by their nature can only be satisfied at the Closing or (ii) Section 11.1(i), then the Seller shall reimburse Buyer Parent upon demand by wire transfer of immediately available funds to an account specified in writing by Buyer Parent for an amount equal to 120% of the aggregate amount of the Expenses of Buyer Parent; provided, however, that the Seller shall not be obligated to make a payment pursuant to this Section 11.3(f) in excess of \$4,000,000 in the aggregate.

(g) Notwithstanding anything in this Agreement to the contrary, in no event shall the Seller be required to pay a Seller Termination Fee pursuant to Sections 11.3(a), 11.3(b), 11.3(c), 11.3(d) or 11.3(e), on more than one occasion. Any such payment shall be reduced by any amounts as may be required to be deducted or withheld therefrom under the applicable Tax Law; provided, however, that prior to or on the date any such withholding is required, (A) Seller shall notify Buyer Parent as soon as reasonably practicable after notice of termination or entry into a Superior Proposal, as applicable, prior to the date withholding is required, (B) Seller and Buyer Parent shall use reasonable efforts to minimize any withholding Taxes, and (C) Buyer Parent may deliver properly completed and executed documentation prescribed by applicable Law as would permit such payment to be made without withholding or at a reduced rate of withholding. Buyer Parent and Seller each acknowledge that under current Law, no U.S. federal withholding Tax would be required with respect to the Termination Fee.

(h) Each of the parties hereto acknowledges that the Seller Termination Fee and the other provisions of this Section 11.3 are an integral part of the transactions contemplated by this Agreement and that, without the Seller Termination Fee and such other provisions, Buyer

Parent would not enter into this Agreement; accordingly, if the Seller fails to promptly pay the amounts due pursuant to Sections 11.3(a), 11.3(b), 11.3(c), 11.3(d), 11.3(e) or 11.3(f) and, in order to obtain such payment Buyer Parent commences a suit which results in a judgment against the Seller for any of the amounts set forth in Sections 11.3(a), 11.3(b), 11.3(c), 11.3(d), 11.3(e) or 11.3(f), then the Seller shall pay to Buyer Parent its costs and expenses (including attorneys' fees) in connection with such suit, together with interest on all amounts due pursuant to Sections 11.3(a), 11.3(b), 11.3(c), 11.3(d), 11.3(e) or 11.3(f) at the prime rate of CBNA in effect on the date plus 2% per annum from the date such amounts were required to be paid until the date actually received by Buyer Parent.

Section 11.4 Amendment

This Agreement may be amended by mutual agreement of the parties hereto at any time prior to the Closing Date (in the case of the Seller, by the Board of Directors (upon the recommendation of the Special Committee)); provided, however, that, after the approval of this Agreement and the Transactions by stockholders of the Seller, there shall not be any amendment that by Law or in accordance with the rules of any stock exchange requires further approval by the stockholders of the Seller without such further approval of such stockholders nor any amendment or change not permitted under applicable Law. This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

Section 11.5 Waiver

At any time prior to the Closing Date, subject to applicable Law, any party (in the case of the Seller, by the Board of Directors (upon the recommendation of the Special Committee)) hereto may (a) extend the time for the performance of any obligation or other act of any other party hereto, (b) waive any inaccuracy in the representations and warranties of the other party contained herein or in any document delivered pursuant hereto and (c) subject to the proviso of Section 11.4, waive compliance with any agreement or condition contained herein. Any such extension or waiver shall only be valid if set forth in an instrument in writing signed by the party or parties to be bound thereby. Notwithstanding the foregoing, no failure or delay by the Seller or Buyer Parent in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any other right hereunder.

**ARTICLE XII
CERTAIN LIABILITY MATTERS**

Section 12.1 No Assumption of Liability

Except as contemplated by the Transaction Documents, none of Buyer Parent, Conduit Buyer, Securitization Buyer or Buyer Subsidiary is assuming any liability or obligation of Seller, CBNA, CSD, Funding Note Issuer, the Depositor or their Affiliates of any nature, known or unknown or contingent or liquidated.

Section 12.2 Release

(a) At or prior to the Closing, the Buyer and Seller will deliver a partial release in the form of Exhibit 12.2 or such other form as mutually agreed upon by such parties (the “Buyer/Seller Release”).

(b) Each party to this Agreement acknowledges and agrees that the execution and delivery of the Buyer/Seller Release will not modify, waive or otherwise affect such party’s obligations under this Agreement and the other Transaction Documents, including the Indemnification Agreement.

**ARTICLE XIII
MISCELLANEOUS**

Section 13.1 Assignments

The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby. The obligations and liabilities assumed in this Agreement by the parties hereto shall be binding upon their respective successors and assigns, which shall include successors by operation of Law, such as by merger. No party may assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the Seller, CBNA and Buyer Parent.

Section 13.2 Costs and Expenses

Except as expressly provided otherwise in this Agreement, each party shall each bear its own costs and expenses (including all legal, accounting, audit, due diligence and other out-of-pocket expenses) incurred in connection with the consummation of the Transactions and the other Transaction Documents to which they are a party.

Section 13.3 Use of Proceeds

The Seller shall treat the proceeds of the Estimated Certificate Purchase Price and the Estimated Conduit Purchase Price as proceeds of Collateral (as such term is defined in the Omnibus Credit Agreement) and will apply such proceeds in accordance with Section 5.2(b) of the Omnibus Credit Agreement.

Section 13.4 Relationship of Parties

Nothing contained in the Transaction Documents shall establish any fiduciary, partnership, joint venture or similar relationship between or among the parties hereto except to the extent otherwise expressly stated herein or therein.

Section 13.5 Non-Petition Covenants

Each party to this Agreement, by entering into this Agreement, hereby covenants and agrees that it shall not at any time institute against the Depositor, the Funding Note Issuer or

any Securitization Trust, or join in any institution against the Depositor, the Funding Note Issuer or any Securitization Trust or Private Securitization Trust, of, any bankruptcy, reorganization, arrangement, insolvency, receivership or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar Law in connection with any obligations relating to this Agreement or any other Transaction Document.

Section 13.6 Notices, Etc.

(a) Addresses for Notices. All notices, demands, requests, consents and other communications provided for, or required to be given, in this Agreement shall be given in writing, or by any telecommunication device capable of creating a written record (including electronic mail) and addressed to the party to be notified at their respective addresses set forth in Appendix D. The parties hereto may change their respective addresses for notices from time to time by written notice to the other party hereto subject to written acknowledgment of receipt by the other party hereto.

(b) Effectiveness of Notices. All notices, demands, requests, consents and other communications described in Section 13.6(a) above shall be effective (i) if delivered by hand, including any overnight courier service, upon personal delivery, (ii) if delivered by mail, when received in the mails and (iii) if delivered by electronic mail or any other telecommunications device, when transmitted to an electronic mail address (or by another means of electronic delivery) as provided in Section 13.6(a) above.

Section 13.7 Entire Agreement; No Third Party Beneficiaries

This Agreement (including the exhibits and schedules hereto) and the Transaction Documents constitute the entire agreement, and supersede all other prior agreements and understandings, both written and oral, between the parties, or any of them, with respect to the subject matter hereof and thereof. Nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement (other than to the extent a party assumes a capacity under the Securitization Basic Documents or under any Conduit Program agreement, and such Securitization Basic Documents or Conduit Program agreements confer rights in respect thereof to any other Person (such as a Noteholder).

Section 13.8 Governing Law

This Agreement, and all claims or causes of action (whether in contract or tort) that may be based upon, arise out of or relate to this Agreement or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement) shall be governed by, and construed in accordance with the Laws of the State of Delaware, without giving effect to any otherwise applicable choice or conflict of laws provision or rule.

Section 13.9 Submission to Jurisdiction; Service of Process

(a) Each of the parties hereto hereby irrevocably submits to the co-exclusive jurisdiction of the Delaware Chancery Court, or if such court shall not have jurisdiction, any federal or other state court of the State of Delaware and any federal or state court of the State of New York, for the purpose of any action or proceeding arising out of or relating to this Agreement and each of the parties hereto hereby irrevocably agrees that all claims in respect to such action or proceeding may be heard and determined exclusively in any such court. Each of the parties hereto agrees that a final judgment in any action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law.

(b) Each party to this Agreement irrevocably consents to the service of the summons and complaint and any other process in any other action or proceeding relating to the Transactions, on behalf of itself or its property, by personal delivery of copies of such process to such party. Nothing in this Section 13.9 shall affect the right of any party to serve legal process in any other manner permitted by Law.

Section 13.10 Waiver of Jury Trial

EACH OF THE PARTIES HERETO HEREBY EXPRESSLY AND IRREVOCABLY RELEASES, WAIVES AND RELINQUISHES ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY CLAIM, DEMAND, ACTION, SUIT, PROCEEDING OR CAUSE OF ACTION IN WHICH ANY OF THEM ARE PARTIES, WHICH IN ANY WAY (DIRECTLY OR INDIRECTLY) ARISES OUT OF, RESULTS FROM OR RELATES TO ANY OF THE FOLLOWING, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER BASED ON CONTRACT OR TORT OR ANY OTHER LEGAL BASIS: (I) THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS TO WHICH IT IS A PARTY; (II) ANY PAST, PRESENT OR FUTURE ACT, OMISSION, CONDUCT OR ACTIVITY WITH RESPECT TO THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS TO WHICH IT IS A PARTY; (III) ANY TRANSACTION, EVENT OR OCCURRENCE CONTEMPLATED BY THIS AGREEMENT; (IV) THE PERFORMANCE OF ANY OBLIGATION OR THE EXERCISE OF ANY RIGHT UNDER THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS TO WHICH IT IS A PARTY; AND (V) THE ENFORCEMENT OF THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS TO WHICH IT IS A PARTY. EACH OF THE PARTIES HERETO HEREBY FURTHER AGREES THAT THIS AGREEMENT CONSTITUTES ITS WRITTEN CONSENT THAT TRIAL BY JURY SHALL BE WAIVED IN ANY SUCH CLAIM, DEMAND, ACTION, SUIT, PROCEEDING OR OTHER CAUSE OF ACTION AND AGREES THAT EACH OF THEM SHALL HAVE THE RIGHT AT ANY TIME TO FILE THIS AGREEMENT WITH THE CLERK OR JUDGE OF ANY COURT IN WHICH ANY SUCH CLAIM, DEMAND, ACTION, SUIT, PROCEEDING OR OTHER CAUSE OF ACTION MAY BE PENDING AS WRITTEN CONSENT TO WAIVER OF TRIAL BY JURY.

