SLM CORPORATION

Supplemental Earnings Disclosure

March 31, 2010
(In millions, except per share amounts)

	Quarters ended		
	March 31, 2010 (unaudited)	December 31, 2009 (unaudited)	March 31, 2009 (unaudited)
SELECTED FINANCIAL INFORMATION AND RATIOS			
GAAP Basis[1]			
Net income (loss) attributable to SLM Corporation	$ 240	$ 309	$ (21)
Diluted earnings (loss) per common share attributable to SLM Corporation common shareholders	$ .45	$ .52	$ (.10)
Return on assets	.50%	.77%	(.05)%
"Core Earnings" Basis[1][2][3]			
"Core Earnings" net income attributable to SLM Corporation	$ 212	$ 249	$ 14
"Core Earnings" diluted earnings (loss) per common share attributable to SLM Corporation common shareholders	$ .39	$ .41	$ (.03)
"Core Earnings" return on assets	.44%	.51%	.03%
OTHER OPERATING STATISTICS			
Average on-balance sheet student loans	$181,533	$145,964	$149,662
Average off-balance sheet student loans	—	33,277	35,577
Average Managed student loans	$181,533	$179,241	$185,239
Ending on-balance sheet student loans, net	$181,866	$143,807	$150,374
Ending off-balance sheet student loans, net	—	32,638	34,961
Ending Managed student loans, net	$181,866	$176,445	$185,335
Ending Managed FFELP Stafford and Other Student Loans, net	$ 64,346	$ 58,174	$ 64,690
Ending Managed FFELP Consolidation Loans, net	82,178	83,176	86,228
Ending Managed Private Education Loans, net	35,362	35,095	34,417
Ending Managed student loans, net	$181,886	$176,445	$185,335

---

(1) Diluted earnings per common share attributable to SLM Corporation common shareholders from continuing and discontinued operations on both a GAAP basis and "Core Earnings" basis for the three months ended March 31, 2010, December 31, 2009 and March 31, 2009 was:

	Quarters ended		
	March 31, 2010 (unaudited)	December 31, 2009 (unaudited)	March 31, 2009 (unaudited)
GAAP Basis			
Diluted earnings (loss) per common share attributable to SLM Corporation common shareholders:			
Continuing operations	$.45	$ .71	$ —
Discontinued operations	$ —	$(.19)	$(.10)
Total	$.45	$ .52	$(.10)
"Core Earnings" Basis[2][3]			
Diluted earnings (loss) per common share attributable to SLM Corporation common shareholders:			
Continuing operations	$.39	$ .60	$ .07
Discontinued operations	$ —	$(.19)	$(.10)
Total	$.39	$ .41	$(.03)

(2) "Core Earnings" are non-GAAP measures and do not represent a comprehensive system of accounting. For a greater explanation of "Core Earnings," see the section titled "Reconciliation of 'Core Earnings' Net Income to GAAP Net Income" and subsequent sections.

(3) "Core Earnings" does not include Floor Income unless it is Fixed Rate Floor Income that is economically hedged. The amount of this Economic Floor Income (net of tax) excluded from "Core Earnings" for the three months ended March 31, 2010, December 31, 2009 and March 31, 2009 was:

	Quarters ended		
	March 31, 2010 (unaudited)	December 31, 2009 (unaudited)	March 31, 2009 (unaudited)
Total Economic Floor Income earned on Managed loans, not included in "Core Earnings" (net of tax)	$ 3	$ 14	$ 79
Total Economic Floor Income earned, not included in "Core Earnings" (net of tax) per common share attributable to SLM Corporation common shareholders	$ .01	$.03	$.17

SLM CORPORATION

Consolidated Balance Sheets
(In thousands, except per share amounts)

	March 31, 2010	December 31, 2009	March 31, 2009
	(unaudited)	(unaudited)	(unaudited)
Assets			
FFELP Stafford and Other Student Loans (net of allowance for losses of $119,522; $104,219; and $101,375, respectively)	$ 47,928,753	$ 42,978,874	$ 43,444,179
FFELP Stafford Loans Held-for-Sale	16,418,101	9,695,714	14,399,802
FFELP Consolidation Loans (net of allowance for losses of $66,693; $56,949; and $50,919, respectively)	82,177,664	68,378,560	70,885,647
Private Education Loans (net of allowance for losses of $2,018,676; $1,443,440; and $1,384,455, respectively)	35,361,689	22,753,462	21,644,579
Other loans (net of allowance for losses of $77,159; $73,985; and $66,011, respectively)	334,879	420,233	684,913
Cash and investments	8,241,961	8,083,841	3,748,192
Restricted cash and investments	6,115,399	5,168,871	3,855,546
Retained Interest in off-balance sheet securitized loans	—	1,828,075	1,950,566
Goodwill and acquired intangible assets, net	1,167,599	1,177,310	1,239,556
Other assets	9,767,040	9,500,358	9,698,331
Total assets	$207,513,085	$169,985,298	$171,551,311
Liabilities			
Short-term borrowings	$ 41,102,389	$ 30,896,811	$ 46,331,461
Long-term borrowings	157,983,266	130,546,272	116,669,381
Other liabilities	3,671,734	3,263,593	3,586,610
Total liabilities	202,757,389	164,706,676	166,587,452
Commitments and contingencies			
Equity			
Preferred stock, par value $.20 per share, 20,000 shares authorized:			
Series A: 3,300; 3,300; and 3,300 shares, respectively, issued at stated value of $50 per share	165,000	165,000	165,000
Series B: 4,000; 4,000; and 4,000 shares, respectively, issued at stated value of $100 per share	400,000	400,000	400,000
Series C: 7.25% mandatory convertible preferred stock: 810; 810; and 1,150 shares, respectively, issued at liquidation preference of $1,000 per share	810,370	810,370	1,149,770
Common stock, par value $.20 per share, 1,125,000 shares authorized: 553,408; 552,220; and 534,698 shares, respectively, issued	110,682	110,444	106,940
Additional paid-in capital	5,106,094	5,090,891	4,694,155
Accumulated other comprehensive loss, net of tax benefit	(42,511)	(40,825)	(70,450)
Retained earnings	72,062	604,467	378,387
Total SLM Corporation stockholders' equity before treasury stock	6,621,697	7,140,347	6,823,802
Common stock held in treasury: 67,564; 67,222; and 67,105 shares, respectively	1,866,020	1,861,738	1,859,955
Total SLM Corporation stockholders' equity	4,755,677	5,278,609	4,963,847
Noncontrolling interest	19	13	12
Total equity	4,755,696	5,278,622	4,963,859
Total liabilities and equity	$207,513,085	$169,985,298	$171,551,311

SLM CORPORATION

Consolidated Statements of Income
(In thousands, except per share amounts)

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
	(unaudited)	(unaudited)	(unaudited)
Interest income:			
FFELP Stafford and Other Student Loans	$ 283,437	$ 241,640	$ 342,816
FFELP Consolidation Loans	523,325	450,551	489,362
Private Education Loans	565,154	406,115	387,041
Other loans	8,996	10,075	16,420
Cash and investments	4,949	6,168	5,971
Total interest income	1,385,861	1,114,549	1,241,610
Total interest expense	531,384	515,763	1,026,547
Net interest income	854,477	598,786	215,063
Less: provisions for loan losses	359,120	269,442	250,279
Net interest income (loss) after provisions for loan losses	495,357	329,344	(35,216)
Other income:			
Servicing and securitization revenue (loss)	—	148,049	(95,305)
Gains on sales of loans and securities, net	8,653	271,084	—
Gains (losses) on derivative and hedging activities, net	(82,410)	(35,209)	104,025
Contingency fee revenue	80,311	65,500	74,815
Collections revenue (loss)	21,966	(37,678)	43,656
Guarantor servicing fees	36,090	28,695	34,008
Other	190,410	187,922	192,458
Total other income	255,020	628,363	353,657
Expenses:			
Restructuring expenses	26,282	4,169	3,773
Operating expenses	328,020	339,122	295,116
Total expenses	354,302	343,291	298,889
Income from continuing operations, before income tax expense (benefit)	396,075	614,416	19,552
Income tax expense (benefit)	155,795	206,568	(5,517)
Net income from continuing operations	240,280	407,848	25,069
Loss from discontinued operations, net of tax	—	(98,557)	(46,174)
Net income (loss)	240,280	309,291	(21,105)
Less: net income attributable to noncontrolling interest	140	157	281
Net income (loss) attributable to SLM Corporation	240,140	309,134	(21,386)
Preferred stock dividends	18,678	51,014	26,395
Net income (loss) attributable to SLM Corporation common stock	$ 221,462	$ 258,120	$ (47,781)
Net income (loss) attributable to SLM Corporation:			
Continuing operations, net of tax	$ 240,140	$ 407,691	$ 24,788
Discontinued operations, net of tax	—	(98,557)	(46,174)
Net income (loss) attributable to SLM Corporation	$ 240,140	$ 309,134	$ (21,386)
Basic earnings (loss) per common share attributable to SLM Corporation common shareholders:			
Continuing operations	$ .46	$ .74	$ —
Discontinued operations	$ —	$ (.20)	$ (.10)
Total	$ .46	$ .54	$ (.10)
Average common shares outstanding	484,259	479,459	466,761
Diluted earnings (loss) per common share attributable to SLM Corporation common shareholders:			
Continuing operations	$ .45	$ .71	$ —
Discontinued operations	$ —	$ (.19)	$ (.10)
Total	$ .45	$ .52	$ (.10)
Average common and common equivalent shares outstanding	526,631	521,740	466,761
Dividends per common share attributable to SLM Corporation common shareholders	$ —	$ —	$ —

SLM CORPORATION

Segment and "Core Earnings"

Consolidated Statements of Income
(In thousands)

	Quarter ended March 31, 2010					
	Lending	Asset Performance Group	Corporate and Other	Total "Core Earnings"[2]	Adjustments	Total GAAP
	(unaudited)					
Interest income:						
FFELP Stafford and Other Student Loans	$ 274,347	$ —	$ —	$ 274,347	$ 9,090	$ 283,437
FFELP Consolidation Loans	363,755	—	—	363,755	159,570	523,325
Private Education Loans	565,154	—	—	565,154	—	565,154
Other loans	8,996	—	—	8,996	—	8,996
Cash and investments	445	—	4,504	4,949	—	4,949
Total interest income	1,212,697	—	4,504	1,217,201	168,660	1,385,861
Total interest expense	515,130	—	—	515,130	16,254	531,384
Net interest income	697,567	—	4,504	702,071	152,406	854,477
Less: provisions for loan losses	359,120	—	—	359,120	—	359,120
Net interest income after provisions for loan losses	338,447	—	4,504	342,951	152,406	495,357
Contingency fee revenue	—	80,311	—	80,311	—	80,311
Collections revenue	—	21,966	—	21,966	—	21,966
Guarantor servicing fees	—	—	36,090	36,090	—	36,090
Other income	141,317	—	56,521	197,838	(81,185)	116,653
Total other income	141,317	102,277	92,611	336,205	(81,185)	255,020
Restructuring expenses	21,336	1,608	3,338	26,282	—	26,282
Direct operating expenses	145,758	75,557	62,218	283,533	9,712	293,245
Overhead expenses	20,613	10,773	3,389	34,775	—	34,775
Operating expenses	166,371	86,330	65,607	318,308	9,712	328,020
Total expenses	187,707	87,938	68,945	344,590	9,712	354,302
Income from continuing operations, before income tax expense	292,057	14,339	28,170	334,566	61,509	396,075
Income tax expense[1]	107,068	5,257	10,327	122,652	33,143	155,795
Net income from continuing operations	184,989	9,082	17,843	211,914	28,366	240,280
Loss from discontinued operations, net of tax	—	—	—	—	—	—
Net income	184,989	9,082	17,843	211,914	28,366	240,280
Less: net income attributable to noncontrolling interest	—	140	—	140	—	140
Net income attributable to SLM Corporation	$ 184,989	$ 8,942	$17,843	$ 211,774	$ 28,366	$ 240,140
Economic Floor Income (net of tax) not included in "Core Earnings"	$ 2,866	$ —	$ —	$ 2,866		

[1] Income taxes are based on a percentage of net income before tax for the individual reportable segment.
[2] "Core Earnings" are non-GAAP measures and do not represent a comprehensive system of accounting. For a greater explanation of "Core Earnings," see the section titled "Reconciliation of 'Core Earnings' Net Income to GAAP Net Income" and subsequent sections.

