



**S**LM Corporation®, commonly known as Sallie Mae®, is the nation's leading provider of education funding™. With a 35-year history, the company manages a \$153 billion portfolio of student loans. Sallie Mae's nearly 12,000 employees across the country service student loans for 10 million customers. Founded in 1972 as a government-sponsored enterprise (GSE), the company was originally chartered as a secondary market, purchasing student loans. In 2004, Sallie Mae dissolved its GSE charter, terminating its corporate ties to the federal government and enabling it to perform a broader range of activities related to higher education. Since it began the privatization process in 1997, the company has developed a presence in every step of the planning and paying for college life cycle—from helping families save for college to providing planning tools, tuition payment options and a full suite of loans for students and their parents.

Sallie Mae is consistently recognized as a top performer and a great place to work:

- received a perfect "10" for corporate governance (Governance Metrics International)
- one of the 100 Best Corporate Citizens (*Business Ethics* magazine)
- one of the Top 30 Companies for Executive Women (National Association of Female Executives)
- one of *BusinessWeek's* Top Corporate Philanthropists and One of the 15 Top Cash Givers (*BusinessWeek Magazine*)

### Helping Students

Through its Upromise affiliates, the company also manages \$18 billion in 529 college-savings plans, and 8 million members have joined Upromise to help save for college with rewards on purchases at nearly 70,000 places. Sallie Mae's customer-focused services allow borrowers to go through the entire process online, from application to account management and even selection of repayment options, all via [www.salliemae.com](http://www.salliemae.com). Eligible borrowers can also qualify for a 3.3 percent loan credit or refund check through Sallie Mae's Cash Back® Program.

### Serving Schools

Sallie Mae continues to set the standard with innovative products for schools. Internet-based services allow schools real-time query, update and reporting capabilities. Sallie Mae and its subsidiaries provide college-financing, debt-management, default-prevention, financial-management and tuition payment advisory services.

### Supporting Guarantors

Sallie Mae serves guarantors by offering administrative and technical support and providing a centralized point of contact for operational, technical, contractual and policy issues.

### Giving Back to the Community

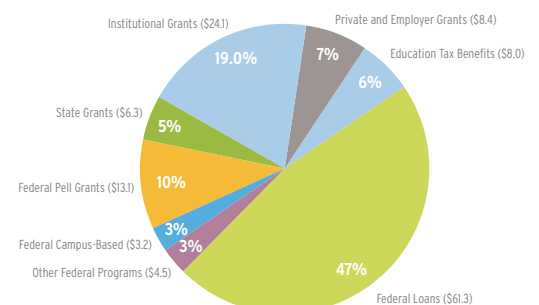
The Sallie Mae Fund®, a charitable organization sponsored by Sallie Mae, contributes more than \$12 million annually toward higher education access and other initiatives. The Fund achieves its mission—to increase access to higher education for America's students—by supporting programs and initiatives that help open doors to higher education, prepare families for their college investment, and bridge the gap when no one else can. In addition, The Fund encourages employee volunteerism and community service in more than a dozen communities where Sallie Mae employees live and work.

### Estimated Student Aid by Source for Academic Year 2004-2005

#### Current Dollars in Billions

Source: *Trends in Student Aid, The College Board, 2005.*

**Total Aid Awarded: \$128.9**



# THE STUDENT LOAN INDUSTRY

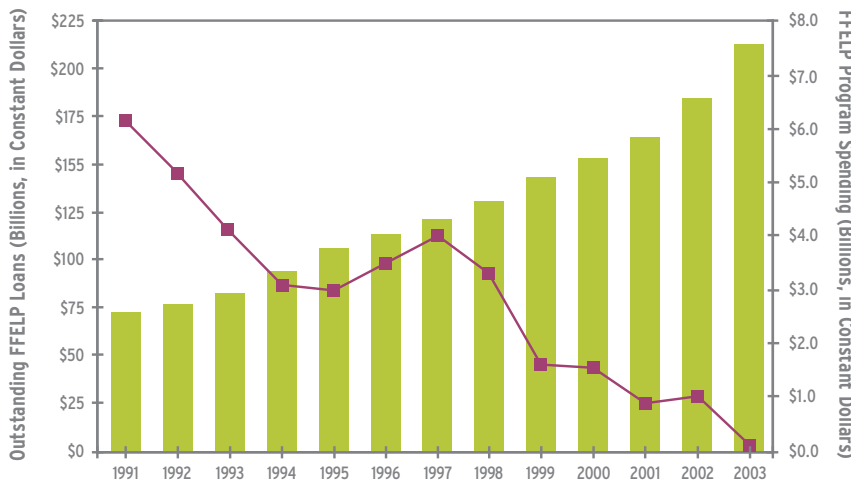
**S**allie Mae is the leading corporate participant in the successful private/public partnership established to finance college for American families. That program, the Federal Family Education Loan Program, or FFELP, was authorized by Congress through the Higher Education Act of 1965. About 77 percent of all students loans, more than \$40 billion, were provided under the FFELP for the academic year 2003-04. The FFELP is a bargain for taxpayers. In 1991, student loans cost taxpayers 8.5 cents for every loan dollar outstanding. By 2003, there was no net cost to the taxpayer to support \$213 billion in outstanding FFELP loans. Sallie Mae plays an active role, working with the U.S. Congress, the U.S. Department of Education and other members of the higher education industry, to help strengthen the FFELP for future generations of students and families.