Section 13.11 Further Assurances

The parties to this Agreement agree to cooperate and to execute and deliver such instruments and take such further actions as any other party to this Agreement may, from time to time, reasonably request in order to effectuate the purposes and to carry out the terms of this Agreement, the other Transaction Documents and the Related Transactions.

Section 13.12 Severability

The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

Section 13.13 Section Titles

The section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto, except when used to reference a section. Any reference to the number of a clause, sub-clause or subsection hereof immediately followed by a reference in parenthesis to the title of the Section containing such clause, sub-clause or subsection is a reference to such clause, sub-clause or subsection and not to the entire Section; provided, however, that, in case of direct conflict between the reference to the title and the reference to the number of such Section, the reference to the title shall govern absent manifest error.

Section 13.14 Execution in Counterparts

This Agreement may be executed in any number of counterparts and by different parties in separate counterparts (including by facsimile, electronic mail or other means of electronic communication), each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

Section 13.15 Specific Performance

The parties hereby expressly acknowledge and agree that immediate, extensive and irreparable damage would result, no adequate remedy at law would exist and damages would be difficult to determine in the event that any provision of this Agreement is not performed in accordance with its specific terms or otherwise breached. Therefore, in addition to, and not in limitation of, any other remedy available to any party, an aggrieved party under this Agreement would be entitled to specific performance of the terms hereof and immediate injunctive relief, without the necessity of proving the inadequacy of money damages as a remedy. Such remedies, and any and all other remedies provided for in this Agreement, shall, however, be cumulative in nature and not exclusive and shall be in addition to any other remedies whatsoever which any

party may otherwise have. Each of the parties hereby acknowledges and agrees that it may be difficult to prove damages with reasonable certainty, that it may be difficult to procure suitable substitute performance, and that injunctive relief and/or specific performance will not cause an undue hardship to the parties. Each of the parties hereby further acknowledges that the existence of any other remedy contemplated by this Agreement does not diminish the availability of specific performance of the obligations hereunder or any other injunctive relief. Each party hereby further agrees that in the event of any action by the other party for specific performance or injunctive relief, it will not assert that a remedy at law or other remedy would be adequate or that specific performance or injunctive relief in respect of such breach or violation should not be available on the grounds that money damages are adequate or any other grounds.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

THE STUDENT LOAN CORPORATION, as the Seller, Servicer,
SPV Administrator and Sponsor

By: /S/ Michael J. Reardon _____
Name: Michael J. Reardon
Title: Chief Executive Officer

[Signature Pages to the FFELP Transaction Agreement]

CITIBANK, N.A., in its individual capacity and
as Conduit Eligible Lender Trustee, Depositor
Eligible Lender Trustee, Securitization
Eligible Lender Trustee, Omnibus Lender and
Indenture Administrator

By: /S/ Douglas Peterson

Name: Douglas Peterson

Title: Chief Operating Officer

[Signature Pages to the FFELP Transaction Agreement]

CITIBANK (SOUTH DAKOTA) National
Association Subservicer, Sub-Subservicer,
Custodian and SPV Sub-Administrator

By: /S/ Kendall E. Stork _____

Name:
Title:

Kendall E. Stork
Citibank (South Dakota), N.A.
President
GEID #0000074271
Sioux Falls, SD
(605) 331-1887

[Signature Pages to the FFELP Transaction Agreement]

SLC STUDENT LOAN RECEIVABLES I, INC., as Depositor

By: /S/ Michael J. Reardon

Name: Michael J. Reardon

Title: Chief Executive Officer

[Signature Pages to the FFELP Transaction Agreement]

SLM CORPORATION, in its individual capacity

By: /S/ Paul Mayer

Name: Paul Mayer

Title: Senior Vice President

[Signature Pages to the FFELP Asset Purchase Agreement]

BULL RUN 1 LLC, as Securitization Buyer and Conduit Buyer

By: /S/ Leo Subler

Name: Leo Subler

Title: Vice President

[Signature Pages to the FFELP Asset Purchase Agreement]

SLM EDUCATION CREDIT FINANCE CORPORATION, as
successor Sponsor

By: /S/ Stephen J. O'Connell

Name: Stephen J. O'Connell

Title: Vice President

[Signature Pages to the FFELP Asset Purchase Agreement]

SALLIE MAE, INC., as successor Subservicer,
successor Sub-Administrator and successor SPV
Administrator

By: /S/ Paul Mayer

Name: Paul Mayer

Title: Senior Vice President

[Signature Pages to the FFELP Asset Purchase Agreement]

Appendix A
DEFINITIONS

- “1933 Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
- “2004-1 Trust” means SLC Student Loan Trust 2004-1, a Delaware statutory trust.
- “2005-1 Trust” means SLC Student Loan Trust 2005-1, a Delaware statutory trust.
- “2005-2 Trust” means SLC Student Loan Trust 2005-2, a Delaware statutory trust.
- “2005-3 Trust” means SLC Student Loan Trust 2005-3, a Delaware statutory trust.
- “2006-1 Trust” means SLC Student Loan Trust 2006-1, a Delaware statutory trust.
- “2006-2 Trust” means SLC Student Loan Trust 2006-2, a Delaware statutory trust.
- “2007-1 Trust” means SLC Student Loan Trust 2007-1, a Delaware statutory trust.
- “2007-2 Trust” means SLC Student Loan Trust 2007-2, a Delaware statutory trust.
- “2008-1 Trust” means SLC Student Loan Trust 2008-1, a Delaware statutory trust.
- “2008-2 Trust” means SLC Student Loan Trust 2008-2, a Delaware statutory trust.
- “2009-1 Trust” means SLC Student Loan Trust 2009-1, a Delaware statutory trust.
- “2009-2 Trust” means SLC Student Loan Trust 2009-2, a Delaware statutory trust.
- “2009-3 Trust” means SLC Student Loan Trust 2009-3, a Delaware statutory trust.
- “2010-1 Trust” means SLC Student Loan Trust 2010-1, a Delaware statutory trust.
- “Accession Agreement” has the meaning given to such term in Section 2.2 of this Agreement.
- “Acquired Assets” means the Trust Certificates, the membership interest in the Funding Note Issuer and all contracts that are to be assigned to the applicable Buyer or its Affiliates at Closing pursuant to the terms of this Agreement as listed in Schedule C.
- “Administration Services Agreement” has the meaning given to such term in Schedule 3.3(a)(iii) of this Agreement.
- “Administrator” means the Seller in its capacity as Administrator under the Securitization Administration Agreement and its permitted successors and assigns in such capacity.

“Affiliate” means, with respect to a Person, a person who, directly or indirectly, through one or more intermediaries Controls, is Controlled by, or is under common Control with, such specified person.

“Agreement” has the meaning set forth in the Preamble of this Agreement.

“Alternate Superior Proposal” has the meaning set forth in Section 10.4(l) of this Agreement.

“Applicable Float” means:

- (i) if the Closing occurs on or before December 31, 2010, \$0;
- (ii) if the Closing occurs on or after January 1, 2011 and before April 1, 2011, an amount equal to the interest on the Unadjusted Purchase Price for the period from and including January 1, 2011 to the day prior to the Closing Date, calculated at the Float Amount Rate; and
- (iii) if the Closing occurs on or after April 1, 2011, an amount equal to the interest on the Unadjusted Purchase Price for the period from and including April 1, 2011 to the day prior to the Closing Date, calculated at the Float Amount Rate.

“Applicable Loans” has the meaning given to such term in Section 7.2(i) of this Agreement.

“Applicable Measuring Date” means:

- (i) if the Closing occurs on or prior to December 31, 2010: November 30, 2010 for purposes of the calculation of the Estimated Certificate Purchase Price pursuant to Section 2.1(a) and the Estimated Conduit Purchase Price pursuant to Section 4.1(a); and December 31, 2010 for purposes of the calculation of the Closing Certificate Purchase Price pursuant to Section 2.1(e) and Closing Conduit Purchase Price pursuant to Section 4.1(d);
- (ii) if the Closing occurs on or after January 1, 2011 and before April 1, 2011: December 31, 2010; and
- (iii) if the Closing occurs on or after April 1, 2011: March 31, 2011;

provided, that for purposes of the Estimated Certificate Purchase Price calculated pursuant to Section 2.1(a) or the Estimated Conduit Purchase Price calculated pursuant to Section 4.1(a), the “Applicable Measuring Date” may instead refer to the preceding month end under the circumstances set forth in those Sections.

“Applicable Negative Float” means if the Closing occurs on or before December 31, 2010, an amount equal to the interest on the Unadjusted Purchase Price for the period from and including the Closing Date to and including December 31, 2010, calculated at the Float Amount Rate.

“Arbitration Firm” has the meaning given to such term in Section 2.1(e) of this Agreement.

“Assigned Contracts” means the contracts set forth on Schedule C.

“Assumption of Obligations of the Seller under Master Terms Purchase Agreements” has the meaning given to such term in Section 3.5 of this Agreement.

“Bill of Sale” means a Securitization Bill of Sale or a Conduit Bill of Sale.

“Board of Directors of the Seller” means the board of directors of the Seller.

“Borrower” means the obligor on a Student Loan or Financed Student Loan.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions or trust companies in the State of New York are authorized or obligated to be closed.

“Buyer” means each of the Securitization Buyer, the Conduit Buyer and Buyer Parent.

“Buyer Assumed Obligations” means payment obligations under the Funding Note with respect to amounts due after the Closing and all other obligations required to be performed after the Closing by the Funding Note Issuer under the documents set forth on Exhibit 5(a), but excluding) any failure to perform any obligations prior to Closing and any obligations relating to breaches of these agreements occurring or resulting from events originating pre-Closing.

“Buyer Disclosure Schedule” means the Buyer Disclosure Schedule attached as Schedule A to this Agreement.

“Buyer Entity” has the meaning set forth in the Preamble of this Agreement.