Net income attributable to SLM Corporation:						
Continuing operations, net of tax	$ 184,989	$ 8,942	$ 17,843	$ 211,774	$ 28,366	$ 240,140
Discontinued operations, net of tax	—	—	—	—	—	—
Net income attributable to SLM Corporation	$ 184,989	$ 8,942	$ 17,843	$ 211,774	$ 28,366	$ 240,140

SLM CORPORATION

Segment and "Core Earnings"

Consolidated Statements of Income
(In thousands)

	Quarter ended December 31, 2009					
	Lending	Asset Performance Group	Corporate and Other	Total "Core Earnings"[2]	Adjustments	Total GAAP
	(unaudited)					
Interest income:						
FFELP Stafford and Other Student Loans	$ 269,297	$ —	$ —	$ 269,297	$ (27,657)	$ 241,640
FFELP Consolidation Loans	382,681	—	—	382,681	67,870	450,551
Private Education Loans	571,423	—	—	571,423	(165,308)	406,115
Other loans	10,075	—	—	10,075	—	10,075
Cash and investments	1,052	—	5,477	6,529	(361)	6,168
Total interest income	1,234,528	—	5,477	1,240,005	(125,456)	1,114,549
Total interest expense	554,461	—	—	554,461	(38,698)	515,763
Net interest income	680,067	—	5,477	685,544	(86,758)	598,786
Less: provisions for loan losses	365,211	—	—	365,211	(95,769)	269,442
Net interest income after provisions for loan losses	314,856	—	5,477	320,333	9,011	329,344
Contingency fee revenue	—	65,500	—	65,500	—	65,500
Collections revenue (loss)	—	(37,678)	—	(37,678)	—	(37,678)
Guarantor servicing fees	—	—	28,695	28,695	—	28,695
Other income	383,093	—	63,017	446,110	125,736	571,846
Total other income	383,093	27,822	91,712	502,627	125,736	628,363
Restructuring expenses	3,627	331	211	4,169	—	4,169
Direct operating expenses	132,761	72,273	58,492	263,526	46,472	309,998
Overhead expenses	17,263	9,023	2,838	29,124	—	29,124
Operating expenses	150,024	81,296	61,330	292,650	46,472	339,122
Total expenses	153,651	81,627	61,541	296,819	46,472	343,291
Income (loss) from continuing operations, before income tax expense (benefit)	544,298	(53,805)	35,648	526,141	88,275	614,416
Income tax expense (benefit)[1]	188,105	(20,497)	11,343	178,951	27,617	206,568
Net income (loss) from continuing operations	356,193	(33,308)	24,305	347,190	60,658	407,848
Loss from discontinued operations, net of tax	—	(98,250)	—	(98,250)	(307)	(98,557)
Net income (loss)	356,193	(131,558)	24,305	248,940	60,351	309,291
Less: net income attributable to noncontrolling interest	—	157	—	157	—	157
Net income (loss) attributable to SLM Corporation	$ 356,193	$(131,715)	$24,305	$ 248,783	$ 60,351	$ 309,134
Economic Floor Income (net of tax) not included in "Core Earnings"	$ 14,111	$ —	$ —	$ 14,111		

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

(2) "Core Earnings" are non-GAAP measures and do not represent a comprehensive system of accounting. For a greater explanation of "Core Earnings," see the section titled "Reconciliation of 'Core Earnings' Net Income to GAAP Net Income" and subsequent sections.

	Lending	Asset Performance Group	Corporate and Other	Total "Core Earnings"	Adjustments	Total GAAP
Net income (loss) attributable to SLM Corporation:						
Continuing operations, net of tax	$ 356,193	$ (33,465)	$ 24,305	$ 347,033	$ 60,658	$ 407,691
Discontinued operations, net of tax	—	(98,250)	—	(98,250)	(307)	(98,557)
Net income (loss) attributable to SLM Corporation	$ 356,193	$ (131,715)	$ 24,305	$ 248,783	$ 60,351	$ 309,134

SLM CORPORATION

Segment and "Core Earnings"

Consolidated Statements of Income
(In thousands)

	Quarter ended March 31, 2009					
	Lending	Asset Performance Group	Corporate and Other	Total "Core Earnings"[2]	Adjustments	Total GAAP
	(unaudited)					
Interest income:						
FFELP Stafford and Other Student Loans	$ 361,919	$ —	$ —	$ 361,919	$ (19,103)	$ 342,816
FFELP Consolidation Loans	438,896	—	—	438,896	50,466	489,362
Private Education Loans	563,282	—	—	563,282	(176,241)	387,041
Other loans	16,420	—	—	16,420	—	16,420
Cash and investments	2,179	—	5,128	7,307	(1,336)	5,971
Total interest income	1,382,696	—	5,128	1,387,824	(146,214)	1,241,610
Total interest expense	958,879	—	—	958,879	67,668	1,026,547
Net interest income	423,817	—	5,128	428,945	(213,882)	215,063
Less: provisions for loan losses	349,086	—	—	349,086	(98,807)	250,279
Net interest income (loss) after provisions for loan losses	74,731	—	5,128	79,859	(115,075)	(35,216)
Contingency fee revenue	—	74,815	—	74,815	—	74,815
Collections revenue	—	42,967	—	42,967	689	43,656
Guarantor servicing fees	—	—	34,008	34,008	—	34,008
Other income	102,368	—	49,781	152,149	49,029	201,178
Total other income	102,368	117,782	83,789	303,939	49,718	353,657
Restructuring expenses	1,537	656	1,580	3,773	—	3,773
Direct operating expenses	123,715	83,420	45,786	252,921	9,759	262,680
Overhead expenses	19,227	10,048	3,161	32,436	—	32,436
Operating expenses	142,942	93,468	48,947	285,357	9,759	295,116
Total expenses	144,479	94,124	50,527	289,130	9,759	298,889
Income from continuing operations, before income tax expense (benefit)	32,620	23,658	38,390	94,668	(75,116)	19,552
Income tax expense (benefit)[1]	12,010	8,247	14,136	34,393	(39,910)	(5,517)
Net income from continuing operations	20,610	15,411	24,254	60,275	(35,206)	25,069
Loss from discontinued operations, net of tax	—	(46,110)	—	(46,110)	(64)	(46,174)
Net income (loss)	20,610	(30,699)	24,254	14,165	(35,270)	(21,105)
Less: net income attributable to noncontrolling interest	—	281	—	281	—	281
Net income (loss) attributable to SLM Corporation	$ 20,610	$ (30,980)	$24,254	$ 13,884	$ (35,270)	$ (21,386)
Economic Floor Income (net of tax) not included in "Core Earnings"	$ 79,388	$ —	$ —	$ 79,388		

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

(2) "Core Earnings" are non-GAAP measures and do not represent a comprehensive system of accounting. For a greater explanation of "Core Earnings," see the section titled "Reconciliation of 'Core Earnings' Net Income to GAAP Net Income" and subsequent sections.

	Lending	Asset Performance Group	Corporate and Other	Total "Core Earnings"	Adjustments	Total GAAP
Net income (loss) attributable to SLM Corporation:						
Continuing operations, net of tax	$ 20,610	$ 15,130	$ 24,254	$ 59,994	$ (35,206)	$ 24,788
Discontinued operations, net of tax	—	(46,110)	—	(46,110)	(64)	(46,174)
Net income (loss) attributable to SLM Corporation	$ 20,610	$ (30,980)	$ 24,254	$ 13,884	$ (35,270)	$ (21,386)

SLM CORPORATION

Reconciliation of "Core Earnings" Net Income to GAAP Net Income
(In thousands, except per share amounts)

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
	(unaudited)	(unaudited)	(unaudited)
"Core Earnings" net income attributable to SLM Corporation[1][2]	$211,774	$248,783	$ 13,884
"Core Earnings" adjustments:			
Net impact of securitization accounting	—	(4,094)	(198,590)
Net impact of derivative accounting	120,107	171,068	54,010
Net impact of Floor Income	(48,886)	(32,222)	79,023
Net impact of acquired intangibles	(9,712)	(46,784)	(9,623)
Total "Core Earnings" adjustments before income tax effect	61,509	87,968	(75,180)
Net income tax effect	(33,143)	(27,617)	39,910
Total "Core Earnings" adjustments	28,366	60,351	(35,270)
GAAP net income (loss) attributable to SLM Corporation	$240,140	$309,134	$ (21,386)
GAAP diluted earnings (loss) per common share attributable to SLM Corporation common shareholders	$ .45	$ .52	$ (.10)

(1) "Core Earnings" diluted earnings (loss) per common share attributable to SLM Corporation common shareholders	$ .39	$ .41	$ (.03)
(2) Total Economic Floor Income earned on Managed loans, not included in "Core Earnings" (net of tax)	$ 2,866	$ 14,111	$ 79,388
Total Economic Floor Income earned, not included in "Core Earnings" (net of tax) per common share attributable to SLM Corporation common shareholders	$ .01	$ .03	$ .17

"Core Earnings"

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 evaluates the Company's business segments on a basis that, as allowed under the Financial Accounting Standards Board's ("FASB's") Accounting Standards Codification ("ASC") 280, "Segment Reporting," 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 this information in our presentations with credit rating agencies and lenders. While "Core Earnings" are not a substitute for reported results under GAAP, we rely on "Core Earnings" to manage each operating segment because we believe these measures provide additional information regarding the operational and performance indicators that are most closely assessed by management.

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. Our operating segments are defined by products and services or by types of customers, and 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.

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 accounting 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 often 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

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.

1) **Securitization Accounting:** Under GAAP, prior to the adoption of topic updates to ASC 810, "Consolidation," 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 on a "Core Earnings" basis as long-term non-recourse financings. The upfront "gains" on sale from securitization transactions, as well as ongoing "servicing and securitization revenue" presented in accordance with GAAP, 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, the Company prospectively adopted the topic updates to ASC 810, which resulted in the consolidation of these off-balance sheet securitization trusts at their historical cost basis. As a result, there are no longer differences between the Company's GAAP and "Core Earnings" presentation for securitization accounting.

On January 1, 2010, upon the adoption of topic updates to ASC 810, 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 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, related to the securitization trusts that were consolidated on January 1, 2010, the Company's results of operations no longer reflect servicing and securitization income 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.

2) **Derivative Accounting:** "Core Earnings" exclude periodic unrealized gains and losses that are caused primarily by the mark-to-market derivative valuations prescribed by ASC 815 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.

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 and futures, 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," we reverse the fair value adjustments on the Floor Income Contracts and futures economically hedging Floor Income and include in income the amortization of net premiums received on contracts economically hedging Fixed Rate Floor Income.

4) **Acquired Intangibles:** Our "Core Earnings" exclude goodwill and intangible impairment and the amortization of acquired intangibles.