## Federal Education Loans by Type (Source: U.S. Department of Education)

	Stafford Loan	Parent & Graduate PLUS Loan	Consolidation Loan
Interest Rate	Fixed at 6.89% for the life of the loan	Fixed at 8.59% for the life of the loan	Weighted average of interest rates of loans consolidated, rounded up to the nearest 1/8% Fixed interest rate for the life of the loan, capped at 8.25%
Formula	91-day Treasury Bill plus 1.7% during in-school, grace and deferment periods 91-day Treasury Bill plus 2.3% during repayment	91-day Treasury Bill plus 3.1%	N/A
Maximum Annual Loan Limit	Year 1: \$3,500 Year 2: \$4,500 Years 3 & 4: \$5,500 Graduate: \$8,500	Up to the total cost of the student's education, less other aid received	N/A

### Declining Costs of the FFELP for the Taxpayer

Source: U.S. Department of Education and Office of Management and Budget



**SINCE 1966, MORE THAN 134 MILLION LOANS HAVE BEEN ISSUED UNDER THE FFELP, REPRESENTING MORE THAN \$416 BILLION IN FEDERAL STUDENT LOANS.**

## LIFE OF A STUDENT LOAN:

### 1. College Applications

College-bound students must complete admissions applications, secure recommendations and prepare personal essays.



### 2. FAFSA

For some 1.3 million high school students, the financial aid process begins with the Free Application for Federal Student Aid (FAFSA). The U.S. Department of Education (ED) uses the FAFSA to determine financial eligibility for grants, work-study programs and student loans.



### 3. Student Aid Report

Approximately two weeks after ED receives a student's FAFSA, the agency creates a Student Aid Report (SAR). The SAR is returned to the student and sent to up to six schools of the student's choice. The SAR serves to indicate a student's Expected Family Contribution (EFC), which a college or university uses to calculate financial aid eligibility.



### 4. Award Package

Once the SAR is complete, schools send a letter to prospective students and families outlining the type and amount of financial aid for which they qualify. This aid may include a combination of grants, work-study, scholarships and/or loans.



### 5. School Selection

When it comes to choosing a college or university, college-bound students first evaluate and compare acceptance and award letters, including the entire financial aid award package that an institution has offered.



# THE SALLIE MAE FUND'S PROJECT ACCESS PROGRAM

The number of college-age Americans is expected to increase considerably over the next 10 years. Eighty percent of this growth will come from minorities, and 50 percent of this population will be Hispanic-American. While these populations are most in need of financial support for higher education, they have the least exposure to information on financial aid. Project Access, The Sallie Mae Fund's community-based initiative is designed to improve access to higher education by targeting under-served populations with information and scholarship dollars. The Fund's annual surveys provide further insight into the changing needs of these students.

## Awareness of Financial Aid:

### Paying for College<sup>SM</sup> Workshops:

- Provided free in Spanish and English in local communities nationwide to help make high school students

and their families aware that college is valuable and affordable.

### Free English and Spanish Educational Materials:

- Families and student-serving organizations can call a toll-free number (1-866-858-7166) to order free planning and paying for college guides and videos in both languages. Materials are also available from The Fund's website, [www.salliemae.org](http://www.salliemae.org).

### Public Awareness Initiatives:

- Regional radio and television outreach in English and Spanish.

## Addressing Financial Need:

### The Sallie Mae Fund Unmet Need Scholarship Program<sup>SM</sup>:

- Provides \$1 million in the face of serious cuts to state grant and scholarship dollars to help financial aid officers meet the "last dollar" needs of students.