“Buyer Material Adverse Effect” means any event, change, effect, development, state of facts, condition, circumstance or occurrence, that, individually or in the aggregate, has had or would reasonably be expected to prevent or materially delay or materially impair the ability of Buyer or any of its Subsidiaries to consummate any of the Transactions or to perform any of their obligations under any of the Transaction Documents, other than any event, change, effect, development, state of facts, condition or circumstance proximately relating to, resulting from or arising out of any action required by the Transaction Documents, or at the direction of Seller.

“Buyer Parent” has the meaning given to such term in the Preamble.

“Buyer Party” means each of SLM Corporation, Bull Run I LLC, as Securitization Buyer and Conduit Buyer, SLM Education Credit Finance Corporation, as successor Sponsor, and Sallie Mae, Inc., as successor Subservicer, successor Sub-Administrator and successor SPV Administrator.

“Buyer Satisfaction Certificate” means a certificate executed and delivered by Buyer Parent, substantially in the form attached as Exhibit 9.3 to this Agreement.

“Buyer/Seller Release” has the meaning given to such term in Section 12.2 of this Agreement.

“Buyer Subsidiary” has the meaning set forth in the Preamble of this Agreement.

“Capital Lease” means, with respect to any Person, any lease of, or other arrangement conveying the right to use, property by such Person as lessee that would be accounted for as a capital lease on a balance sheet of such Person prepared in accordance with GAAP.

“Capital Stock” means any and all shares of capital stock (whether denominated as common stock or preferred stock), beneficial, partnership or membership interests, participations, preferred interests, equity interests of or in a corporation, partnership, limited liability company or other legal entity, whether voting or non-voting.

“CBNA” has the meaning set forth in the Preamble of this Agreement.

“CBNA Transaction” has the meaning given to such term in the Recitals of this Agreement.

“CBNA Transaction Agreement” has the meaning given to such term in the Recitals of this Agreement.

“Certificate Distribution Amount” means:

(i) if the Closing occurs on or before December 31, 2010, \$0;

(ii) if the Closing occurs on or after January 1, 2011 and before April 1, 2011, for purposes of Section 2.1, the total amount of distributions to holders of the Trust Certificates acquired by the Securitization Buyer on or after January 1, 2011 and prior to the Closing Date; and

(iii) if the Closing occurs on or after April 1, 2011, for purposes of Section 2.1, the total amount of distributions to holders of the Trust Certificates acquired by the Securitization Buyer on or after April 1, 2011 and prior to the Closing Date.

“Certificate Purchase Price” means, with respect to the Trust Certificates and as of a specified date, the sum of:

(i) the Net Trust Assets Acquired for such Trust Certificates as of the Applicable Measuring Date times 119%;

(ii) if the Closing occurs on or after January 1, 2011, minus the Certificate Distribution Amount;

(iii) if the Closing occurs on or after January 1, 2011, plus the Applicable Float; and

(iv) if the Closing occurs on or before December 31, 2010, minus the Applicable Negative Float.

For purposes of the foregoing definition: (i) “Net Trust Assets Acquired” means for the Trust Certificates the sum of the aggregate gross Principal Balance of the Trust Student Loans (disregarding any unamortized premium and loan loss reserves) plus the aggregate accrued interest receivable of the Trust Student Loans plus the aggregate Designated Trust Cash Items minus the following items: the aggregate outstanding Principal Amount of the Securitization Notes and accrued and unpaid interest thereon, any liabilities with respect to any foreign currency hedging agreements, any accrued servicing fees payable by the Securitization Trusts to the Seller or its Affiliates, accrued interest on B-notes and the accrued borrower benefit principal reduction and Department of Education fees due to the Seller or its Affiliates, and any other liabilities of the Trust that, in accordance with GAAP would be required to be reflected on a balance sheet of the applicable Securitization Trust as of the Applicable Measuring Date, in each case calculated as of the Applicable Measuring Date on a basis consistent with the Model Purchase Price Calculation; and (ii) “Designated Trust Cash Items” means with respect to the Trust Certificates, the sum of Securitization Restricted Cash of the Securitization Trusts (including the collection, reserve and capitalized interest accounts), the aggregate accrued cash applied but not yet received by the Securitization Trusts from the Seller and its Affiliates and the aggregate fees due from Guarantors or the Department of Education for cancelled loans and the total prepaid expenses of the Securitization Trusts, in each case calculated as of the Applicable Measuring Date on a basis consistent with the Model Purchase Price Calculation.

“Change of Recommendation” has the meaning given to such term in Section 10.4(d) of this Agreement.

“Closing” has the meaning given to such term in Section 8.1(a) of this Agreement.

“Closing Certificate Purchase Price” means the final Certificate Purchase Price based upon the Schedule of Trust Student Loans determined as of the Applicable Measuring Date, pursuant to Section 2.1(a).

“Closing Conduit Purchase Price” means the final Conduit Purchase Price based upon the Schedule of Financed Student Loans determined as of the Applicable Measuring Date, pursuant to Section 4.1(d).

“Closing Date” has the meaning given to such term in Section 8.1(a) of this Agreement.

“Commitment Date” has the meaning set forth in the Preamble.

“Competing Proposal” has the meaning given to such term in Section 10.4(i) of this Agreement.

“Conduit Administrator” means The Bank of New York Mellon, a New York banking corporation, in its capacity as administrator to the Conduit Program.

“Conduit Arbitration Firm” has the meaning given to such term in Section 4.1(d) of this Agreement.

“Conduit Bill of Sale” means a bill of sale between the Seller and the Conduit Buyer, substantially in the form of Exhibit 4.4 to this Agreement or such other form as is acceptable to

such parties, pursuant to which the Seller will sell the entire Membership Interest in the Funding Note Issuer in consideration for the Conduit Purchase Price.

“Conduit Buyer” means Bull Run 1 LLC a Delaware limited liability company.

“Conduit Distribution Amount” means:

(i) if the Closing occurs on or before December 31, 2010, \$0;

(ii) if the Closing occurs on or after January 1, 2011 and before April 1, 2011, for purposes of Section 4.1 the total amount of distributions by the Funding Note Issuer on or after January 1, 2011 and prior to the Closing Date; and

(iii) if the Closing occurs on or after April 1, 2011, for purposes of Section 4.1 the total amount of distributions by the Funding Note Issuer on or after April 1, 2011 and prior to the Closing Date.

“Conduit Eligible Lender Trust Agreement” means the Eligible Lender Trust Agreement, dated as of May 14, 2009 between Funding Note Issuer as the Funding Note Issuer, and CBNA, not in its individual capacity but solely as the Eligible Lender Trustee on behalf, and for the benefit, of the Funding Note Issuer.

“Conduit Eligible Lender Trustee” means CBNA, in its capacity as eligible lender trustee for the benefit of the Funding Note Issuer, pursuant to the Conduit Eligible Lender Trust Agreement.

“Conduit Lender” means Straight-A Funding, LLC, a limited liability company organized under the laws of the State of Delaware.

“Conduit Manager” means BMO Capital Markets Corp. and its successor and assigns, in its capacity as Manager pursuant to the Funding Note Purchase Agreement.

“Conduit Mutual Release” has the meaning given to such term in the Recitals of this Agreement.

“Conduit Program” means the loan facility provided by the Conduit Lender to the Funding Note Issuer and to other borrowers.

“Conduit Purchase Price” means the purchase price for the sale to the Conduit Buyer of the entire Membership Interest in the Funding Note Issuer pursuant to this Agreement and the Conduit Bill of Sale, which shall be equal to the sum of:

(i) the Net Conduit Assets Acquired as of the Applicable Measuring Date times 119%;

(ii) minus the total amount of principal and interest outstanding at Closing under the Subordinated Credit Agreement;

(iii) if the Closing occurs on or after January 1, 2011, plus the Applicable Float; and

(iv) if the Closing occurs on or before December 31, 2010, minus the Applicable Negative Float.

For purposes of this definition: (i) "Net Conduit Assets Acquired" means the sum of the aggregate gross Principal Balance of the Financed Student Loans (disregarding any unamortized premium and loss reserves), plus the aggregate accrued interest receivable of the Financed Student Loans, plus the aggregate Designated Conduit Cash Items, minus the following items: the outstanding principal of the Funding Note, (excluding unamortized bond discount balances), the outstanding Ratable Financing Costs, any accrued servicing fee payable by the Funding Note Issuer to the Seller or its Affiliates, accrued borrower benefit principal reduction and Department of Education fees due to the Seller or its Affiliates and any other liabilities of the Funding Note Issuer that in accordance with GAAP would be required to be reflected on a balance sheet of the Funding Note Issuer prepared as of the Applicable Measuring Date, in each case calculated as of the Applicable Measuring Date on a basis consistent with the Model Purchase Price Calculation; and (ii) "Designated Conduit Cash Items" means with respect to the Funding Note Issuer, the sum of Conduit Restricted Cash (including the collection, reserve and capitalized interest accounts), the aggregate cash applied but not received from the Seller or its Affiliates, the aggregate fees due to the Funding Note Issuer from Guarantors or the Department of Education for cancelled loans and any prepaid expenses of the Funding Note Issuer, in each case calculated as of the Applicable Measuring Date on a basis consistent with the Model Purchase Price Calculation.

"Conduit Replacement Subservicing Agreement" has the meaning given to such term in Section 5.2 of this Agreement.

"Conduit Restricted Cash" means all cash and investments held from time to time in any Trust Account (as defined in the Funding Note Purchase Agreement) whether in the form of deposit accounts, physical property, book-entry securities, uncertificated securities or otherwise.

"Conduit Servicing Agreement" means the Servicing Agreement, dated as of May 14, 2009, by and among the Funding Note Issuer, CBNA, as the Eligible Lender Trustee, the Conduit Administrator, the Conduit Lender and the Seller, as Master Servicer, together with the Supplemental Servicing Agreement thereto dated as of May 14, 2009 by and among the Seller, as the Master Servicer, the Funding Note Issuer, CBNA, as the Eligible Lender Trustee and the SPV Administrator.

"Conduit Student Loan Purchase Agreement" means the Student Loan Purchase Agreement, dated as of May 14, 2009, among The Student Loan Corporation, as seller, the Seller Eligible Lender Trustee, the Funding Note Issuer and CBNA, not in its individual capacity but solely as the Eligible Lender Trustee for the benefit of the Funding Note Issuer and its assigns.