SUPPLEMENTAL FINANCIAL INFORMATION RELEASE
FIRST QUARTER 2010
(Dollars in millions, except per share amounts, unless otherwise stated)

The following information (the "Supplemental Financial Information Release" or "Release") should be read in connection with SLM Corporation's (the "Company's") press release for first quarter 2010 earnings, dated April 21, 2010.

This Supplemental Financial Information Release 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 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 in this document can be found in the Company's 2009 Form 10-K filed with the Securities and Exchange Commission ("SEC") on February 26, 2010.

Certain reclassifications have been made to the balances as of and for the quarters ended December 31, 2009 and March 31, 2009, to be consistent with classifications adopted for the quarter ended March 31, 2010, and had no effect on net income, total assets, or total liabilities.

RECENT DEVELOPMENTS

Legislative and Regulatory Developments

On March 30, 2010, President Obama signed into law H.R. 4872, which included the Student Aid and Fiscal Responsibility Act ("SAFRA"). Effective July 1, 2010, the legislation eliminates the authority to provide new loans under FFELP and requires that all new federal loans to be made through the Direct Student Loan Program ("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 SAFRA:

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 the Department of Education ("ED") as part of the Loan

Purchase Commitment Program ("Purchase Program"). The Company expects to earn approximately $300 million of revenue in 2010 related to this program. The Company also earned $40 million in 2009 and $23 million in the first quarter of 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 collections revenue 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 $74 million in the first quarter of 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. The Company earns guarantor issuance fees on new FFELP guarantees. This revenue will no longer occur after July 1, 2010. This revenue totaled $64 million in 2009 and $21 million in the first quarter of 2010. This revenue is recorded in guarantor servicing fees.

On January 14, 2010, President Obama announced his intention to propose a Financial Crisis Responsibility Fee that would require certain institutions which own insured depository institutions to pay a tax of 15 basis points (0.15 percent) of certain liabilities. This tax is intended to raise up to $117 billion to reimburse the federal government for the projected cost of the Troubled Asset Relief Program ("TARP"). Congress has not yet taken up any legislation and no legislative language has been proposed. As such, the Company cannot say whether it will be subject to this new tax, if enacted. Additionally, since the Company did not receive any money from the TARP, the Company's position is that the Company should not be subject to the tax. Moreover, the majority of loans held by the Company were originated under the FFELP, with program terms and interest rates determined by Congress, and subjecting those assets to this new tax would not be consistent with the behavior the tax is intended to penalize.

Recently Adopted Accounting Standards — Variable Interest Entity ("VIE") Consolidation Model

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 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 servicing and securitization income 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, our Managed and on-balance sheet (GAAP) student loan portfolios are equal.

Management allocates capital on a Managed Basis. This accounting change will not impact management's view of capital adequacy for the Company. The Company's unsecured revolving 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 impacted 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.

DISCUSSION OF CONSOLIDATED RESULTS OF OPERATIONS

Three Months Ended March 31, 2010 Compared to Three Months Ended December 31, 2009

For the three months ended March 31, 2010, net income attributable to SLM Corporation was $240 million or $.45 diluted earnings per common share attributable to SLM Corporation common shareholders, compared to net income of $309 million, or $.52 diluted earnings per common share attributable to SLM Corporation common shareholders, for the three months ended December 31, 2009. For the three months ended March 31, 2010, net income attributable to SLM Corporation from continuing operations was $240 million or $.45 diluted earnings from continuing operations per common share attributable to SLM Corporation common shareholders, compared to net income from continuing operations of $408 million, or $.71 diluted earnings from continuing operations per common share attributable to SLM Corporation common shareholders, for the three months ended December 31, 2009. For the three months ended March 31, 2010, there was no net income or loss attributable to SLM Corporation from discontinued operations, compared to a net loss from discontinued operations of $99 million, or $.19 diluted loss from discontinued operations per common share attributable to SLM Corporation common shareholders, for the three months ended December 31, 2009.

For the three months ended March 31, 2010, the Company's pre-tax income from continuing operations was $396 million compared to pre-tax income of $614 million in the prior quarter. This decrease in pre-tax income from continuing operations of $218 million was primarily due to a $262 million decrease in gains from sales of loans related primarily to the ED Purchase Program, a decrease in servicing and securitization revenue of $148 million, an increase in net losses on derivative and hedging activities of $47 million from $35 million of net losses in the fourth quarter of 2009 to $82 million of net losses in the first quarter of 2010, offset by a $166 million increase in net interest income after provisions for loan losses and a $60 million increase in collections revenue. The change in net losses on derivative and hedging activities was primarily the result of mark-to-market derivative valuations on derivatives that do not qualify for "hedge accounting treatment" under GAAP.

Net interest income after provisions for loan losses increased by $166 million in the first quarter of 2010 from the prior quarter. This increase was due to a $256 million increase in net interest income offset by a $90 million increase in provisions for loan losses. The increase in net interest income and provisions for loan losses was primarily 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 securitization 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 will no longer reflect servicing and securitization revenue related to these securitization trusts, but will 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 $251 million of additional net interest income and $97 million of additional provisions for loan losses in the first quarter of 2010. Excluding the results of the trusts consolidated as of January 1, 2010, net interest income would have increased $5 million from the fourth quarter of 2009 and provisions for loan losses would have decreased $7 million from the fourth 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 reduction 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*").

There were no gains on student loan securitizations in either the first quarter of 2010 or the prior quarter as the Company did not complete any off-balance sheet securitizations during these periods. As discussed

above, as a result of adopting topic updates to ASC 810, there was no servicing and securitization revenue in the first quarter of 2010, compared to $148 million in the fourth quarter of 2009.

The net gains on sales of loans and securities decreased $262 million from $271 million in the fourth quarter of 2009 to $9 million in the first quarter of 2010. The prior quarter gain was primarily the result of the gain on sale of $17.6 billion face amount of FFELP loans to the ED as part of the Purchase Program. The $9 million gain in the first quarter of 2010 primarily relates to selling a portion of the Company's other loan portfolio.

In the first quarter of 2010, contingency fee, collections and guarantor servicing fee revenue totaled $138 million, an $82 million increase from $56 million in the prior quarter. This increase was primarily due to the impairment recognized on our non-mortgage purchased paper portfolio in the fourth quarter of 2009. There was no impairment in the non-mortgage purchased paper portfolio in the first quarter of 2010 compared to $54 million in the prior quarter. The prior quarter's impairment was a result of the impact of the economy on the ability to collect on these assets (see "ASSET PERFORMANCE GROUP BUSINESS SEGMENT").

Restructuring expenses of $26 million and $4 million were recorded in the first quarter of 2010 and the fourth quarter of 2009, respectively. The following details the two restructuring efforts the Company has engaged in:

- On March 30, 2010, President Obama signed into law H.R. 4872, which included SAFRA. Effective July 1, 2010, the legislation eliminates the authority to provide new loans under FFELP and requires that all new federal loans 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 which will result in a significant reduction of operating costs. In the first quarter of 2010, restructuring expenses associated with this restructuring program totaled $23 million. The majority of these restructuring expenses are and will be severance costs related to the planned elimination of approximately 1,300 positions, or approximately 15 percent of the workforce. The Company is currently finalizing this restructuring plan and expects to incur a significant amount of additional restructuring costs which will relate mostly to severance costs in connection with additional job eliminations.

- 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 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 $3 million and $4 million were recognized in continuing operations in the first quarter of 2010 and the fourth quarter of 2009, respectively. Restructuring expenses from the fourth quarter of 2007 through the first quarter of 2010 totaled $132 million of which $123 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 completed and planned elimination of approximately 2,900 positions, or approximately 25 percent of the workforce. We estimate approximately $4 million of additional restructuring expenses will be incurred related to this restructuring program.

Operating expenses were $328 million in the first quarter of 2010 compared to $339 million in the fourth quarter of 2009. Prior-quarter operating expenses included an intangible asset impairment charge of $37 million primarily related to the Company's exclusive right to market under the United Student Aid Funds, Inc. ("USA Funds") Guarantee. This intangible asset was impaired in the fourth quarter of 2009 as a result of the legislative uncertainty surrounding the role of Guarantors in the future. Excluding this impairment charge, operating expenses increased $26 million over the prior quarter, primarily due to both the reversal of non-recurring loss reserves in the fourth quarter of 2009 which reduced operating expenses in the fourth quarter of 2009 as well as the write-off of certain fixed assets in the first quarter of 2010 in connection with the passage of SAFRA legislation on March 30, 2010.

Income tax expense from continuing operations was $156 million in the first quarter of 2010 compared to income tax expense of $207 million in the prior quarter, resulting in effective tax rates of 39 percent and 34 percent, respectively. The movement in the effective tax rate in the first quarter of 2010 compared with the fourth quarter of 2009 was primarily driven by the impact of state tax rate changes and state law changes recorded in the first quarter of 2010. Also contributing to the movement was the impact of higher reported pre-tax income in the fourth quarter of 2009 and the resulting changes in the proportion of income subject to federal and state taxes.

Preferred stock dividends for the fourth quarter of 2009 included additional expense of $33 million due to the conversion of $202 million of Series C Preferred Stock to common stock. As part of this conversion, the Company delivered to the holders of the preferred stock: (1) approximately 10 million shares (the number of common shares they would most likely receive if the preferred stock they held mandatorily converted to common shares in the fourth quarter of 2010) plus (2) a discounted amount of the preferred stock dividends the holders of the preferred stock would have received if they held the preferred stock through the mandatory conversion date. The accounting treatment for this conversion resulted in additional expense recorded as a part of preferred stock dividends for the period of approximately $33 million. In the first quarter of 2010, the Company did not convert any of its Series C Preferred Stock to common stock.

There was no net income or loss attributable to the Company from discontinued operations in the current quarter compared to a net loss from discontinued operations of $99 million in the fourth 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. This sale of these assets in the fourth quarter of 2009 resulted in an after-tax loss of $95 million. The loss on the sale of the assets in the fourth quarter is the primary reason for the net loss attributable to SLM Corporation from discontinued operations in the prior quarter.

Three Months Ended March 31, 2010 Compared to Three Months Ended March 31, 2009

For the three months ended March 31, 2010, net income attributable to SLM Corporation was $240 million or $.45 diluted earnings per common share attributable to SLM Corporation common shareholders, compared to a net loss of $21 million, or $.10 diluted loss per common share attributable to SLM Corporation common shareholders, for the three months ended March 31, 2009. For the three months ended March 31, 2010, net income attributable to SLM Corporation from continuing operations was $240 million or $.45 diluted earnings from continuing operations per common share attributable to SLM Corporation common shareholders, compared to a net income from continuing operations of $25 million, or $0 diluted earnings per share from continuing operations per common share attributable to SLM Corporation common shareholders, for the three months ended March 31, 2009. For the three months ended March 31, 2010, there was no net income or loss attributable to SLM Corporation from discontinued operations, compared to a net loss from discontinued operations of $46 million, or $.10 diluted loss from discontinued operations per common share attributable to SLM Corporation common shareholders, for the three months ended March 31, 2009.

For the three months ended March 31, 2010, the Company's pre-tax income from continuing operations was $396 million compared to a pre-tax income of $20 million in the year-ago quarter. The increase in pre-tax income of $376 million was primarily due to a $530 million increase in net interest income after provisions for loan losses and the absence of a $95 million loss in servicing and securitization revenue, offset by a decrease in net gains on derivative and hedging activities of $186 million in the first quarter of 2010 from $104 million net gains in the first quarter of 2009 to $82 million net losses in the first quarter of 2010. The change in net losses on derivative and hedging activities was primarily the result of mark-to-market derivative valuations on derivatives that do not qualify for "hedge accounting treatment" under GAAP.