### The First in My Family<sup>®</sup> Scholarships:

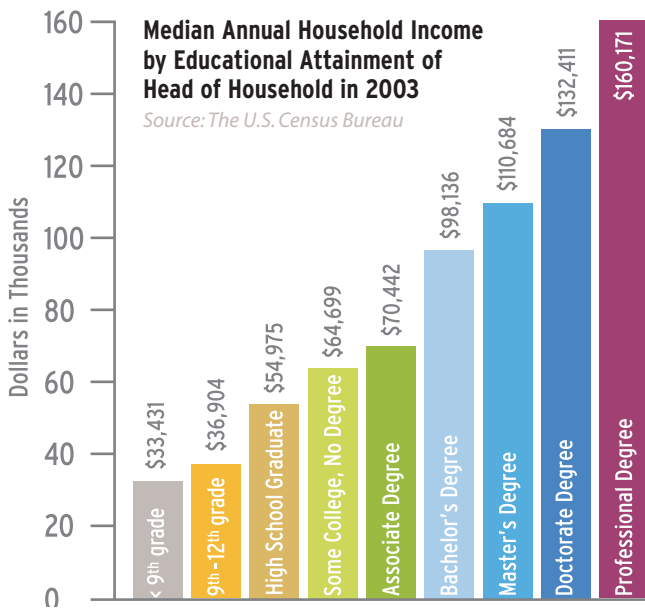
- In partnership with the Hispanic College Fund, this program provides scholarship dollars to Hispanic-Americans who are "first in their family" to attend college.

### The American Dream Scholarships:

- In partnership with the United Negro College Fund, this program provides scholarship dollars to eligible African-American students to attend any two- or four-year institution.

## Academic Performance:

The Sallie Mae Fund supports programs such as Reading Is Fundamental and Junior Achievement, as well as pre-K literacy programs that improve student achievement.



## 6. Federal Student Loan Application

Students who decide to apply for an education loan to help pay for college must complete a lender's application and sign a lender's promissory note. Their school of choice then certifies that the student is enrolled and eligible for the loan and submits the application to the guarantor for approval.



## 7. Federal Guarantee

A guarantor approves the loan, provides the federal guarantee and directs the lender to proceed with loan disbursement.



## 8. Federal Student Loan Origination

The loan proceeds are disbursed by the lender or loan servicer and sent either to the school or directly to the borrower.



## 9. Private Loan Application

After maximizing their eligibility for federal student loans, students may apply for (complete the lender's application form and sign the promissory note) private or alternative loans to cover any unmet need. Students must be approved for this credit-based loan, and some will seek a co-borrower in order to qualify. Once credit-approved, the lender makes the loan's rates and fees available to the borrower and the co-borrower. The school certifies the loan and the lender or loan servicer prepares the loan for disbursement.