"Conduit Subservicing Agreement" means the Servicing Agreement dated as of May 14, 2009 by and among the Funding Note Issuer, CSD, as subservicer and the Seller as Master Servicer, together with the Conduit Replacement Servicing Agreement incorporated therein.

“Confidentiality Agreement” has the meaning given to such term in Section 10.6(b) of this Agreement.

“Consolidation Loan” means a loan made pursuant to and in full compliance with Section 428C of the Higher Education Act.

“Control” (including the terms “controlled by” and “under common control with”) shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

“CSD” has the meaning set forth in the Preamble of this Agreement.

“Custodian” means CSD either (i) as custodian under the Securitization Custody Agreements or (ii) as subcustodian on behalf of the Servicer pursuant to the Conduit Servicing Agreement and the Conduit Subservicing Agreement, as applicable.

“Data Room” means the electronic online data room maintained by IntraLinks, Inc. for purposes of the Transaction under the name “Project Lesson”.

“Data Tape” has the meaning given to such term in Section 7.2(n) of this Agreement.

“Delinquent” means, for any Student Loan, the period in which any payment of principal or interest due on such Student Loan is overdue (after giving effect to all grace, forbearance and deferment periods).

“Department Form Agreements” has the meaning given to such term in Section 5.1 of this Agreement.

“Department of Education” or “Department” means the United States Department of Education, or, solely for purposes of the Funding Note Purchase Agreement, any official of the Department of Education duly authorized to perform any function with respect to the transactions under the Department Put Agreement or the other transaction documents under the Conduit Program.

“Depositor” means, with respect to the Securitization Trusts and the Private Securitization Trust, SLC Student Loan Receivables I, Inc., a Delaware corporation.

“Depositor Agreement” has the meaning given to such term in ARTICLE VI of this Agreement.

“Depositor Eligible Lender Trustee” means CBNA, in its capacity as eligible lender trustee for the benefit of the Depositor, pursuant to the Depositor Eligible Lender Trust Agreement.

“Depositor Eligible Lender Trust Agreement” means, with respect to each Securitization Transaction, the eligible lender trust agreement between the Depositor and the Depositor Eligible Lender Trustee, as amended or modified from time to time.

“Depositor SEC Reports” has the meaning given to such term in Section 7.2(u)(v) of this Agreement.

“DGCL” means the General Corporation Law of the State of Delaware.

“Disclosure Date” has the meaning given to such term in Section 7.2(w) of this Agreement.

“Eligible Lender Trust Agreement” means the Trust Agreement, dated as of August 30, 2003, between SLC, as the grantor thereunder, and CBNA, not in its individual capacity but solely in its capacity as the trustee thereunder, relating to FFELP Loans, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

“Eligible Lender Trustee” means a corporation or banking association qualifying as an “eligible lender” as such term is defined in Section 435(d) of the Higher Education Act for purposes of holding legal title to Student Loans, which meets all other requirements for an Eligible Lender Trustee under the terms of the applicable Transaction Document and which is authorized to execute corporate trust powers and hold legal title to Student Loans.

“Estimated Certificate Purchase Price” means the estimated Certificate Purchase Price based upon the Schedule of Trust Student Loans and related calculations determined as of the Applicable Measuring Date pursuant to Section 2.1(a).

“Estimated Conduit Purchase Price” means the estimated Conduit Purchase Price based upon the Schedule of Financed Student Loans and related calculations determined as of the Applicable Measuring Date, pursuant to Section 4.1(a).

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Expenses” means, with respect to any Person, all reasonable and documented out-of-pocket fees and expenses (including all fees and expenses of counsel, accountants, financial advisors and investment bankers of such Person and its Affiliates), incurred by such Person or on its behalf in connection with or related to the authorization, preparation, negotiation, execution and performance of this Agreement and any transactions related thereto, any litigation with respect thereto, the preparation, printing, filing and mailing of the Proxy Statement, the filing of any required notices under Laws, or in connection with regulatory approvals, and all other matters related to the Transaction Documents and other transactions contemplated hereby.

“FFELP” means the U.S. Federal Family Education Loan Program.

“FFELP Loan” means a U.S. federally-insured student loan that has been authorized to be made or held by the Seller as the beneficiary of a student loan trust as part of the FFELP and authorized by the Higher Education Act of 1965, as amended, or the Health Education Assistance Loan Program, as amended, including a Stafford, PLUS, Consolidation or HEAL student loan.

“Financed Student Loan” means a Student Loan sold to the Funding Note Issuer.

“Float Amount Rate” equals the per annum rate of 1%.

“Funding Note” means the note evidencing the loans made by the Conduit Lender to the Funding Note Issuer.

“Funding Note Issuer” has the meaning given to such term in the Recitals of this Agreement.

“Funding Note Purchase Agreement” means the Funding Note Purchase Agreement, by and among Straight-A Funding, LLC, as the Conduit Lender, Funding Note Issuer, as the Funding Note Issuer, CBNA, as the Conduit Eligible Lender Trustee, The Bank of New York Mellon, as the Conduit Administrator, the Securities Intermediary and the Conduit Lender Eligible Lender Trustee, The Student Loan Corporation, as the SPV Administrator, the Sponsor and the Master Servicer and the Conduit Manager, dated as of May 14, 2009.

“GAAP” means generally accepted accounting principles in the United States of America as in effect from time to time set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by such other entity as may be in general use by significant segments of the accounting profession, that are applicable to the circumstances as of the date of determination.

“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Guarantee Agreement” means any agreement between any Guarantor and the Student Loan Corporation Eligible Lender Trustee on behalf of either a Securitization Trust, the Depositor, The Student Loan Corporation, or the Funding Note Issuer providing for the payment by the Guarantor of amounts authorized to be paid pursuant to the Higher Education Act to holders of qualifying Student Loans guaranteed in accordance with the Higher Education Act by such Guarantor.

“Guarantor” means any FFELP guaranty agency with which the applicable The Student Loan Corporation, Eligible Lender Trustee or the Funding Note Issuer has in place a Guarantee Agreement, and which guarantor is reinsured by the Department of Education for a percentage of claims paid for a given federal fiscal year.

“Higher Education Act” means the Higher Education Act of 1965, 20 U.S.C. Section 1001 et seq., as amended or supplemented from time to time, and all regulations and guidelines promulgated thereunder.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

“Indemnification Agreement” has the meaning given to such term in the Recitals of this Agreement.

“Indenture Administrator” means the “Indenture Administrator” under the Securitization Indentures.

“Initial Cutoff Date” has the meaning given to such term in Section 2.1(a) of this Agreement.

“Investment Company Act” means the United States Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.

“Knowledge” means, with respect to the Seller, the actual knowledge of Michael J. Reardon, Joe Guage, Irene Hendricks, Patty Morris, John Vidovich, Janice Stiles, Anupam Agarwal, Christine Homer, Beth Reitzel and Janis Turner.

“Law” means any and all domestic (federal, state or local) or foreign laws, statutes, rules, regulations, requirements or Orders promulgated by any Governmental Authority.

“Lien” means any mortgage, deed of trust, pledge, hypothecation, collateral assignment, charge, deposit, arrangement, encumbrance, lien (statutory or other), security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever intended to assure payment of any indebtedness or the performance of any other obligation, including any conditional sale or other title retention agreement, the interest of a lessor under a Capital Lease and any financing lease having substantially the same economic effect as any of the foregoing.

“Loan File” means, with respect to a FFELP Loan, the file containing all current, relevant information pertaining to such FFELP Loan.

“Loan Transmittal Summary Form” means the form attached to a bill of sale with respect to a Securitization Master Terms Purchase Agreement or Securitization Master Terms Sale Agreement, which lists, by Borrower, each Student Loan sold pursuant to such bill of sale.

“Makewhole and Participation Agreement” has the meaning given to such term in Section 3.6 of this Agreement.

“Member” means the sole member of the Funding Note Issuer under the limited liability company agreement of the Funding Note Issuer.

“Membership Interest” means the entire limited liability company interest of the Seller as member in Funding Note Issuer, including the Seller’s right to any and all benefits to which it is entitled as provided in the limited liability company agreement of Funding Note Issuer, together with the obligations of the Seller as member to comply with all the terms and provisions of such limited liability company agreement.

“Merger Buyer” has the meaning set forth in the Recitals of this Agreement.

“Merger Transaction” has the meaning given to such term in the Recitals of this Agreement.

“Merger Transaction Agreement” has the meaning given to such term in the Recitals of this Agreement.

“Model Purchase Price Calculation” has the meaning given to such term in Section 2.1(a).

“Note” means a note evidencing a Student Loan.

“Noteholder” means the holder of a Securitization Note.

“Notice of a Proposed Change of Recommendation” has the meaning set forth in Section 10.4(e) of this Agreement.

“Notice of Superior Proposal” has the meaning set forth in Section 10.4(e) of this Agreement.

“Omnibus Credit Agreement” means the Amended & Restated Omnibus Credit Agreement, dated as of January 29, 2010, as amended by the Amendment No. 1 thereto, dated as of February 11, 2010 by and among (i) the Seller, as borrower, (ii) CBNA, as lender, (iii) CBNA, in its separate capacity as the trustee under the trust agreement identified therein and (iv) the non-securitization Subsidiaries of the Seller that may become parties thereto from time to time, as the same may be further amended or otherwise modified from time to time in accordance with the terms thereof.

“Omnibus Lender” means CBNA, in its capacity as the lender under the Omnibus Credit Agreement and its permitted successors and assigns in such capacity.

“Omnibus Loan” means a loan to the Seller that is subject to the terms and conditions of the Omnibus Credit Agreement.

“Opinion of Counsel” means a written opinion of counsel meeting the requirements specified in the related Transaction Document.

“Order” means any decree, order, writ, judgment, stipulation, award, injunction, temporary restraining order or other order in any suit or proceeding by any Governmental Authority.

“Owner Trustee” means Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity but solely as owner trustee under the Securitization Trust Agreements, and its permitted successors and assigns in such capacity.

“Partial Release of Security Interest” means the agreement substantially in the form set forth in Exhibit 2.5 of this Agreement.

“Payment Cutoff Date” means, with respect to a Securitization Trust, a “Payment Cutoff Date,” as defined in the Securitization Master Terms Purchase Agreement.

“Permitted Change of Recommendation” has the meaning given to such term in Section 10.4(e) of this Agreement.