Net interest income after provisions for loan losses increased by $530 million in the first quarter of 2010 from the year-ago quarter. This increase was due to a $639 million increase in net interest income offset by a $109 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 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 $251 million of additional net interest income and $97 million of additional provisions for loan losses in the first quarter of 2010. Excluding the results of the trusts consolidated as of January 1, 2010, net interest income would have increased $388 million from the first quarter of 2009 and provisions for loan losses would have increased $12 million from the first 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*").

There were no gains on student loan securitizations in either the first quarter of 2010 or the year-ago quarter as the Company did not complete any off-balance sheet securitizations during these periods. As discussed above, as a result of adopting topic updates to ASC 810, there was no servicing and securitization revenue in the first quarter of 2010, compared to a $95 million loss in the first quarter of 2009.

In the first quarter of 2010, contingency fee, collections and guarantor servicing fee revenue totaled $138 million, a $15 million decrease from $153 million in the year-ago quarter. The decrease in revenue was primarily due to a significantly smaller portfolio in the purchased paper business year-over-year, as a result of winding down this business (see "ASSET PERFORMANCE GROUP BUSINESS SEGMENT").

Restructuring expenses of $26 million and $4 million were recognized in the first quarters of 2010 and 2009, respectively, as previously discussed.

Operating expenses were $328 million in the first quarter of 2010 compared to $295 million in the first quarter of 2009. The $33 million increase from the year-ago quarter was primarily due to higher costs related to the ED Servicing Contract awarded to the Company in June 2009 to service loans owned by ED, higher collection costs from a higher number of loans in repayment and delinquent status and higher marketing costs related to Private Education Loans, as well as the write-off of certain fixed assets in the first quarter of 2010 in connection with the passage of SAFRA legislation on March 30, 2010. The amortization and impairment of acquired intangibles for continuing operations remained consistent at $10 million in the first quarters of 2010 and 2009, respectively.

Income tax expense from continuing operations was $156 million in the first quarter of 2010 compared to income tax (benefit) of $(6) million in the first quarter of 2009, resulting in effective tax rates of 39 percent and (28) percent, respectively. The movement in the effective tax rate in the first quarter of 2010 compared with the year-ago period was primarily driven by the impact of state tax rate changes and state law changes recorded in both periods, and the impact of adjustments related to the IRS examination of the Company's 2005 and 2006 U.S. federal income tax returns in the first quarter of 2009. Also contributing to the movement was the impact of significantly higher reported pre-tax income in the first quarter of 2010 and the resulting changes in the proportion of income subject to federal and state taxes.

There was no net income or loss attributable to the Company from discontinued operations in the current quarter compared to a net loss from discontinued operations of $46 million for 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 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. This sale of assets in the fourth quarter of 2009 resulted in an after-tax loss of $95 million. After tax impairment of the assets of $46 million in the first quarter of 2009 is the primary reason for the net loss attributable to SLM Corporation from discontinued operations in the year-ago quarter.

Other Income

The following table summarizes the components of "Other income" in the consolidated statements of income for the quarters ended March 31, 2010, December 31, 2009 and March 31, 2009.

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
Gains on debt repurchases	$ 90	$ 73	$ 64
Late fees and forbearance fees	41	39	37
Asset servicing and other transaction fees	28	33	25
Loan servicing fees	19	18	10
Foreign currency translation gains	1	12	40
Other	11	13	16
Total other income	$190	$188	$192

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. 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 $1.3 billion, $741 million and $144 million face amount of its senior unsecured notes for the quarters ended March 31, 2010, December 31, 2009 and March 31, 2009, respectively. Since the second quarter of 2008, the Company has repurchased $6.7 billion face amount of its senior unsecured notes in the aggregate, with maturity dates ranging from 2008 to 2016. The foreign currency translation gains relate to a portion of the Company's foreign currency denominated debt for which the Company does not receive hedge accounting treatment under ASC 815. A partially offsetting loss was recognized during the periods in 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.

EARNINGS RELEASE SUMMARY

The following table summarizes GAAP income statement items (on a tax-effected basis) that are disclosed separately in the Company's press releases of earnings or the Company's quarterly earnings conference calls for the quarters ended March 31, 2010, December 31, 2009 and March 31, 2009.

	Quarters ended		
(in thousands)	March 31, 2010	December 31, 2009	March 31, 2009
Reported net income (loss) attributable to SLM Corporation	$240,140	$309,134	$ (21,386)
Preferred stock dividends	(18,678)	(51,014)	(26,395)
Reported net income (loss) attributable to common stock	221,462	258,120	(47,781)
Expense items disclosed separately (tax-effected):			
Restructuring expenses	16,558	2,626	2,377
Other reorganization-related asset impairments	2,075	84	—
Total expense items disclosed separately (tax-effected)	18,633	2,710	2,377
Net income (loss) attributable to SLM Corporation common stock, excluding the impact of items disclosed separately	240,095	260,830	(45,404)
Adjusted for dividends on convertible Series C Preferred Stock[1]	14,688	14,688	—
Net income (loss) attributable to SLM Corporation common stock, excluding the impact of items disclosed separately, adjusted	$254,783	$275,518	$ (45,404)
Average common and common equivalent shares outstanding	526,631	521,740	466,761

(1) There was no impact on diluted earnings (loss) per common share for the year-ago quarter because the effect of the assumed conversion was anti-dilutive.

The following table summarizes "Core Earnings" income statement items (on a tax-effected basis) that are disclosed separately in the Company's press releases of earnings or the Company's quarterly earnings conference calls for the quarters ended March 31, 2010, December 31, 2009, and March 31, 2009.

	Quarters ended		
(in thousands)	March 31, 2010	December 31, 2009	March 31, 2009
"Core Earnings" net income attributable to SLM Corporation	$211,774	$248,783	$ 13,884
Preferred stock dividends	(18,678)	(51,014)	(26,395)
"Core Earnings" net income (loss) attributable to SLM Corporation common stock	193,096	197,769	(12,511)
Expense items disclosed separately (tax-effected):			
Restructuring expenses	16,558	2,626	2,377
Other reorganization-related asset impairments	2,075	84	—
Total expense items disclosed separately (tax-effected)	18,633	2,710	2,377
"Core Earnings" net income (loss) attributable to SLM Corporation common stock, excluding the impact of items disclosed separately	211,729	200,479	(10,134)
Adjusted for dividends on convertible Series C Preferred Stock[1]	14,688	14,688	—
"Core Earnings" net income (loss) attributable to SLM Corporation common stock, excluding the impact of items disclosed separately, adjusted	$226,417	$215,167	$ (10,134)
Average common and common equivalent shares outstanding	526,631	521,740	466,761

[1] There was no impact on diluted earnings (loss) per common share for the year-ago quarter because the effect of the assumed conversion was anti-dilutive.

BUSINESS SEGMENTS

The results of operations of the Company's Lending, Asset Performance Group ("APG"), and Corporate 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 Corporate and Other business segment includes our remaining fee businesses that do not pertain directly to the primary segments identified above.

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 Corporate and Other business segment. All prior periods presented have been updated to reflect these changes in expense allocations.

Pre-tax Differences between "Core Earnings" and GAAP

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.

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 "servicing and securitization revenue" 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 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 quarters ended March 31, 2010, December 31, 2009 and March 31, 2009.

	Quarters ended		
	March 31, 2010	**December 31, 2009**	**March 31, 2009**
"Core Earnings" securitization adjustments:			
Net interest income on securitized loans, before provisions for loan losses and before intercompany transactions	$—	$(248)	$(202)
Provisions for loan losses	—	96	99
Net interest income on securitized loans, after provisions for loan losses, before intercompany transactions	—	(152)	(103)
Intercompany transactions with off-balance sheet trusts	—	—	—
Net interest income on securitized loans, after provisions for loan losses	—	(152)	(103)
Servicing and securitization revenue	—	148	(95)
Total "Core Earnings" securitization adjustments[1]	$—	$ (4)	$(198)

[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 prescribed by ASC 815 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.

   ASC 815 requires that changes in the fair value of derivative instruments be recognized currently in earnings unless specific hedge accounting criteria, as specified by ASC 815, 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" as defined by ASC 815, and the stand-alone derivative must be marked-to-market 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 under ASC 815. 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. Under ASC 815, 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 under ASC 815. 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. ASC 815 requires that when using basis swaps, the change in the cash flows of the hedge effectively offset both the change in the cash flows of the asset and the change in the cash flows of the liability. Our basis swaps hedge variable interest rate risk; however, they generally do not meet this effectiveness test because the index of the swap does not exactly match the index of the hedged assets as required by ASC 815. 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, under GAAP, 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 under ASC 815 on net income for the quarters ended March 31, 2010, December 31, 2009 and March 31, 2009, when compared with the accounting principles employed in all years prior to the ASC 815 implementation.

	Quarters ended		
	March 31, 2010	**December 31, 2009**	**March 31, 2009**
"Core Earnings" derivative adjustments:			
Gains (losses) on derivative and hedging activities, net, included in other income[1]	$(82)	$(35)	$104
Less: Realized (gains) losses on derivative and hedging activities, net[1]	204	202	(76)
Unrealized gains (losses) on derivative and hedging activities, net	122	167	28
Other pre-ASC 815 accounting adjustments	(2)	4	26
Total net impact of ASC 815 derivative accounting[2]	$120	$171	$ 54

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

(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

ASC 815 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 quarters ended March 31, 2010, December 31, 2009 and March 31, 2009.

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
Reclassification of realized gains (losses) on derivative and hedging activities:			
Net settlement expense on Floor Income Contracts reclassified to net interest income	$(210)	$(217)	$(140)
Net settlement income (expense) on interest rate swaps reclassified to net interest income	6	15	229
Foreign exchange derivatives gains (losses) reclassified to other income	—	—	(13)
Net realized gains (losses) on terminated derivative contracts reclassified to other income	—	—	—
Total reclassifications of realized gains (losses) on derivative and hedging activities	(204)	(202)	76
Add: Unrealized gains (losses) on derivative and hedging activities, net[1]	122	167	28
Gains (losses) on derivative and hedging activities, net	$ (82)	$ (35)	$ 104

[1] "Unrealized gains (losses) on derivative and hedging activities, net" comprises the following unrealized mark-to-market gains (losses):

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
Floor Income Contracts	$ 19	$160	$ 166
Basis swaps	63	22	(315)
Foreign currency hedges	8	1	101
Other	32	(16)	76
Total unrealized gains (losses) on derivative and hedging activities, net	$122	$167	$ 28

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 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 quarters ended March 31, 2010, December 31, 2009 and March 31, 2009.

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
"Core Earnings" Floor Income adjustments:			
Floor Income earned on Managed loans, net of payments on Floor Income Contracts	$ 5	$ 23	$107
Amortization of net premiums on Floor Income Contracts in net interest income	(54)	(55)	(28)
Total "Core Earnings" Floor Income adjustments[1][2]	$(49)	$(32)	$ 79

[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 quarters ended March 31, 2010, December 31, 2009 and March 31, 2009 that is not included in "Core Earnings" net income:

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
Floor Income earned on Managed loans, net of payments on Floor Income Contracts, not included in "Core Earnings"	$ 5	$ 23	$107
Amortization of net premiums on Variable Rate Floor Income Contracts not included in "Core Earnings"	—	—	19
Amortization of net premiums on Fixed Rate Floor Income Contracts included in "Core Earnings"	54	55	28
Total Economic Floor Income Earned	59	78	154
Less: Amortization of net premiums on Fixed Rate Floor Income Contracts included in "Core Earnings"	(54)	(55)	(28)
Total Economic Floor Income earned, not included in "Core Earnings"	$ 5	$ 23	$126

4) **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 quarters ended March 31, 2010, December 31, 2009 and March 31, 2009.