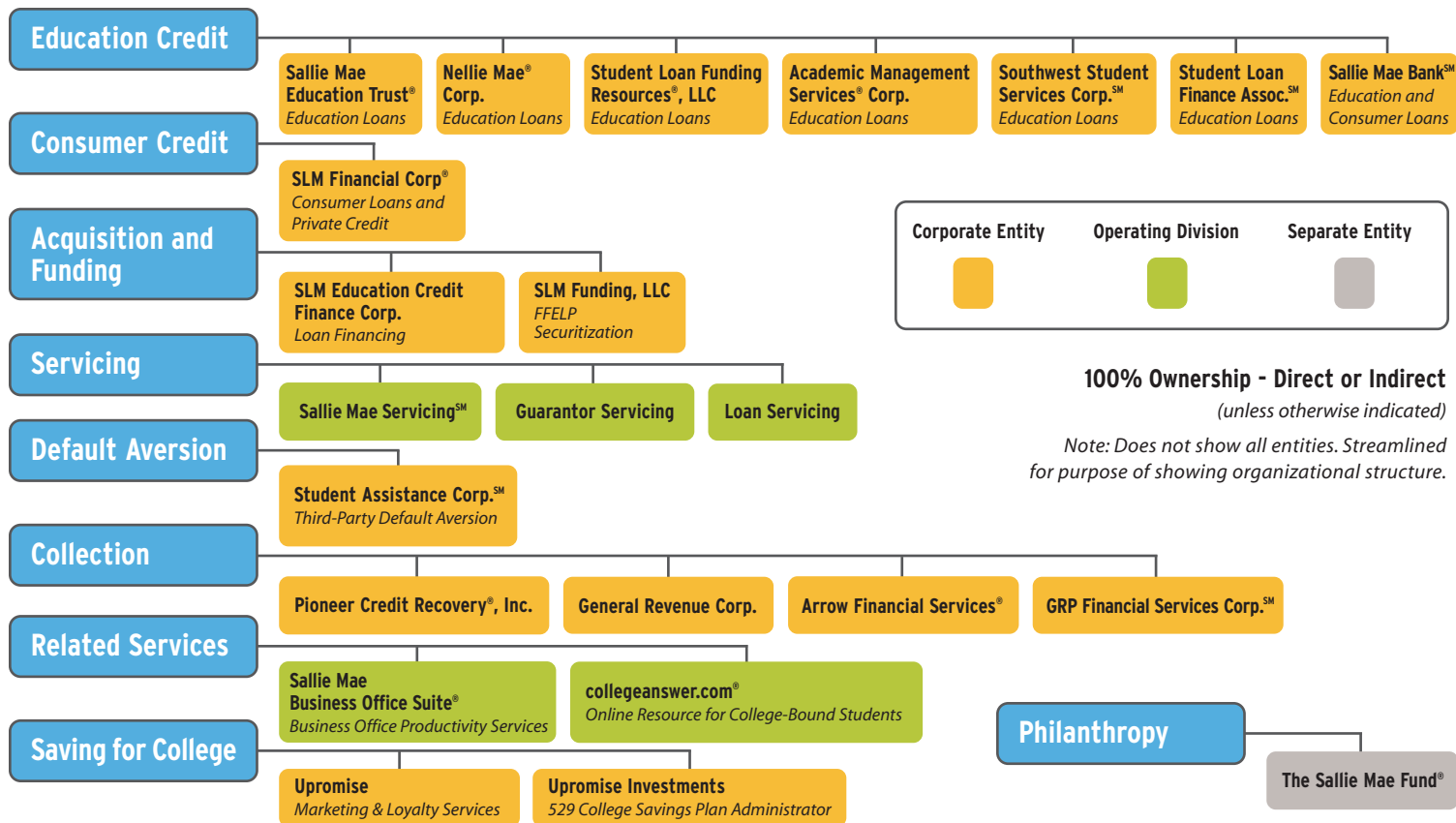
## 10. Private Loan Disbursement

The loan proceeds are disbursed by the lender or loan servicer and sent either to the school or directly to the borrower. A truth-in-lending disclosure statement is then sent to the borrower and the co-borrower. This statement gives the borrower the option of returning any of the loan funds (at any time).



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# SALLIE MAE BUSINESS ORGANIZATION



## SALLIE MAE OFFICES

**Headquarters**  
Reston, VA

### Loan Origination & Servicing Operations

Gilbert, AZ      Swansea, MA  
Lynn Haven, FL      Wilkes-Barre, PA  
Fishers, IN      Killeen, TX  
Braintree, MA      Seattle, WA

### Consumer Credit & Related Services

Needham, MA      Mt. Laurel, NJ  
Weymouth, MA      Murray, UT

### Debt Management Operations

San Diego, CA      Perry, NY  
Niles, IL      White Plains, NY  
Muncie, IN      Rockville Center, NY  
Summerlin, NV      Cincinnati, OH  
Arcade, NY      Whitewater, WI  
Big Flats, NY

## LIFE OF A STUDENT LOAN: >> continued from previous page

### 11. In School

No payments on the loan principal are required if students remain in school at least half time. The government pays interest that accrues on Subsidized Stafford loans during this period. Students are responsible for interest that accrues while in school on Unsubsidized Stafford and private loans. Students have the choice of paying the interest while in school or capitalizing it and adding it to the outstanding principal balance of their loan.



### 12. Loan Repayment

Six months after a student borrower leaves school, loan repayment begins. The lender or servicer sends a repayment schedule to the borrower and any applicable co-borrowers approximately 45 days prior to the date when repayment begins. The lender collects monthly payments from borrowers and bills the government quarterly for special allowance payments (federal student loans only). Students may select from a variety of loan repayment options, including standard repayment, graduated repayment, extended repayment, income-sensitive repayment and loan consolidation.



### 13. Default Aversion

Loan servicers and guaranty agencies proactively contact borrowers who have fallen behind on loan payments to prevent the borrower from defaulting on the loan.



### 14. Loan Default

A federal student loan goes into default when it is 270 days delinquent. Then, a guaranty agency purchases the loan and files for partial reimbursement from ED.



### 15. Default Collection

Guaranty agencies work to locate and collect on defaulted federal student loan accounts for the benefit of U.S. taxpayers.



### 16. Paid-In Full

Borrowers fulfill their repayment obligations, and the principal and interest balances on the loan are reduced to zero.