“Person” means an individual, partnership, corporation (including a business trust), joint stock company, estate, trust, limited liability company, association unincorporated association, joint venture or other entity or a Governmental Authority.

“Portfolio” means, with respect to a Securitization Trust, the Trust Student Loans reinsured under Title IV of the Higher Education Act and made to persons for post-secondary education at eligible institutions acquired from time to time by the Securitization Eligible Lender Trustee on behalf of the Securitization Trust.

“Principal Amount” means, with respect to a Securitization Note, the outstanding principal balance of such Securitization Note (excluding unamortized bond discount balances).

“Principal Balance” means, with respect to a Student Loan, the outstanding principal balance of such student loan (disregarding any unauthorized premium and loan loss reserves), plus accrued interest expected to be capitalized (if any) but excluding any amounts already included in the aggregate accrued interest receivable balance of the Trust Student Loans.

“Private Securitization Basic Document” means any document that is a “Basic Document” as defined in the indenture pursuant to which any Private Securitization Trust has issued securitization notes.

“Private Securitization Servicing Agreement” means, with respect to each Private Securitization Trust, the servicing agreement entered into between the Seller, as the Servicer and as the Administrator, and the Private Securitization Trust, as the same may be amended from time to time.

“Private Securitization Trust” means each of SLC Private Student Loan Trust 2006-A, SLC Private Student Loan Trust 2009-A, SLC Private Student Loan Trust 2010-A or SLC Private Student Loan Trust 2010-B.

“Proxy Statement” has the meaning given to such term in Section 10.2(a) of this Agreement.

“Purchase Agreement” means, with respect to a Securitization Trust, the Purchase Agreement entered into between the Seller and the Depositor pursuant to which Student Loans are sold from the Seller to the Depositor, in accordance with the Securitization Master Terms Purchase Agreement for that Securitization Trust.

“Qualifying Transaction” means any transaction contemplated by a Competing Proposal, except the references therein to “15%” in each of clause (A), (B) and (C) of the definition of Competing Proposal shall be replaced by “50%” and the reference in clause (i) thereof to the

“Acquired Assets” shall be replaced by the phrase “all assets of the Seller”; provided, however, that the Related Transactions shall not constitute Qualifying Transactions.

“Ratable Financing Costs” has the meaning given to such term in the Funding Note Purchase Agreement.

“Rating Agencies” means a nationally recognized statistical rating organization or other comparable Person rating the Securitization Notes in accordance with the applicable Securitization Indentures.

“Related Transaction Documents” mean, collectively, (i) the CBNA Transaction Agreement, (ii) the Merger Transaction Agreement and (iii) in each case, ancillary agreements attached thereto or delivered thereunder or in connection therewith.

“Related Transactions” means, together, the CBNA Transaction and the Merger Transaction.

“Replacement Subservicing Agreements” has the meaning given to such term in Section 3.4(a) of this Agreement.

“Representatives” has the meaning given to such term in Section 10.4(a) of this Agreement.

“Schedule of Financed Student Loans” means the schedule or file identifying the Financed Student Loans and containing data related to such Financed Student Loans.

“Schedule of Trust Student Loans” means the schedule or file identifying the Trust Student Loans and containing data related to such Trust Student Loans.

“SEC” means the U.S. Securities and Exchange Commission.

“Secretary” means the Secretary of Education, and includes any official of the Department duly authorized to perform any function with respect to the transactions under the Conduit Program.

“Securitization Administration Agreement” means, with respect to each Securitization Trust, the Administration Agreement entered into between a Securitization Trust, the Depositor, and the Seller, in its capacity as Administrator, and, if applicable, the Seller, in its capacity as Servicer, as the same may be amended or otherwise modified from time to time in accordance with the terms thereof.

“Securitization Basic Documents” means, with respect to each Securitization Trust, the applicable Basic Documents as defined under the Securitization Indenture, as the same may be amended or otherwise modified from time to time in accordance with the terms thereof.

“Securitization Buyer” means Bull Run 1 LLC, a Delaware limited liability company.

“Securitization Closing Date” means, with respect to each Securitization Trust, the applicable closing date under the Securitization Indenture.

“Securitization Custody Agreement” means a Custody Agreement entered into between each Securitization Trust, the Securitization Eligible Lender Trustee, the Securitization Indenture Trustee, the Seller, as the Servicer, and CSD, as custodian, for a Securitization Trust, as the same may be amended or otherwise modified from time to time in accordance with the terms thereof.

“Securitization Cutoff Date” means, with respect to each Securitization Trust, the applicable cutoff date under the Securitization Indenture.

“Securitization Eligible Lender Trust Agreement” means, with respect to each Securitization Transaction, the eligible lender trust agreement between the related Securitization Trust and the Securitization Eligible Lender Trustee, as amended or modified from time to time.

“Securitization Eligible Lender Trustee” means CBNA, in its capacity as eligible lender trustee on behalf of each Securitization Trust pursuant to the applicable Securitization Eligible Lender Trust Agreement.

“Securitization Eligible Loan” means a Student Loan that was sold by the Seller to the Depositor and sold by the Depositor to a Securitization Trust, which as of the applicable Securitization Cutoff Date, or for a Student Loan that was substituted by the Seller and the Depositor after the Securitization Closing Date, which as of the applicable cutoff date, or in the case of a Purchase Agreement entered into after the applicable Securitization Closing Date, which as of the related purchase date by the Depositor, was current or no more Delinquent than permitted under such Securitization Master Terms Purchase Agreement in payment of principal or interest and which met the following criteria as of the Securitization Cutoff Date, or in the case of any Student Loan substituted after the applicable Securitization Closing Date, as of the applicable cutoff date by the Depositor:

(a) (i) with respect to the 2008-2 Trust and the 2009-1 Trust, was a Stafford Loan or a Plus Loan, and not a Consolidation Loan, (ii) with respect to the 2010-1 Trust, was a Consolidation Loan, Stafford Loan, PLUS Loan or SLS Loan and (iii) with respect to each other Securitization Trust not described in clauses (i) and (ii), was a Consolidation Loan;

(b) was owned by the Seller, and was fully disbursed;

(c) was guaranteed as to principal and interest by the applicable Guarantor to the maximum extent permitted by the Higher Education Act for such Student Loan, and such Guarantor was, in turn, reinsured by the Department of Education in accordance with the Higher Education Act;

(d) bore interest at a stated rate of not more than the maximum rate permitted under the Higher Education Act for such Loan;

(e) was eligible for the payment of the quarterly special allowance at the three month financial commercial paper rate or the 91-day treasury bill rate, as applicable;

(f) if not in repayment status, was eligible for the payment of interest benefits by the Secretary or, if not so eligible, was a Student Loan for which interest either was billed quarterly to Borrower or deferred until commencement of the repayment period, in which case such accrued interest would be subject to capitalization to the full extent permitted by the applicable Guarantor;

(g) contained terms in accordance with those required by FFELP, the applicable Guarantee Agreement and other applicable requirements, and, with respect to the 2004-1 Trust, 2005-1 Trust, 2005-2 Trust, 2005-3 Trust and 2006-1 Trust, was more than 180 days past the final disbursement;

(h) did not have a borrower who was noted in the related records of the Servicer as being currently involved in a bankruptcy proceeding, and, with respect to the 2007-2 Trust, 2008-1 Trust, 2008-2 Trust and 2009-1 Trust, had a date of first disbursement prior to October 1, 2007;

(i) was supported by the following documentation:

- (1) a loan application, and any supplement thereto,
- (2) an original promissory note and any addendum thereto (or a certified copy thereof if more than one loan was represented by a single promissory note and all loans so represented were not being sold) or the electronic records evidencing the same,
- (3) evidence of guarantee,
- (4) any other document and/or record which the Seller may have been required to retain pursuant to the Higher Education Act,
- (5) if applicable, payment history (or similar document) including (i) an indication of the Principal Balance and the date through which interest had been paid, each as of the applicable Securitization Cutoff Date, or, in the case of any Loan substituted after the applicable Securitization Closing Date, as of the related Purchase Date (as defined therein) and (ii) an accounting of the allocation of all payments by the Borrower or on the Borrower's behalf to principal and interest on the Student Loan,
- (6) if applicable, documentation which supported periods of current or past deferment or past forbearance,
- (7) if applicable, a collection history, if the Loan was ever in a delinquent status, including detailed summaries of contacts and including the addresses or telephone numbers used in contacting or attempting to contact Borrower and any endorser and, if required by the Guarantor, copies of all letters and other correspondence relating to due diligence processing,

- (8) if applicable, evidence of all requests for skip-tracing assistance and current address of Borrower, if located,
- (9) if applicable, evidence of requests for pre-claims assistance, and evidence that the Borrower's school(s) had been notified, and
- (10) if applicable, a record of any event resulting in a change to or confirmation of any data in the Loan File.

“Securitization Indenture” means, with respect to each Securitization Trust, the indenture pursuant to which the Securitization Trust has issued Securitization Notes, as amended or supplemented from time to time.

“Securitization Indenture Trustee” means U.S. Bank National Association, a national banking association, in its capacity as the indenture trustee under each Securitization Indenture, and its permitted successors and assigns in such capacity.

“Securitization Master Terms Purchase Agreement” means, with respect to each Securitization Trust, the purchase agreement entered into by and among the Seller, the Depositor and an Eligible Lender Trustee pursuant to which the Student Loans to be deposited into the Securitization Trust are sold from the Seller to the Depositor, as the same may be amended or otherwise modified from time to time in accordance with the terms thereof.

“Securitization Master Terms Sale Agreement” means, with respect to each Securitization Trust, the Master Terms Sale Agreement entered into by and among the Depositor, the Securitization Trust and an Eligible Lender Trustee pursuant to which Student Loans are sold by the Depositor to the Securitization Trust, as the same may be amended or otherwise modified from time to time in accordance with the terms thereof.

“Securitization Note” means a note issued by the related Securitization Trust.

“Securitization Restricted Cash” means, with respect to each Securitization Trust, all cash and investments held from time to time in any Trust Account (as defined in the applicable Securitization Administration Agreement) whether in the form of deposit accounts, physical property, book-entry securities, uncertificated securities or otherwise.

“Securitization Servicing Agreement” means, with respect to each Securitization Trust, the servicing agreement entered into between the Seller, as the Servicer and as the Administrator, and the Securitization Trust, as the same may be amended or otherwise modified from time to time in accordance with the terms thereof.