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
"Core Earnings" goodwill and acquired intangibles adjustments:			
Goodwill and intangible impairment and the amortization of acquired intangibles from continuing operations	$(10)	$(47)	$(10)
Goodwill and intangible impairment and the amortization of acquired intangibles from discontinued operations	—	—	—
Total "Core Earnings" acquired intangibles adjustments[1]	$(10)	$(47)	$(10)

[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.

In the fourth quarter of 2009, $37 million of Guarantor Servicing's intangible assets were impaired as a result of the legislative uncertainty surrounding the role of Guarantors in the future.

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. In the past, a Private Education Loan was made in conjunction with a FFELP Stafford Loan and as a result has been marketed through the same marketing channels as FFELP Loans. 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 and sales force and are originated and serviced on the same platform. Finally, where possible, the borrower receives a single bill for both FFELP and Private Education Loans. See "RECENT DEVELOPMENTS — Legislative and Regulatory Developments" for a discussion of the elimination of new FFELP loan originations effective July 1, 2010.

On a Managed Basis, the Company had $105.5 billion, $107.2 billion and $125.5 billion as of March 31, 2010, December 31, 2009, and March 31, 2009, respectively, of FFELP Loans indexed to three-month financial commercial paper rate ("CP") funded with debt indexed to LIBOR. As a result of the turmoil in the capital markets, the historically tight spread between CP and LIBOR began to widen dramatically in the fourth quarter of 2008. It subsequently reverted to more normal levels beginning in the third quarter of 2009 and has been relatively stable since then.

"Core Earnings" net interest income would have been $139 million higher in the first quarter of 2009, if the CP/LIBOR spread had been at its historical spread of 10 basis points instead of the actual spread of 52 basis points. Because of the low interest rate environment, the Company earned additional Economic Floor Income not included in "Core Earnings" of $126 million in the first quarter of 2009. Although we exclude Floor Income from our "Core Earnings" presentation, it can be viewed as an offset to the CP/LIBOR basis exposure in low interest rate environments where we earned Floor Income.

Additionally, the index paid on borrowings under ED's Participation Program is based on the prior quarter's CP rates, whereas the index earned on the underlying loans is based on the current quarter's CP rates. The declines in CP rates during 2009 resulted in $40 million of higher interest expense in the first quarter of 2009. There was no significant change in the CP rates from the fourth quarter of 2009 to the first quarter of 2010.

The following table includes "Core Earnings" results for our Lending business segment.

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
"Core Earnings" interest income:			
FFELP Stafford and Other Student Loans	$ 274	$ 269	$ 362
FFELP Consolidation Loans	364	383	439
Private Education Loans	565	571	563
Other loans	9	10	16
Cash and investments	—	1	3
Total "Core Earnings" interest income	1,212	1,234	1,383
Total "Core Earnings" interest expense	515	555	959
Net "Core Earnings" interest income	697	679	424
Less: provisions for loan losses	359	365	349
Net "Core Earnings" interest income after provisions for loan losses	338	314	75
Other income	141	383	102
Restructuring expenses	21	4	1
Direct operating expenses	146	133	124
Overhead expenses	20	17	19
Operating expenses	166	150	143
Total expenses	187	154	144
Income from continuing operations, before income tax expense	292	543	33
Income tax expense	107	187	12
Net income	185	356	21
Less: net income attributable to noncontrolling interest	—	—	—
"Core Earnings" net income attributable to SLM Corporation	$ 185	$ 356	$ 21
Economic Floor Income (net of tax) not included in "Core Earnings"	$ 3	$ 14	$ 79
"Core Earnings" net income attributable to SLM Corporation:			
Continuing operations, net of tax	$ 185	$ 356	$ 21
Discontinued operations, net of tax	—	—	—
"Core Earnings" net income attributable to SLM Corporation	$ 185	$ 356	$ 21

Net Interest Income

Changes in net interest income are primarily due to fluctuations in the student loan and other asset spreads 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.

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 quarters ended March 31, 2010, December 31, 2009 and March 31, 2009. This table reflects the net interest margin for all 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.

	Quarters ended					
	March 31, 2010		December 31, 2009		March 31, 2009	
	Balance	Rate	Balance	Rate	Balance	Rate
Average Assets						
FFELP Stafford and Other Student Loans	$ 62,167	1.85%	$ 53,451	1.79%	$ 55,681	2.50%
FFELP Consolidation Loans	82,687	2.57	68,806	2.60	71,310	2.78
Private Education Loans	36,679	6.25	23,707	6.80	22,671	6.92
Other loans	391	9.32	440	9.09	709	9.39
Cash and investments	12,773	.16	12,613	.19	7,409	.33
Total interest-earning assets	194,697	2.89%	159,017	2.78%	157,780	3.19%
Non-interest-earning assets	6,973		7,738		9,468	
Total assets	$201,670		$166,755		$167,248	
Average Liabilities and Equity						
Short-term borrowings	$ 38,978	.86%	$ 38,832	1.10%	$ 43,842	2.98%
Long-term borrowings	154,268	1.18	119,354	1.36	114,229	2.50
Total interest-bearing liabilities	193,246	1.12%	158,186	1.29%	158,071	2.63%
Non-interest-bearing liabilities	3,418		3,412		3,991	
Equity	5,006		5,157		5,186	
Total liabilities and equity	$201,670		$166,755		$167,248	
Net interest margin		1.78%		1.49%		.55%

Net Interest Margin — On-Balance Sheet

The following table reflects the net interest margin of 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.)

	Quarters ended		
	March 31, 2010	**December 31, 2009**	**March 31, 2009**
Student loan spread[1][2]	2.02%	1.83%	.95%
Other asset spread[1][3]	(1.55)	(1.61)	(2.18)
Net interest margin, before the impact of 2008 Asset-Backed Financing Facilities fees[1]	1.78	1.54	.79
Less: 2008 Asset-Backed Financing Facilities fees	—	(.05)	(.24)
Net interest margin	1.78%	1.49%	.55%

(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 Sources for General Corporate Purposes" for a further discussion.)

(2) Composition of student loan spread:

	March 31, 2010	December 31, 2009	March 31, 2009
Student loan yield, before Floor Income	3.24%	3.18%	3.54%
Gross Floor Income	.48	.50	.49
Consolidation Loan Rebate Fees	(.48)	(.48)	(.50)
Repayment Borrower Benefits	(.08)	(.09)	(.09)
Premium and discount amortization	(.10)	(.12)	(.14)
Student loan net yield	3.06	2.99	3.30
Student loan cost of funds	(1.04)	(1.16)	(2.35)
Student loan spread, before 2008 Asset-Backed Financing Facilities fees	2.02%	1.83%	.95%

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

Student Loan Spread — On-Balance Sheet

The student loan spread is impacted 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 impacted 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 impacted 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 impacted by the prices previously paid for loans and amounts capitalized related to such purchases or originations. Premium and discount amortization is also impacted by prepayment behavior of the underlying loans.

The student loan spread, before 2008 Asset-Backed Financing Facilities fees, for the first quarter of 2010 increased 19 basis points from the prior quarter. The student loan spread was positively impacted by a 1 basis point tightening of the CP/LIBOR spread, a lower cost of funds related to the ED Conduit Program and 2010 ABCP facility, and the consolidation of student loan securitization trusts with $35 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 asset-backed securities ("ABS") debt issued in the fourth quarter of 2009 and first quarter of 2010 due to the current credit environment, as well as a higher cost of funds due to the impact of ASC 815 (discussed below).

The student loan spread, before the 2008 Asset-Backed Financing Facilities fees, for the first quarter of 2010 increased 107 basis points from the year-ago quarter. The student loan spread was positively impacted by a 47 basis point tightening of the CP/LIBOR spread, a lower cost of funds related to the ED Conduit and Participation Funding Programs and 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 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 in order to manage counterparty credit risk and maintain available cash balances. The other asset spread for the first quarter of 2010 increased 6 basis points from the prior quarter and increased 63 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 under ASC 815 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 first quarter of 2010 increased 24 basis points from the prior quarter and increased 99 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 prior and year-ago quarters.

See "LIQUIDITY AND CAPITAL RESOURCES — Additional Funding Sources for General Corporate Purposes — *Asset-Backed Financing Facilities*" 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 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 ASC 815 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 the amortization of upfront payments on Fixed Rate Floor Income Contracts in student loan income that we believe are economically hedging the Floor Income.

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.)

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
"Core Earnings" basis student loan spread[1]:			
FFELP loan spread	.90%	.89%	.37%
Private Education Loan spread[2]	4.56	4.55	4.68
Total "Core Earnings" basis student loan spread[3]	1.64	1.63	1.20
"Core Earnings" basis other asset spread[1][4]	(.95)	(.80)	(1.15)
"Core Earnings" net interest margin, before 2008 Asset-Backed Financing Facilities fees[1]	1.46	1.44	1.08
Less: 2008 Asset-Backed Financing Facilities fees	—	(.04)	(.19)
"Core Earnings" net interest margin[5]	1.46%	1.41%	.89%

(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 Sources for General Corporate Purposes" 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: .97%, .98%, 1.31%

(3) Composition of "Core Earnings" basis student loan spread:

	March 31, 2010	December 31, 2009	March 31, 2009
"Core Earnings" basis student loan yield	3.35%	3.40%	3.70%
Consolidation Loan Rebate Fees	(.48)	(.48)	(.49)
Repayment Borrower Benefits	(.08)	(.09)	(.09)
Premium and discount amortization	(.10)	(.12)	(.13)
"Core Earnings" basis student loan net yield	2.69	2.71	2.99
"Core Earnings" basis student loan cost of funds	(1.05)	(1.08)	(1.79)
"Core Earnings" basis student loan spread, before 2008 Asset-Backed Financing Facilities fees	1.64%	1.63%	1.20%

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

(5) The average balances of our Managed interest-earning assets for the respective periods are:

	March 31, 2010	December 31, 2009	March 31, 2009
FFELP loans	$144,854	$142,913	$149,422
Private Education Loans	36,679	36,328	35,817
Total student loans	181,533	179,241	185,239
Other interest-earning assets	13,164	14,171	9,622
Total Managed interest-earning assets	$194,697	$193,412	$194,861

"Core Earnings" Basis Student Loan Spread

The "Core Earnings" basis student loan spread, before the 2008 Asset-Backed Financing Facilities fees, for the first quarter of 2010 remained relatively consistent, increasing by 1 basis point from the prior quarter. The "Core Earnings" basis student loan spread was positively impacted by a 1 basis point tightening of the average CP/LIBOR spread between the quarters, and lower cost of funds related to the ED Conduit Program and 2010 ABCP facility. Offsetting these improvements to the student loan spread were higher credit spreads on the Company's unsecured and ABS debt issued in the fourth quarter of 2009 and first quarter of 2010 due to the current credit environment.

The "Core Earnings" basis student loan spread, before the 2008 Asset-Backed Financing Facilities fees, for the first quarter of 2010 increased 44 basis points from the year-ago quarter. The "Core Earnings" basis student loan spread was positively impacted by a 47 basis point tightening of the average CP/LIBOR spread between the quarters, lower cost of funds related to the ED Conduit and Participation Funding Programs and 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 in order to manage counterparty credit risk and maintain available cash balances. The "Core Earnings" basis other asset spread for the first quarter of 2010 decreased 15 basis points and increased 20 basis points from the prior and year-ago quarters, respectively. 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 first quarter of 2010 increased 2 basis points from the prior quarter and increased 38 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 prior and year-ago quarters.

