

Designed to help shorten the amount of time it takes to pay off the loan, the Sallie Mae Smart Option Student Loan features interest-only payments while students are in school, so students avoid negative amortization and save considerably over the life of the loan. Sallie Mae estimates that a typical customer would save approximately 60 percent in finance charges and 40 percent in total over the life of the new loan and would pay off the balance nine years sooner, compared to most other private student loan alternatives. Below is an example based on the average private loan borrowing as reported by Sallie Mae and Gallup's national study, "How America Pays for College."

**Example – Loan Amount: \$7,694**

(represents average private student loan borrowing reported in the national study, "[How America Pays for College](#)," conducted by Sallie Mae and Gallup)

Product	Cumulative Amount Borrowed	Balance at Repayment	Monthly Interest-Only Payment	Monthly Principal and Interest Payment	Repayment Term (In Months)	Total Amount Paid	Total Finance Charges Paid	% Savings in Finance Charges
"Traditional" Private Loan	\$7,694	\$11,080	N/A	\$125.93	180	\$22,666.98	\$15,196.98	N/A
Sallie Mae Smart Option Student Loan	\$7,694	\$7,694	6 payments of \$35.26; and 45 payments of \$70.53	\$146.45	72	\$13,929.77	\$6,459.77	57%
The Smart Option Student Loan Difference		The borrower would owe <b>\$3,386</b> less at repayment.	The borrower would pay the interest during school and during a 6-month separation period after graduation.	The borrower would pay <b>\$20.52</b> more in principal and interest payments each month after the 6-month separation period.	The borrower would pay off the loan <b>9 years earlier</b> with the Sallie Mae Smart Option Student Loan.	The total amount the borrower would pay is <b>\$8,737 less (that's 38% less)</b> with the Sallie Mae Smart Option Student Loan.	The total amount of finance charges paid on the traditional loan would be <b>\$8,737</b> higher than on the Sallie Mae Smart Option Student Loan.	The borrower would save <b>57%</b> on the finance charges with the Sallie Mae Smart Option Loan.

**Payment Example Assumptions:** This payment example is for information only and assumes the following: APR for the "traditional" product is 10.54% and for the Smart Option loan example it is 11.60%. Interest rate is 11% (LIBOR + 10.5%; LIBOR of 0.50 as of February 25, 2009); 51 months of interest only payments (school period of 45 months plus separation period of 6 months); a freshman borrower with a creditworthy cosigner; 3% disbursement fee; and one loan of \$7,470 with two disbursements.

Note: An automatic debit benefit is available for as long as the borrower's monthly payment amount is successfully deducted from the borrower's bank account. Borrowers can elect to make payments via automatic debit through Sallie Mae's online account management system. This benefit lowers the borrower's interest rate but does not change the amount of the monthly payment. This benefit is suspended during periods of forbearance and certain deferments. To receive an electronic communications benefit, the borrower must elect to receive electronic communications through Sallie Mae's online account management system and provide a valid e-mail address within 90 days of the first payment due date. The electronic communications benefit is available for as long as the borrower maintains a valid email address, continues to consent to receive all servicing communications concerning his or her student loan(s) via email and makes on-time payments of amounts scheduled with no interruption. This benefit lowers the borrower's interest rate but does not change the amount of the monthly payment.