“Securitization Subservicing Agreement” means, with respect to each Securitization Trust, the Subservicing Agreement entered into between the Seller, as the Servicer, and CSD, as the same may be amended or otherwise modified from time to time in accordance with the terms thereof.

“Securitization Transaction” has the meaning given to such term in Section 7.2(1)(i) of this Agreement.

“Securitization Trust” means the 2004-1 Trust, the 2005-1 Trust, the 2005-2 Trust, the 2005-3 Trust, the 2006-1 Trust, the 2006-2 Trust, the 2007-1 Trust, the 2007-2 Trust, the 2008-1 Trust, the 2008-2 Trust, the 2009-1 Trust, the 2009-2 Trust or the 2009-3 Trust as the context requires.

“Securitization Trust Agreement” means, with respect to each Securitization Trust, the Trust Agreement entered into by and between the Depositor and the Owner Trustee, as the same may be amended or otherwise modified from time to time in accordance with the terms thereof.

“Seller” means The Student Loan Corporation, a Delaware corporation, in its capacity as the seller under this Agreement.

“Seller Common Stock” means the common stock, par value \$0.01 per share, of the Seller.

“Seller Disclosure Schedule” means the Seller Disclosure Schedule attached as Schedule B to this Agreement.

“Seller Eligible Lender Trust Agreement” means the Trust Agreement, dated as of August 30, 2003, between The Student Loan Corporation, as the grantor thereunder, and CBNA, not in its individual capacity but solely in its capacity as the trustee thereunder, relating to FFELP Loans, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

“Seller Eligible Lender Trustee” means CBNA, in its capacity as eligible lender trustee for the benefit of The Student Loan Corporation pursuant to the Seller Eligible Lender Trust Agreement.

“Seller Intervening Event” has the meaning set forth in Section 10.4(j) of this Agreement.

“Seller Material Adverse Effect” means any event, change, effect, development, state of facts, condition, circumstance or occurrence that, individually or in the aggregate, (i) has had or would reasonably be expected to have a material adverse effect on the business, operations, results of operations or financial condition of the Acquired Assets and Applicable Loans, taken as a whole, or (ii) would reasonably be expected to prevent or materially delay or materially impair the ability of the Seller or any of its Subsidiaries to consummate any of the Transactions or to perform any of their obligations under any of the Transaction Documents, other than any event, change, effect, development, state of facts, condition, or circumstance proximately relating to, resulting from or arising out of (A) changes in general economic or political conditions or the financial, securities or credit markets in general; (B) any events, circumstances, changes or effects that affect the general student loan industry; (C) any changes in Laws (or interpretations thereof) applicable to the Seller or any of the Seller’s Subsidiaries or any of their respective properties or assets (including, for the avoidance of doubt, the Health Care and Education Reconciliation Act of 2010 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010); (D) any changes, after the date hereof, in GAAP (or interpretations thereof); (E) any outbreak or escalation of hostilities or war (whether or not declared) or any act of terrorism, or any earthquakes, hurricanes, tomados or other natural disasters; (F) the negotiation, execution, announcement, consummation or existence of, this Agreement, the

Transaction Documents, the Transactions, the Related Transaction Documents or the Related Transactions, including any action or suit arising therefrom or in connection therewith; (G) any change in the trading price of the Seller Common Stock or the failure by the Seller or its Subsidiaries to meet any internal or published projections, forecasts or estimates for any period (it being understood that the events, changes, effects, developments, state of facts, condition, circumstance or occurrence underlying such change or failure that are not otherwise excluded from the definition of Seller Material Adverse Effect may be taken into account in determining whether there has been or would reasonably be expected to be a Seller Material Adverse Effect); or (H) any action taken as required by the Transaction Documents or at the direction of Buyer; provided, however, that any change, effect, event or occurrence referred to in the immediately preceding clauses (A), (B), (C), (D) and (E) shall be taken into account for purposes of determining whether a Seller Material Adverse Effect has occurred only to the extent such change, effect, event or occurrence adversely affects the Seller and its Subsidiaries, taken as a whole, in a materially disproportionate manner relative to other companies operating in the industries in which the Seller and its Subsidiaries compete (and then only to the extent of the materially disproportionate portion of such effect).

“Seller Party” means each of The Student Loan Corporation, as Seller, Servicer SPV Administrator and Sponsor, CBNA in its individual capacity and as The Student Loan Corporation Eligible Lender Trustee, Omnibus Lender, lender under the Term Loan Agreement and Indenture Administrator, CSD, as subservicer, Sub-Subservicer and Custodian, the Depositor and the Funding Note Issuer.

“Seller Recommendation” has the meaning given to such term in Section 10.3 of this Agreement.

“Seller Satisfaction Certificate” means a certificate executed and delivered by the Seller, substantially in the form of Exhibit 9.2 to this Agreement.

“Seller Stockholder Approval” means the affirmative vote of the holders of at least a majority of the outstanding shares of Seller Common Stock entitled to vote at the Stockholders’ Meeting.

“Seller Termination Fee” means any fee payable by the Seller to Buyer Parent pursuant to Sections 11.3(a), 11.3(b), 11.3(c), 11.3(d) or 11.3(e).

“Servicer” means the Seller in its capacity as Servicer under each Securitization Servicing Agreement, Private Securitization Servicing Agreement or under the Conduit Servicing Agreement, as the context requires, and their respective permitted successors and assigns in such capacity.

“Solvent” means, with respect to any Person as of any date of determination, that, as of such date, (a) the value of the assets of such Person is greater than the total amount of liabilities (including contingent and unliquidated liabilities) of such Person as determined in accordance with GAAP, (b) such Person is able to pay all liabilities of such Person as such liabilities mature and (c) such Person does not have unreasonably small capital. In computing the amount of contingent or unliquidated liabilities at any time, such liabilities shall be computed at the amount

that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“Special Committee” means the Special Committee of the Board of Directors of the Seller.

“Sponsor” means the Seller and its successor and assigns in its capacity as the Sponsor under the Funding Note Purchase Agreement.

“SPV Administrator” means the Seller and its successors and assigns in its capacity as the SPV Administrator of the Funding Note Issuer under the Funding Note Purchase Agreement.

“Stockholders’ Meeting” has the meaning given to such term in Section 10.2(a) of this Agreement.

“Student Loan” means an education loan to students and parents of students under the FFELP.

“Sub-Administration Agreements” has the meaning given to such term in Section 3.3(a) of this Agreement.

“Sub-Administrator” has the meaning given to such term in Section 3.3(a)(i) of this Agreement.

“Sub-Sub-Administrator” has the meaning given to such term in Section 3.3(a)(ii) of this Agreement.

“Sub-Subservicer” has the meaning given to such term in Section 3.4(a)(ii) of this Agreement.

“Sub-Subservicing Agreement” has the meaning given to such term in Section 3.4(a)(ii) of this Agreement.

“Subordinated Credit Agreement” means the Subordinated Credit Agreement, dated as of May 14, 2009, together with all amendments and other modifications, if any, between Funding Note Issuer and the Seller, as Lender.

“Subordinated Loan” means a subordinated loan issued under the Subordinated Credit Agreement.

“Subordinated Note Lender” means the Seller in its capacity as lender under the Subordinated Credit Agreement.

“Subordinated Promissory Note” means the note evidencing the Subordinated Loans.

“Subservicer” means CSD, in its capacity as the subservicer under each Securitization Subservicing Agreement, and its successors and assigns in such capacity.

“Subsidiary” means, with respect to any Person, any corporation, partnership, limited liability company or other business entity of which an aggregate of more than 50% of the outstanding voting stock is, at the time, directly or indirectly, owned or controlled by such Person or one or more Subsidiaries of such Person.

“Substitute Merger Transaction” has the meaning given to such term in Section 10.11(a) of this Agreement.

“Superior Proposal” has the meaning given to such term in Section 10.4(g) of this Agreement.

“Superior Proposal Agreement” has the meaning given to such term in Section 10.4(g) of this Agreement.

“Tax” means all taxes, including income, gross receipts, ad valorem, VAT, excise, real property, personal property, sales, use, transfer, withholding, employment, unemployment, insurance, social security, business license, business organization, environmental, worker’s compensation, profits, license, lease, service, service use, severance, stamp, occupation, windfall profits, customs, duties, franchise and other taxes imposed by any Governmental Authority, and any interest, penalties, assessments or additions to tax resulting from, attributable to or incurred in connection with any tax or any contest or dispute thereof.

“Tax Return” means any report, return, declaration, statement or other information required to be supplied to a Governmental Authority in connection with Taxes.

“Term Loan Agreement” means the Term Loan Agreement dated as of the date hereof by and among Bull Run 1 LLC, as Borrower, Buyer Parent, as Guarantor, CBNA, as the Administrative Agent, the Syndicate Agent, the Collateral Agent, and a Lender, and additional lenders that may become a party thereto.

“Termination Date” has the meaning given to such term in Section 11.1(b) of this Agreement.

“Transaction Documents” means this Agreement, the Voting Agreement, the Indemnification Agreement, the Trust Certificates Bill of Sale, the Accession Agreement for Trust Certificates, the Partial Release of Security Interest, the Sub-Administration Agreement, the Sub-Sub-Administration Agreement, the Administration Services Agreement, the Replacement Subservicing Agreement, the Sub-Subservicing Agreement, the Servicing Services Agreement, the Assumption of Obligations of the Seller under Master Terms Purchase Agreements, the Makewhole and Participation Agreement, the Conduit Bill of Sale, the Conduit Mutual Release, the Department Form Agreements, the Conduit Replacement Subservicing Agreement, the Conduit Servicing Services Agreement, the SPV Sub-Administration Agreement, the Conduit Services Agreement, the Depositor Agreement, the Seller Satisfaction Certificate, the Buyer Satisfaction Certificate, the Amended and Restated Confidentiality Agreement, the Buyer/Seller Release and such other documents as may be identified as “Transaction Documents” for purposes of the Agreement by the Seller and the Buyer from time to time and all other agreements and other documents entered into or delivered in connection with such agreements and other documents.

“Transactions” means each of the transactions contemplated by the Transaction Documents.

“Trust Certificate” means, with respect to each Securitization Trust, a certificate evidencing a 100% beneficial interest in such Securitization Trust.