See "LIQUIDITY AND CAPITAL RESOURCES — Additional Funding Sources for General Corporate Purposes — *Asset-Backed Financing Facilities*" for a discussion of the 2008 Asset-Backed Financing Facilities fees and related extensions.

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 "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — 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 March 31, 2010, December 31, 2009 and March 31, 2009.

	On-Balance Sheet Private Education Loan Delinquencies					
	March 31, 2010		December 31, 2009		March 31, 2009	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$11,452		$ 8,910		$11,205	
Loans in forbearance[2]	1,338		967		861	
Loans in repayment and percentage of each status:						
Loans current	21,699	87.9%	12,421	86.4%	9,410	83.8%
Loans delinquent 31-60 days[3]	842	3.4	647	4.5	515	4.6
Loans delinquent 61-90 days[3]	576	2.3	340	2.4	403	3.6
Loans delinquent greater than 90 days[3]	1,589	6.4	971	6.7	905	8.0
Total Private Education Loans in repayment	24,706	100%	14,379	100%	11,233	100%
Total Private Education Loans, gross	37,496		24,256		23,299	
Private Education Loan unamortized discount	(912)		(559)		(535)	
Total Private Education Loans	36,584		23,697		22,764	
Private Education Loan receivable for partially charged-off loans	797		499		265	
Private Education Loan allowance for losses	(2,019)		(1,443)		(1,384)	
Private Education Loans, net	$35,362		$22,753		$21,645	
Percentage of Private Education Loans in repayment		65.9%		59.3%		48.2%
Delinquencies as a percentage of Private Education Loans in repayment		12.2%		13.6%		16.2%
Loans in forbearance as a percentage of loans in repayment and forbearance		5.1%		6.3%		7.1%

(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.

	Off-Balance Sheet Private Education Loan Delinquencies					
	March 31, 2010		December 31, 2009		March 31, 2009	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$—		$ 2,546		$ 3,419	
Loans in forbearance[2]	—		453		619	
Loans in repayment and percentage of each status:						
Loans current	—	—%	8,987	90.0%	8,570	90.0%
Loans delinquent 31-60 days[3]	—	—	332	3.3	297	3.1
Loans delinquent 61-90 days[3]	—	—	151	1.5	222	2.3
Loans delinquent greater than 90 days[3]	—	—	517	5.2	434	4.6
Total Private Education Loans in repayment	—	—%	9,987	100%	9,523	100%
Total Private Education Loans, gross	—		12,986		13,561	
Private Education Loan unamortized discount	—		(349)		(359)	
Total Private Education Loans	—		12,637		13,202	
Private Education Loan receivable for partially charged-off loans	—		229		109	
Private Education Loan allowance for losses	—		(524)		(539)	
Private Education Loans, net	$—		$12,342		$12,772	
Percentage of Private Education Loans in repayment		—%		76.9%		70.2%
Delinquencies as a percentage of Private Education Loans in repayment		—%		10.0%		10.0%
Loans in forbearance as a percentage of loans in repayment and forbearance		—%		4.3%		6.1%

[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.

	Managed Basis Private Education Loan Delinquencies					
	March 31, 2010		December 31, 2009		March 31, 2009	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$11,452		$11,456		$14,624	
Loans in forbearance[2]	1,338		1,420		1,480	
Loans in repayment and percentage of each status:						
Loans current	21,699	87.9%	21,408	87.9%	17,980	86.6%
Loans delinquent 31-60 days[3]	842	3.4	979	4.0	812	3.9
Loans delinquent 61-90 days[3]	576	2.3	491	2.0	625	3.0
Loans delinquent greater than 90 days[3]	1,589	6.4	1,488	6.1	1,339	6.5
Total Private Education Loans in repayment	24,706	100%	24,366	100%	20,756	100%
Total Private Education Loans, gross	37,496		37,242		36,860	
Private Education Loan unamortized discount	(912)		(908)		(894)	
Total Private Education Loans	36,584		36,334		35,966	
Private Education Loan receivable for partially charged-off loans	797		728		374	
Private Education Loan allowance for losses	(2,019)		(1,967)		(1,923)	
Private Education Loans, net	$35,362		$35,095		$34,417	
Percentage of Private Education Loans in repayment		65.9%		65.4%		56.3%
Delinquencies as a percentage of Private Education Loans in repayment		12.2%		12.1%		13.4%
Loans in forbearance as a percentage of loans in repayment and forbearance		5.1%		5.5%		6.7%

(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 tables summarize changes in the allowance for Private Education Loan losses for the quarters ended March 31, 2010, December 31, 2009 and March 31, 2009.

Activity in Allowance for Private Education Loan Losses

	On-balance Sheet			Off-balance Sheet			Managed Basis		
	Quarters ended			Quarters ended			Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009	March 31, 2010	December 31, 2009	March 31, 2009	March 31, 2010	December 31, 2009	March 31, 2009
Allowance at beginning of period	$ 1,443	$ 1,401	$ 1,308	$ 524	$ 522	$ 505	$ 1,967	$ 1,923	$ 1,813
Provision for Private Education Loan losses	325	234	203	—	93	94	325	327	297
Charge-offs	(284)	(205)	(139)	—	(93)	(63)	(284)	(298)	(202)
Reclassification of interest reserve	11	13	12	—	2	3	11	15	15
Consolidation of off-balance sheet trusts[1]	524	—	—	(524)	—	—	—	—	—
Allowance at end of period	$ 2,019	$ 1,443	$ 1,384	$ —	$ 524	$ 539	$ 2,019	$ 1,967	$ 1,923
Charge-offs as a percentage of average loans in repayment (annualized)	4.7%	6.0%	5.1%	—%	3.8%	2.7%	4.7%	5.1%	4.0%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	4.4%	5.6%	4.7%	—%	3.6%	2.5%	4.4%	4.8%	3.7%
Allowance as a percentage of the ending total loan balance	5.3%	5.8%	5.9%	—%	4.0%	3.9%	5.3%	5.2%	5.2%
Allowance as a percentage of ending loans in repayment	8.2%	10.0%	12.3%	—%	5.2%	5.7%	8.2%	8.1%	9.3%
Average coverage of charge-offs (annualized)	1.7	1.8	2.5	—	1.4	2.1	1.7	1.7	2.3
Ending total loans[2]	$38,293	$24,755	$23,564	$ —	$13,215	$13,669	$38,293	$37,970	$37,233
Average loans in repayment	$24,646	$13,632	$11,107	$ —	$ 9,756	$ 9,413	$24,646	$23,388	$20,520
Ending loans in repayment	$24,706	$14,379	$11,233	$ —	$ 9,987	$ 9,523	$24,706	$24,366	$20,756

(1) Upon the adoption of topic updates to ASC 810, on January 1, 2010, the Company consolidated all of their off-balance sheet securitization trusts (see "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — VIE Consolidation Model" for further details).

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

The following table provides detail for the traditional and non-traditional Managed Private Education Loans at March 31, 2010, December 31, 2009 and March 31, 2009.

	March 31, 2010			December 31, 2009			March 31, 2009		
	Traditional	Non-Traditional	Total	Traditional	Non-Traditional	Total	Traditional	Non-Traditional	Total
Ending total loans[1]	$33,630	$4,663	$38,293	$33,223	$4,747	$37,970	$32,137	$5,096	$37,233
Ending loans in repayment	21,883	2,823	24,706	21,453	2,913	24,366	17,765	2,991	20,756
Private Education Loan allowance for losses	1,125	894	2,019	1,056	911	1,967	959	964	1,923
Charge-offs as a percentage of average loans in repayment[2]	3.2%	15.9%	4.7%	3.2%	18.6%	5.1%	2.2%	14.5%	4.0%
Allowance as a percentage of total ending loan balance	3.3%	19.2%	5.3%	3.2%	19.2%	5.2%	3.0%	18.9%	5.2%
Allowance as a percentage of ending loans in repayment	5.1%	31.7%	8.2%	4.9%	31.3%	8.1%	5.4%	32.2%	9.3%
Average coverage of charge-offs[2]	1.6	2.0	1.7	1.6	1.7	1.7	2.4	2.3	2.3
Delinquencies as a percentage of Private Education Loans in repayment	9.8%	30.5%	12.2%	9.5%	31.4%	12.1%	9.7%	35.1%	13.4%
Delinquencies greater than 90 days as a percentage of Private Education Loans in repayment	4.9%	18.1%	6.4%	4.6%	17.5%	6.1%	4.3%	19.1%	6.5%
Loans in forbearance as a percentage of loans in repayment and forbearance	4.9%	7.0%	5.1%	5.3%	7.1%	5.5%	6.3%	8.5%	6.7%
Percentage of Private Education Loans with a cosigner	62%	28%	58%	61%	28%	57%	59%	26%	55%
Average FICO at origination	725	623	714	725	623	713	724	622	711

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

(2) Annualized for the three months ended March 31, 2010, December 31, 2009 and March 31, 2009.

Managed provision expense was $325 million in the first quarter of 2010, $327 million in the fourth quarter of 2009 and $297 million in the first quarter of 2009. As a result of the 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 declined in the second, third and fourth quarters of 2009. Delinquencies as a percentage of loans in repayment increased slightly from 12.1 percent at December 31, 2009 to 12.2 percent at March 31, 2010. This was expected due to the majority of graduating borrowers graduating in May and June of each year and entering repayment in the fourth quarter of each year, leading to an increased aging to delinquency in the first quarter of the following year. The Company believes charge-offs peaked in the third quarter of 2009 and will decline in future quarters as evidenced by the 33 percent decline in charge-offs that occurred between the third and fourth quarters of 2009 and 5 percent decline between the fourth quarter of 2009 and the first quarter of 2010. As of March 31, 2010, the Managed Private Education Loan allowance coverage of annualized current-quarter charge-offs ratio was 1.7 compared to 1.7 as of December 31, 2009 and 2.3 as of March 31, 2009. This decrease in the allowance coverage ratio from the year-ago period was expected as evidenced by the increase in charge-off activity during 2009. The allowance for loan losses as a percentage of ending Private Education Loans in repayment has remained relatively consistent at approximately 8.2 percent at March 31, 2010 and 8.1 percent at December 31, 2009. Managed Private Education Loan delinquencies as a percentage of loans in repayment decreased from 13.4 percent to 12.2 percent from March 31, 2009 to March 31, 2010. Managed Private Education Loans in forbearance as a percentage of loans in repayment and forbearance decreased from 6.7 percent as of March 31, 2009 to 5.1 percent at March 31, 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 over the course of 2008 and 2009. In addition,

the monthly average amount of loans granted forbearance as a percentage of loans in repayment and forbearance declined to 5.3 percent in the first quarter of 2010 compared to the year-ago quarter of 6.4 percent. As of March 31, 2010, 1.8 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 during March.

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, over 70 percent of the loans are current, paid-in-full or receiving an in-school grace or deferment, and 15 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	8.7%	8.0%	3.1%
Current	51.5	57.9	64.1
Delinquent 31-60 days	3.1	2.0	0.4
Delinquent 61-90 days	2.0	1.1	0.2
Delinquent greater than 90 days	4.5	2.6	0.3
Forbearance	5.5	3.9	—
Defaulted	14.9	7.8	4.9
Paid	9.8	16.7	27.0
Total	100%	100%	100%

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 March 31, 2010, loans in forbearance status as a percentage of loans in repayment and forbearance are 6.9 percent for loans that have been in active repayment status for less than 25 months. The percentage drops to 1.8 percent for loans that have been in active repayment status for more than 48 months. Approximately 85 percent of our Managed Private Education Loans in forbearance status have been in active repayment status less than 25 months.