“Trust Certificates Bill of Sale” means a bill of sale between the Seller and the Securitization Buyer, substantially in the form attached as Exhibit 2.1 to this Agreement or such other form as is acceptable to such parties, pursuant to which the Seller will sell the Trust Certificates to the Securitization Buyer in consideration for the Certificate Purchase Price, and which shall reasonably identify the Trust Student Loans.

“Trustee” means CBNA not in its individual capacity, but solely in its capacity as the trustee under the Eligible Lender Trust Agreement and its successors and assigns in such capacity.

“Trust Student Loan” means a Student Loan that has been sold or permissibly transferred to the Securitization Trust by the Depositor or the Servicer and the beneficial ownership of which is still held by such Securitization Trust on the date specified.

“Unadjusted Purchase Price” means either:

(i) in the case of any calculation pursuant to Section 2.1, the Net Trust Assets Acquired times 119%, less the Certificate Distribution Amount; or

(ii) in the case of any calculation pursuant to Section 4.1, the Net Conduit Assets Acquired times 119%, less the Conduit Distribution Amount.

“Voting Agreement” has the meaning given to such term in the Recitals of this Agreement.

Appendix B
List of Trust Certificates

Trust Certificate	Ownership Percentage
SLC Student Loan Trust 2004-1	100%
SLC Student Loan Trust 2005-1	100%
SLC Student Loan Trust 2005-2	100%
SLC Student Loan Trust 2005-3	100%
SLC Student Loan Trust 2006-1	100%
SLC Student Loan Trust 2006-2	100%
SLC Student Loan Trust 2007-1	100%
SLC Student Loan Trust 2007-2	100%
SLC Student Loan Trust 2008-1	100%
SLC Student Loan Trust 2008-2	100%
SLC Student Loan Trust 2009-1	100%
SLC Student Loan Trust 2009-2	100%
SLC Student Loan Trust 2009-3	100%

Appendix B-1

**Appendix D
Notices**

The address for notices for the Seller is as follows:

The Student Loan Corporation
750 Washington Blvd.
Stamford, Connecticut 06901
Fax: 203-975-6724
Attention: Chief Executive Officer

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

CID Management
850 Third Ave, 18th Floor
New York, NY 10022
Fax: 212-207-3950
Attention: Rodman L. Drake, Chairman of the Special Committee
and

The Student Loan Corporation
750 Washington Blvd.
Stamford, Connecticut 06901
Fax: 203-975-6724
Attention: General Counsel

with further copies to (which shall not constitute notice):

Proskauer Rose LLP
1585 Broadway
New York, NY 10036-8299
Fax: 212-969-2900
Attention: Julie Allen
Arnold Jacobs
and

McDermott, Will & Emery LLP
340 Madison Avenue
New York, New York 10173-1922
Fax: 212-547-5444
Attention: Peter J. Rooney
Todd Finger

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

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, NY 10036
Fax: 212 -735-2000
Attention: William S. Rubenstein
Sean C. Doyle

The address for notices for CBNA, Depositor Eligible Lender Trustee, Conduit Eligible Lender Trustee, Securitization Eligible Lender Trustee, Omnibus Lender and Indenture Administrator is as follows:

Citigroup Inc.
399 Park Avenue
New York, NY 10022
Fax: 212.559.0615
Attention: Michael S. Zuckert

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

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, NY 10036
Fax: 212 -735-2000
Attention: William S. Rubenstein
Sean C. Doyle

The address for notices for the Buyer Parent and Buyer is as follows:

if to Buyer Parent:

SLM Corporation
12061 Bluemont Way
Reston, VA 20190-5684
Fax: 703-984-6586
Attention: Mark L. Heleen, Executive Vice President
and General Counsel

with copies to (which shall not constitute notice):

Bingham McCutchen LLP
399 Park Avenue
New York, NY 10022-4689
Fax: 212-752-5378
Attention: Reed D. Auerbach

and

Bingham McCutchen LLP
One Federal Street
Boston, MA 02110
Fax: 617-951-8736
Attention: John R. Utzschneider

if to Buyer:

Bull Run 1 LLC
12061 Bluemont Way
Reston, VA 20190-5684
Fax: 703-984-6586
Attention: Mark L. Heleen, Executive Vice President
and General Counsel

with copies to (which shall not constitute notice):

Bingham McCutchen LLP
399 Park Avenue
New York, NY 10022-4689
Fax: 212-752-5378
Attention: Reed D. Auerbach

and

Bingham McCutchen LLP
One Federal Street
Boston, MA 02110
Fax: 617-951-8736
Attention: John R. Utzschneider

Appendix E

Seller Representations and Warranties with Respect to Trust Student Loans

Except for Student Loans that have been purchased or substituted by the Seller or the Depositor in accordance with the terms of the Securitization Master Terms Sale Agreements or the Securitization Master Terms Purchase Agreements, the Seller represents and warrants as to the Trust Student Loans purchased by the Depositor or substituted by the Seller under the related Purchase Agreement and each Bill of Sale executed pursuant to the Securitization Master Terms Purchase Agreements as of the date of the related Purchase Agreement, or as of the date otherwise noted:

(a) The Seller, with respect to beneficial ownership, and the Seller Eligible Lender Trustee, for the benefit of the Seller, with respect to record ownership, had good and marketable title to, and was the sole owner of, the Student Loans, free and clear of all security interests, liens, charges, claims, offsets, defenses, counterclaims or encumbrances of any nature and no right of rescission, offsets, defenses or counterclaims had been asserted or threatened with respect to such Trust Student Loans;

(b) Each Securitization Master Terms Purchase Agreement created a valid and continuing security interest (as defined in the applicable UCC) in the Trust Student Loans sold thereunder in favor of the Depositor Eligible Lender Trustee for the benefit of the Depositor, which security interest was prior to all other security interests, liens, charges, claims, offsets, defenses, counterclaims or encumbrances, and was enforceable as such as against creditors of and purchasers from the Seller;

(c) Either the Trust Student Loans constituted either "Payment Intangibles" or "Instruments" within the meaning of the applicable UCC, or with respect to the 2004-1 Trust, 2005-1 Trust, 2005-2 Trust, 2005-3 Trust, 2006-1 Trust and 2006-2 Trust, the Trust Student Loans constituted "Accounts" within the meaning of the applicable UCC and were within the coverage of Sections 432(m)(1)(E) and 439(d)(3) of the Higher Education Act;

(d) The Trust Student Loans were Securitization Eligible Loans and the description of the Trust Student Loans set forth in the related Purchase Agreement and the related Loan Transmittal Summary Form were true and correct;

(e) The Seller was authorized to sell, assign, transfer, substitute and repurchase the Trust Student Loans; and the sale, assignment and transfer of such Trust Student Loans was or, in the case of a Student Loan repurchase or substitution by the Seller, was made pursuant to and consistent with the laws and regulations under which the Seller operated, and did not violate any decree, judgment or order of any court or agency, or conflict with or result in a breach of any of the terms, conditions or provisions of any agreement or instrument to which the Seller was a party or by which the Seller or its property was bound, or constituted a default (or an event which could constitute a default with the passage of time or notice or both) thereunder;

(f) The Trust Student Loans were each in full force and effect in accordance with their terms and were legal, valid and binding obligations of the respective Borrowers thereunder subject to no defenses (except the defense of infancy);

(g) No consents and approvals were required by the terms of the Trust Student Loans for the consummation of the sale of such Trust Student Loans under the related Purchase Agreement to the Depositor Eligible Lender Trustee for the benefit of the Depositor other than those which were obtained;

(h) As of the applicable Securitization Cutoff Date, or, in the case of any purchase following the applicable Securitization Closing Date, as of the date of the related Purchase Agreement, each Trust Student Loan had been duly made and serviced in accordance with the provisions of the Federal Family Education Loan Program established under the Higher Education Act, and had been duly insured by a Guarantor; as of the Securitization Cutoff Date or, in the case of any purchase following the Securitization Closing Date, as of the date of the related Purchase Agreement, such guarantee was in full force and effect and was freely transferable to the Depositor Eligible Lender Trustee on behalf of the Depositor as an incident to the purchase of each Trust Student Loan; and all premiums due and payable to such Guarantor had been paid in full as of the date of the related Securitization Bill of Sale;

(i) Any payments on the Trust Student Loans received by the Seller that had been allocated to the reduction of principal and interest on such Trust Student Loans had been allocated on a simple interest basis; the information with respect to the applicable Trust Student Loans as of the Securitization Cutoff Date or, in the case of any substituted Trust Student Loans, the related Payment Cutoff Date, as stated on the related Loan Transmittal Summary Form was materially true and correct;

(j) Due diligence and reasonable care have been exercised in the making, administering, servicing and collecting on the Trust Student Loans and, with respect to any Trust Student Loan for which repayment terms had been established, all disclosures of information required to be made pursuant to the Higher Education Act had been made;

(k) All origination fees authorized to be collected pursuant to Section 438 of the Higher Education Act had been paid to the Secretary;

(l) Each Trust Student Loan had been duly made and serviced in accordance with the provisions of the related program under which such Trust Student Loan was originated and all applicable federal and state laws;

(m) No Trust Student Loan was more than the number of days Delinquent permitted under the terms of the related Securitization Master Terms Purchase Agreement and no default, breach, violation or event permitting acceleration under the terms of any Trust Student Loan had arisen; and neither the Seller nor any predecessor holder of any Trust Student Loan had waived any of the foregoing other than as permitted by the Securitization Basic Documents;

(n) Except for Trust Student Loans executed electronically, there was only one original executed copy of the Note evidencing each Trust Student Loan. For Trust Student Loans that were executed electronically, either (i) the Servicer had possession of the electronic

records evidencing the Note or (ii) the Seller had agreements with the previous holders or servicers of such Note under which the relevant holder or servicer agreed to hold and maintain the electronic records evidencing the Note, in each case as may have been necessary to enforce the Note or as may have been required by applicable laws regarding electronic chattel paper, including without limitation, any applicable e-sign laws;

(o) The Notes that constitute or evidence the Trust Student Loans did not have any marks or notations indicating that they had been pledged, assigned or otherwise conveyed to any Person other than the Seller Eligible Lender Trustee on behalf of the Depositor. All financing statements filed against the Seller in favor of the Depositor in connection with the applicable Purchase Agreement describing the Trust Student Loans contain a statement to the following effect: "A purchase of or security interest in any collateral described in this financing statement will violate the rights of the [Eligible Lender Trustee][secured party]";