March 31, 2010	Monthly Scheduled Payments Due			Not Yet in Repayment	Total
	0 to 24	25 to 48	More than 48		
Loans in-school/grace/deferment	$ —	$ —	$ —	$11,452	$11,452
Loans in forbearance	1,132	143	63	—	1,338
Loans in repayment — current	12,755	5,636	3,308	—	21,699
Loans in repayment — delinquent 31-60 days	645	132	65	—	842
Loans in repayment — delinquent 61-90 days	466	76	34	—	576
Loans in repayment — delinquent greater than 90 days	1,296	202	91	—	1,589
Total	$16,294	$6,189	$3,561	$11,452	37,496
Unamortized discount					(912)
Receivable for partially charged-off loans					797
Allowance for loan losses					(2,019)
Total Managed Private Education Loans, net					$35,362
Loans in forbearance as a percentage of loans in repayment and forbearance	6.9%	2.3%	1.8%	—%	5.1%

December 31, 2009	Monthly Scheduled Payments Due			Not Yet in Repayment	Total
	0 to 24	25 to 48	More than 48		
Loans in-school/grace/deferment	$ —	$ —	$ —	$11,456	$11,456
Loans in forbearance	1,224	136	60	—	1,420
Loans in repayment — current	13,122	5,194	3,092	—	21,408
Loans in repayment — delinquent 31-60 days	779	135	65	—	979
Loans in repayment — delinquent 61-90 days	386	71	34	—	491
Loans in repayment — delinquent greater than 90 days	1,210	193	85	—	1,488
Total	$16,721	$5,729	$3,336	$11,456	37,242
Unamortized discount					(908)
Receivable for partially charged-off loans					728
Allowance for loan losses					(1,967)
Total Managed Private Education Loans, net					$35,095
Loans in forbearance as a percentage of loans in repayment and forbearance	7.3%	2.4%	1.8%	—%	5.5%

March 31, 2009	Monthly Scheduled Payments Due 0 to 24	25 to 48	More than 48	Not Yet in Repayment	Total
Loans in-school/grace/deferment	$ —	$ —	$ —	$14,624	$14,624
Loans in forbearance	1,356	89	35	—	1,480
Loans in repayment — current	11,751	3,971	2,258	—	17,980
Loans in repayment — delinquent 31-60 days	674	91	47	—	812
Loans in repayment — delinquent 61-90 days	554	49	22	—	625
Loans in repayment — delinquent greater than 90 days	1,193	99	47	—	1,339
Total	$15,528	$4,299	$2,409	$14,624	36,860
Unamortized discount					(894)
Receivable for partially charged-off loans					374
Allowance for loan losses					(1,923)
Total Managed Private Education Loans, net					$34,417
Loans in forbearance as a percentage of loans in repayment and forbearance	8.7%	2.1%	1.5%	—%	6.7%

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.

	March 31, 2010		December 31, 2009		March 31, 2009	
Cumulative number of months borrower has used forbearance	Forbearance Balance	% of Total	Forbearance Balance	% of Total	Forbearance Balance	% of Total
Up to 12 months	$ 958	72%	$1,050	74%	$ 994	67%
13 to 24 months	340	25	332	23	368	25
More than 24 months	40	3	38	3	118	8
Total	$1,338	100%	$1,420	100%	$1,480	100%

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 quarters ended March 31, 2010, December 31, 2009 and March 31, 2009.

Total on-balance sheet loan provisions

	Quarters ended March 31, 2010	December 31, 2009	March 31, 2009
Private Education Loans	$325	$234	$203
FFELP loans	23	25	35
Mortgage and consumer loans	11	10	12
Total on-balance sheet provisions for loan losses	$359	$269	$250

Total Managed Basis loan provisions

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
Private Education Loans	$325	$327	$297
FFELP loans	23	28	40
Mortgage and consumer loans	11	10	12
Total Managed Basis provisions for loan losses	$359	$365	$349

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 quarters ended March 31, 2010, December 31, 2009 and March 31, 2009.

Total on-balance sheet loan charge-offs

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
Private Education Loans	$284	$205	$139
FFELP loans	21	18	19
Mortgage and consumer loans	9	11	5
Total on-balance sheet loan charge-offs	$314	$234	$163

Total Managed Basis loan charge-offs

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
Private Education Loans	$284	$298	$202
FFELP loans	21	21	23
Mortgage and consumer loans	9	11	5
Total Managed Basis loan charge-offs	$314	$330	$230

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.

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 quarters ended March 31, 2010, December 31, 2009 and March 31, 2009.

	Activity in Receivable for Partially Charged-Off Loans								
	On-balance sheet			Off-balance sheet			Managed Basis		
	Three months ended			Three months ended			Three months ended		
	March 31, 2010	December 31, 2009	March 31, 2009	March 31, 2010	December 31, 2009	March 31, 2009	March 31, 2010	December 31, 2009	March 31, 2009
Receivable at beginning of period	$499	$435	$222	$ 229	$200	$ 92	$728	$635	$314
Expected future recoveries of current period defaults[1]	94	77	53	—	35	19	94	112	72
Recoveries	(25)	(13)	(10)	—	(6)	(2)	(25)	(19)	(12)
Consolidation of off-balance sheet trusts[2]	229	—	—	(229)	—	—	—	—	—
Receivable at end of period	$797	$499	$265	$ —	$229	$109	$797	$728	$374

(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 their off-balance sheet securitization trusts (see "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — VIE Consolidation Model" for further details).

Other Income — Lending Business Segment

The following table summarizes the components of "Core Earnings" other income for our Lending business segment for the quarters ended March 31, 2010, December 31, 2009 and March 31, 2009.

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
Gains on sales of loans and securities, net	$ 9	$271	$ —
Gains on debt repurchases	90	73	64
Late fees and forbearance fees	41	39	37
Other	1	—	1
Total other income, net	$141	$383	$102

The change in other income over the prior periods presented is primarily the result of the gains on debt repurchased and gains on sales of loans. The Company began repurchasing its outstanding debt in the second quarter of 2008. The Company repurchased $1.3 billion, $741 million and $144 million face amount of its senior unsecured notes for the quarters ended March 31, 2010, December 31, 2009 and March 31, 2009, respectively. Since the second quarter of 2008, the Company repurchased $6.7 billion face amount of its senior unsecured notes in the aggregate, with maturity dates ranging from 2008 to 2016. The $271 million of gains on sales of loans and securities, net, in the fourth quarter of 2009 related to the sale of approximately $17.6 billion face amount of FFELP loans to ED as part of the Purchase Program. The $9 million gain in the first quarter of 2010 primarily relates to the sale of a portion of the Company's other loan portfolio.

Operating Expenses — Lending Business Segment

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 March 31, 2010, December 31, 2009 and March 31, 2009, operating expenses for the Lending business segment totaled $166 million, $150 million and $143 million, respectively. Operating expenses increased $16 million over the prior quarter, primarily due to both the reversal of non-recurring loss reserves in the fourth quarter of 2009, which reduced operating expenses in the fourth quarter of 2009, as well as the write-off of certain fixed assets in the first quarter of 2010 in connection with the passage of SAFRA legislation on March 30, 2010. Operating expenses were 37 basis points and 31 basis points, respectively, of average Managed student loans in the first quarters of 2010 and 2009. The increase from the prior year was primarily the result of higher collection costs from a higher number of loans in repayment and delinquent status and higher marketing costs related to Private Education Loans, as well as the write-off of certain fixed assets in the first quarter of 2010 in connection with the passage of SAFRA legislation on March 30, 2010.

Loan Originations

Our FFELP internal brand originations in the first quarter of 2010 increased 19 percent over the year-ago quarter. Our FFELP Lender Partner originations decreased 1 percent over the same period.

Total Private Education Loan originations declined 45 percent from the year-ago quarter to $840 million in the quarter ended March 31, 2010. This decline was a result of a continued tightening of our underwriting criteria, 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.

At March 31, 2010, the Company was committed to purchase $899 million of loans originated by our Lender Partners ($477 million of FFELP loans and $422 million of Private Education Loans). Approximately $142 million of these FFELP loans were originated prior to CCRAA, and approximately $285 million of these FFELP loans are eligible for ED's Purchase and Participation Programs (see "LIQUIDITY AND CAPITAL RESOURCES — ED Funding Programs").

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

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
Loan Originations — Internal lending brands			
Stafford	$5,846	$3,608	$4,925
PLUS	634	253	597
GradPLUS	397	216	275
Total FFELP	6,877	4,077	5,797
Private Education Loans	822	370	1,356
Total	$7,699	$4,447	$7,153

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
Loan Originations — Lender Partners			
Stafford	$765	$353	$ 772
PLUS	46	26	51
GradPLUS	25	6	18
Total FFELP	836	385	841
Private Education Loans	18	11	160
Total	$854	$396	$1,001

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
Loan Originations — Total			
Stafford	$6,611	$3,961	$5,697
PLUS	680	279	648
GradPLUS	422	222	293
Total FFELP	7,713	4,462	6,638
Private Education Loans	840	381	1,516
Total	$8,553	$4,843	$8,154

Student Loan Activity

The following tables summarize the activity in our on-balance sheet, off-balance sheet and Managed portfolios of FFELP student loans and Private Education Loans and highlight the effects of Consolidation Loan activity on our FFELP portfolios.

	On-Balance Sheet Three months ended March 31, 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
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(467)	(167)	(634)	(12)	(646)
Net consolidations	(467)	(167)	(634)	(12)	(646)
Acquisitions	8,459	335	8,794	1,122	9,916
Net acquisitions	7,992	168	8,160	1,110	9,270
Internal consolidations[2]	—	—	—	—	—
Securitization-related[3]	5,500	14,797	20,297	12,341	32,638
Sales	(76)	—	(76)	—	(76)
Repayments/claims/other	(1,745)	(1,166)	(2,911)	(842)	(3,753)
Ending balance	$64,346	$82,178	$146,524	$35,362	$181,886

	Off-Balance Sheet Three months ended March 31, 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
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	—	—	—	—	—
Net consolidations	—	—	—	—	—
Acquisitions	—	—	—	—	—
Net acquisitions	—	—	—	—	—
Internal consolidations[2]	—	—	—	—	—
Securitization-related[3]	(5,500)	(14,797)	(20,297)	(12,341)	(32,638)
Sales	—	—	—	—	—
Repayments/claims/other	—	—	—	—	—
Ending balance	$ —	$ —	$ —	$ —	$ —

	Managed Portfolio Three months ended March 31, 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
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(467)	(167)	(634)	(12)	(646)
Net consolidations	(467)	(167)	(634)	(12)	(646)
Acquisitions	8,459	335	8,794	1,122	9,916
Net acquisitions	7,992	168	8,160	1,110	9,270
Internal consolidations[2]	—	—	—	—	—
Securitization-related[3]	—	—	—	—	—
Sales	(76)	—	(76)	—	(76)
Repayments/claims/other	(1,745)	(1,166)	(2,911)	(842)	(3,753)
Ending balance[4]	$64,346	$82,178	$146,524	$35,362	$181,886
Total Managed Acquisitions[5]	$ 8,459	$ 335	$ 8,794	$ 1,122	$ 9,916

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

(2) Represents borrowers consolidating their loans into a new Consolidation Loan. Loans in our off-balance sheet securitization trusts that are consolidated are bought out of the trusts and moved on-balance sheet.

(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 off-balance sheet securitization trusts (see "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — VIE Consolidation Model" for further details).