(p) Other than the security interest granted to the Depositor pursuant to the applicable Securitization Master Terms Purchase Agreement, the Seller had not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Trust Student Loans. The Seller had not authorized the filing of and was not aware of any financing statements against the Seller that included a description of collateral covering the Trust Student Loans other than any financing statement relating to the security interest granted to the Seller Eligible Lender Trustee thereunder or any other security interest that had been terminated. The Seller was not aware of any judgment or Tax lien filings against the Seller;

(q) No Borrower of a Trust Student Loan as of the applicable Securitization Cutoff Date or, in the case of any substitution following the Securitization Closing Date, as of the date of the related Purchase Agreement, was noted in the related Loan File as being then involved in a bankruptcy proceeding;

(r) CBNA serves as Eligible Lender Trustee for each Securitization Trust and in that capacity holds legal title to, and is the sole record owner of, each Trust Student Loan, free and clear of all Liens (except those Liens created pursuant to the related Securitization Indenture); and

(s) The transfer and assignment under the related Purchase Agreement and each Securitization Master Terms Purchase Agreement constituted a valid sale of the Trust Student Loans from the Seller and the Seller Eligible Lender Trustee to the Depositor Eligible Lender Trustee for the benefit of the Depositor and the beneficial interest in and title to such Trust Student Loans would not be part of the Seller's estate in the event of the bankruptcy of the Seller or the appointment of a receiver with respect to the Seller. The Seller caused the timely filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect a first priority security interest in the related Trust Student Loans and other collateral granted under the Securitization Basic Documents.

Appendix F
Seller Representations and Warranties with Respect to Financed Student Loans

Except for Financed Student Loans that have been repurchased by the Seller pursuant to Section 6 of the Conduit Student Loan Purchase Agreement or purchased by the Servicer pursuant to the Conduit Servicing Agreement, with respect to each Financed Student Loan as of the related date on which such Financed Student Loan was sold by the Seller to the Funding Note Issuer pursuant to the Conduit Student Loan Purchase Agreement (the “Grant Date”):

(a) The Seller, with respect to beneficial ownership, and the Seller Eligible Lender Trustee, for the benefit of the Seller, with respect to record ownership, had good and marketable title to, and were the sole owners of, such Financed Student Loan, free and clear of any security interest or lien (other than an interest or lien that was released simultaneously with the transfer of such Financed Student Loan to the Funding Note Issuer (the “Transfer”) pursuant to a Security Release Certification, as defined in the Conduit Student Loan Purchase Agreement), charges, claims, offsets, defenses, counterclaims or encumbrances of any nature (including any circumstances that could have impaired transfer of title to the Student Loans free and clear of the claim of any party) and no right of rescission, offsets, defenses or counterclaims had been asserted or threatened with respect to such Financed Student Loan. The Transfer of such Financed Student Loan constituted the absolute transfer of all right, title and interests of the Seller with respect to beneficial ownership, and the Seller Eligible Lender Trustee, with respect to record ownership in such Financed Student Loan to the purchaser parties free and clear of any lien or adverse claim.

(b) Such Financed Student Loan met the requirements under the Conduit Program to be an “Eligible Loan” (as defined in the Funding Note Purchase Agreement), and the description of and information regarding such Financed Student Loan set forth in the related bill of sale, loan transmittal summary form and any loan schedule prepared or delivered in connection with the transfer thereof was true, complete and correct as of the date of the applicable loan schedule.

(c) The Seller (with respect to beneficial ownership) and the Seller Eligible Lender Trustee (with respect to record ownership) was authorized to Transfer and, to the extent required under the Conduit Student Loan Purchase Agreement, reacquire such Financed Student Loan; and the Transfer of such Financed Student Loan was or, in the case of a reacquisition by the Seller (with respect to beneficial ownership) and the Seller Eligible Lender Trustee (with respect to record ownership), was made pursuant to and consistent with the laws and regulations under which each of the Seller and the Seller Eligible Lender Trustee operated, and did not violate any decree, judgment or order of any court or agency, or conflict with or result in a breach of any of the terms, conditions or provisions of any agreement or instrument to which it was a party or by which it or its property was bound, or constitute a default (or an event which could constitute a default with the passage of time or notice or both) thereunder.

(d) Such Financed Student Loan was in full force and effect in accordance with its terms and was the legal, valid and binding obligation of the respective Borrower thereunder subject to no defenses.

(e) Such Financed Student Loan had been duly made and serviced in accordance with the provisions of FFELP and had been duly guaranteed by a Guarantor; the Guarantee Agreement was in full force and effect, and all premiums due and payable to such Guarantor as of the related Grant Date had been paid in full.

(f) Such Financed Student Loan provided or, when the payment schedule with respect thereto was determined, provided for payments on a periodic basis that fully amortized the Principal Balance thereof by its maturity, as such maturity may have been modified in accordance with any applicable deferral or forbearance periods granted in accordance with applicable laws, including, those of the Higher Education Act or any applicable Guarantee Agreement, as applicable.

(g) Any payments on such Financed Student Loan received by the Seller that were allocated to the reduction of principal and interest on such Financed Student Loan were, in all material respects, allocated on a simple interest basis.

(h) Such Financed Student Loan had been duly made and serviced in accordance with all applicable federal, state and local laws.

(i) Due diligence and reasonable care was exercised in the making, administering, servicing and collecting on such Financed Student Loan and, all disclosures of information required to be made pursuant to the Higher Education Act prior to the related Grant Date had been made.

(j) The related Borrower was an eligible borrower under the terms of Section 428, 428B or 428H of the Higher Education Act, as applicable.

(k) All borrower origination and loan fees required by Section 438 of the Higher Education Act had been paid to the Secretary or appropriately reserved by the Seller or Seller Eligible Lender Trustee for payment to the Secretary.

(l) Such Financed Student Loan was denominated and payable only in United States dollars.

(m) The transfer and assignment contemplated in the Conduit Student Loan Purchase Agreement constituted a valid transfer of such Financed Student Loan from the Seller with respect to beneficial ownership, and the Seller Eligible Lender Trustee, with respect to record ownership to the purchaser parties, and the beneficial interest in and title to such Financed Student Loan shall not be part of the Seller's estate in the event of its bankruptcy or the appointment of a receiver with respect to the Seller or Seller Eligible Lender Trustee.

(n) With respect to the master promissory note related to each Financed Student Loan (the "Promissory Note"), there was only one originally executed Promissory Note evidencing such Financed Student Loan, and such original Promissory Note (or a true and correct copy thereof) was delivered to the designee of the Funding Note Issuer. If a true and exact copy of an original electronic Promissory Note was delivered to the Funding Note Issuer or its designee, the Seller of such Financed Student Loan (or its designee) had possession of such electronic Promissory Note. The related Promissory Note that constituted or evidenced such

Financed Student Loan did not have any marks or notations indicating that it had been further pledged, assigned or otherwise conveyed to any Person other than the Funding Note Issuer, the Seller Eligible Lender Trustee on behalf of the Funding Note Issuer or their designee (other than an interest or lien that will be released simultaneously with the purchase of the Financed Student Loans under the Conduit Student Loan Purchase Agreement).

(o) To the extent such Financed Student Loan was evidenced by an electronic Promissory Note, the Seller complied (and caused any originator or servicer of such Financed Student Loan to comply) with all regulations and other requirements adopted by the applicable Guarantor or the Department relating to the validity and enforceability of such Promissory Note.

(p) Neither the Seller nor the Seller Eligible Lender Trustee had pledged, assigned, sold, granted a security interest in, or otherwise conveyed such Financed Student Loan (other than an interest or lien released simultaneously with the Transfer of such Loan under the Conduit Student Loan Purchase Agreement pursuant to a Security Release Certification (as defined in the Funding Note Purchase Agreement)). Neither the Seller nor the Seller Eligible Lender Trustee had authorized the filing of or was aware of any financing statements against it that include a description of collateral covering such Financed Student Loan (whether or not any additional collateral is covered by such financing statements) or any other security interest that had not been terminated with respect to such Financed Student Loans, or that was not terminated with respect to the such Financed Student Loan upon Transfer to the Funding Note Issuer or the Conduit Eligible Lender Trustee. Neither the Seller nor the Seller Eligible Lender Trustee was aware of any judgment or tax lien filings against it.

(q) The related Borrower of such Financed Student Loan as of the related Grant Date was not noted in any Loan File prepared in connection therewith, including the related loan transmittal summary form as having been then involved in a bankruptcy proceeding.

(r) Such Financed Student Loan satisfied all of the terms and conditions of the Transaction Documents (as defined in the Conduit Student Loan Purchase Agreement).

(s) Such Financed Student Loan was not delinquent for 210 days or more or at such time subject to a claim filed with the applicable Guarantor.

(t) Such Financed Student Loan had not been previously pledged to secure the Funding Note.

(u) Either (i) such Loan was not subject to any Excluded Borrower Benefits (as defined in the Funding Note Purchase Agreement) or (ii) with respect to any Loan subject to Excluded Borrower Benefits, the amount required to be deposited into the Excluded Borrower Benefit Account (as defined in the Funding Note Purchase Agreement) was deposited.

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

I, Albert L. Lord, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ALBERT L. LORD

Albert L. Lord
Vice Chairman and Chief Executive Officer
(Principal Executive Officer)
November 8, 2010

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

I, John F. Remondi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SLM Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOHN F. REMONDI
John F. Remondi
Vice Chairman and Chief Financial Officer
(Principal Financial and Accounting Officer)
November 8, 2010

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

In connection with the Quarterly Report of SLM Corporation (the "Company") on Form 10-Q for the quarter ended September 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Albert L. Lord, Vice Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ ALBERT L. LORD

Albert L. Lord
Vice Chairman and Chief Executive Officer
(Principal Executive Officer)
November 8, 2010

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

In connection with the Quarterly Report of SLM Corporation (the "Company") on Form 10-Q for the quarter ended September 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John F. Remondi, Vice Chairman and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ JOHN F. REMONDI
John F. Remondi
Vice Chairman and Chief Financial Officer
(Principal Financial and Accounting Officer)
November 8, 2010