(4) As of March 31, 2010, the ending balance includes $23.2 billion of FFELP Stafford and Other Loans and $2.5 billion of FFELP Consolidation Loans disbursed on or after October 1, 2007, which are impacted by CCRAA legislation.

(5) The Total Managed Acquisitions line includes incremental consolidations from third parties and acquisitions.

	On-Balance Sheet Three months ended December 31, 2009				
	FFELP Stafford and Other[1]	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total On-Balance Sheet Portfolio
Beginning balance	$ 67,105	$69,246	$136,351	$22,495	$158,846
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(323)	(133)	(456)	(3)	(459)
Net consolidations	(323)	(133)	(456)	(3)	(459)
Acquisitions	4,986	279	5,265	781	6,046
Net acquisitions	4,663	146	4,809	778	5,587
Internal consolidations[2]	—	—	—	—	—
Securitization-related[3]	220	—	220	—	220
Sales	(17,942)	—	(17,942)	—	(17,942)
Repayments/claims/other	(1,371)	(1,013)	(2,384)	(520)	(2,904)
Ending balance	$ 52,675	$68,379	$121,054	$22,753	$143,807

	Off-Balance Sheet Three months ended December 31, 2009				
	FFELP Stafford and Other[1]	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Off-Balance Sheet Portfolio
Beginning balance	$5,935	$14,989	$20,924	$12,411	$33,335
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(96)	(39)	(135)	(6)	(141)
Net consolidations	(96)	(39)	(135)	(6)	(141)
Acquisitions	28	47	75	173	248
Net acquisitions	(68)	8	(60)	167	107
Internal consolidations[2]	—	—	—	—	—
Securitization-related[3]	(220)	—	(220)	—	(220)
Sales	—	—	—	—	—
Repayments/claims/other	(147)	(200)	(347)	(237)	(584)
Ending balance	$5,500	$14,797	$20,297	$12,341	$32,638

	Managed Portfolio Three months ended December 31, 2009				
	FFELP Stafford and Other[1]	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	$ 73,040	$84,235	$157,275	$34,906	$192,181
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(419)	(172)	(591)	(9)	(600)
Net consolidations	(419)	(172)	(591)	(9)	(600)
Acquisitions	5,014	326	5,340	954	6,294
Net acquisitions	4,595	154	4,749	945	5,694
Internal consolidations[2]	—	—	—	—	—
Securitization-related[3]	—	—	—	—	—
Sales	(17,942)	—	(17,942)	—	(17,942)
Repayments/claims/other	(1,518)	(1,213)	(2,731)	(757)	(3,488)
Ending balance[4]	$ 58,175	$83,176	$141,351	$35,094	$176,445
Total Managed Acquisitions[5]	$ 5,014	$ 326	$ 5,340	$ 954	$ 6,294

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

(2) Represents borrowers consolidating their loans into a new Consolidation Loan. Loans in our off-balance sheet securitization trusts that are consolidated are bought out of the trusts and moved on-balance sheet.

(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 December 31, 2009, the ending balance includes $15.9 billion of FFELP Stafford and Other Loans and $2.6 billion of FFELP Consolidation Loans disbursed on or after October 1, 2007, which are impacted by CCRAA legislation.

(5) The Total Managed Acquisitions line includes incremental consolidations from third parties and acquisitions.

	On-Balance Sheet Three months ended March 31, 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
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(243)	(121)	(364)	(4)	(368)
Net consolidations	(243)	(121)	(364)	(4)	(368)
Acquisitions	7,590	274	7,864	1,594	9,458
Net acquisitions	7,347	153	7,500	1,590	9,090
Internal consolidations[2]	—	—	—	—	—
Securitization-related[3]	—	—	—	—	—
Sales	(462)	—	(462)	—	(462)
Repayments/claims/other	(1,517)	(1,012)	(2,529)	(527)	(3,056)
Ending balance	$57,844	$70,885	$128,729	$21,645	$150,374

	Off-Balance Sheet Three months ended March 31, 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
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(110)	(26)	(136)	(3)	(139)
Net consolidations	(110)	(26)	(136)	(3)	(139)
Acquisitions	41	48	89	117	206
Net acquisitions	(69)	22	(47)	114	67
Internal consolidations[2]	—	—	—	—	—
Securitization-related[3]	—	—	—	—	—
Sales	—	—	—	—	—
Repayments/claims/other	(228)	(210)	(438)	(259)	(697)
Ending balance	$6,846	$15,343	$22,189	$12,772	$34,961

	Managed Portfolio Three months ended March 31, 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
Net consolidations:					
Incremental consolidations from third parties	—	—	—	—	—
Consolidations to third parties	(353)	(147)	(500)	(7)	(507)
Net consolidations	(353)	(147)	(500)	(7)	(507)
Acquisitions	7,631	322	7,953	1,711	9,664
Net acquisitions	7,278	175	7,453	1,704	9,157
Internal consolidations[2]	—	—	—	—	—
Securitization-related[3]	—	—	—	—	—
Sales	(462)	—	(462)	—	(462)
Repayments/claims/other	(1,745)	(1,222)	(2,967)	(786)	(3,753)
Ending balance[4]	$64,690	$86,228	$150,918	$34,417	$185,335
Total Managed Acquisitions[5]	$ 7,631	$ 322	$ 7,953	$ 1,711	$ 9,664

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

(2) Represents borrowers consolidating their loans into a new Consolidation Loan. Loans in our off-balance sheet securitization trusts that are consolidated are bought out of the trusts and moved on-balance sheet.

(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 March 31, 2009, the ending balance includes $19.8 billion of FFELP Stafford and Other Loans and $2.6 billion of FFELP Consolidation Loans disbursed on or after October 1, 2007, which are impacted by CCRAA legislation.

(5) The Total Managed Acquisitions line includes incremental consolidations from third parties and acquisitions.

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 March 31, 2010				
	FFELP Stafford and Other[(1)]	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
On-balance sheet	$62,167	$82,687	$144,854	$36,679	$181,533
Off-balance sheet	—	—	—	—	—
Total Managed	$62,167	$82,687	$144,854	$36,679	$181,533
% of on-balance sheet FFELP	43%	57%	100%		
% of Managed FFELP	43%	57%	100%		
% of total	34%	46%	80%	20%	100%

	Three months ended December 31, 2009				
	FFELP Stafford and Other[(1)]	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
On-balance sheet	$53,451	$68,806	$122,257	$23,707	$145,964
Off-balance sheet	5,770	14,886	20,656	12,621	33,277
Total Managed	$59,221	$83,692	$142,913	$36,328	$179,241
% of on-balance sheet FFELP	44%	56%	100%		
% of Managed FFELP	41%	59%	100%		
% of total	33%	47%	80%	20%	100%

	Three months ended March 31, 2009				
	FFELP Stafford and Other[(1)]	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
On-balance sheet	$55,681	$71,310	$126,991	$22,671	$149,662
Off-balance sheet	6,998	15,433	22,431	13,146	35,577
Total Managed	$62,679	$86,743	$149,422	$35,817	$185,239
% of on-balance sheet FFELP	44%	56%	100%		
% of Managed FFELP	42%	58%	100%		
% of total	34%	47%	81%	19%	100%

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

ASSET PERFORMANCE GROUP ("APG") BUSINESS SEGMENT

The following tables include "Core Earnings" results for our APG business segment.

	Quarter ended March 31, 2010			
	Purchased Paper — Non-Mortgage	Purchased Paper — Mortgage/ Properties	Contingency & Other	Total APG
Contingency fee income	$ —	$—	$80	$ 80
Collections revenue	22	—	—	22
Total income	22	—	80	102
Restructuring expenses	2	—	—	2
Direct operating expenses	31	—	44	75
Overhead expenses	—	—	11	11
Operating expenses	31	—	55	86
Total expenses	33	—	55	88
Net interest expense	—	—	—	—
Income (loss) from continuing operations before income tax expense (benefit)	(11)	—	25	14
Income tax expense (benefit)	(4)	—	9	5
Net income (loss) from continuing operations	(7)	—	16	9
Loss from discontinued operations, net of tax	—	—	—	—
Net income (loss)	(7)	—	16	9
Less: net income attributable to noncontrolling interest	—	—	—	—
"Core Earnings" net income (loss) attributable to SLM Corporation	$ (7)	$—	$16	$ 9
"Core Earnings" net income (loss) attributable to SLM Corporation:				
Continuing operations, net of tax	$ (7)	$—	$16	$ 9
Discontinued operations, net of tax	—	—	—	—
"Core Earnings" net income (loss) attributable to SLM Corporation	$ (7)	$—	$16	$ 9

	Quarter ended December 31, 2009			
	Purchased Paper — Non-Mortgage	Purchased Paper — Mortgage/ Properties	Contingency & Other	Total APG
Contingency fee income	$ —	$ —	$66	$ 66
Collections revenue (loss)	(38)	—	—	(38)
Total income (loss)	(38)	—	66	28
Restructuring expenses	—	—	—	—
Direct operating expenses	30	—	42	72
Overhead expenses	—	—	9	9
Operating expenses	30	—	51	81
Total expenses	30	—	51	81
Net interest expense	—	—	—	—
Income (loss) from continuing operations before income tax expense (benefit)	(68)	—	15	(53)
Income tax expense (benefit)	(24)	—	4	(20)
Net income (loss) from continuing operations	(44)	—	11	(33)
Loss from discontinued operations, net of tax	—	(98)	—	(98)
Net income (loss)	(44)	(98)	11	(131)
Less: net income attributable to noncontrolling interest	—	—	—	—
"Core Earnings" net income (loss) attributable to SLM Corporation	$(44)	$(98)	$11	$(131)
"Core Earnings" net income (loss) attributable to SLM Corporation:				
Continuing operations, net of tax	$(44)	$ —	$11	$ (33)
Discontinued operations, net of tax	—	(98)	—	(98)
"Core Earnings" net income (loss) attributable to SLM Corporation	$(44)	$(98)	$11	$(131)

	Quarter ended March 31, 2009			
	Purchased Paper — Non-Mortgage	Purchased Paper — Mortgage/Properties	Contingency & Other	Total APG
Contingency fee income	$ 2	$ —	$73	$ 75
Collections revenue	43	—	—	43
Total income	45	—	73	118
Restructuring expenses	1	—	—	1
Direct operating expenses	41	—	42	83
Overhead expenses	1	—	9	10
Operating expenses	42	—	51	93
Total expenses	43	—	51	94
Net interest expense	—	—	—	—
Income from continuing operations before income tax expense (benefit)	2	—	22	24
Income tax expense	1	—	8	9
Net income from continuing operations	1	—	14	15
Loss from discontinued operations, net of tax	—	(46)	—	(46)
Net income (loss)	1	(46)	14	(31)
Less: net income attributable to noncontrolling interest	—	—	—	—
"Core Earnings" net income (loss) attributable to SLM Corporation	$ 1	$(46)	$14	$ (31)
"Core Earnings" net income (loss) attributable to SLM Corporation:				
Continuing operations, net of tax	$ 1	$ —	$14	$ 15
Discontinued operations, net of tax	—	(46)	—	(46)
"Core Earnings" net income (loss) attributable to SLM Corporation	$ 1	$(46)	$14	$ (31)

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.

There was no net loss attributable to SLM Corporation from discontinued operations for the first quarter of 2010 compared to $98 million and $46 million for the fourth quarter of 2009 and the first quarter of 2009, respectively. 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. This sale of assets in the fourth quarter of 2009 resulted in an after-tax loss of $95 million. The year-ago quarter included $46 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 did not

recognize any impairments in the first quarter of 2010 compared to impairments of $54 million and $3 million in the fourth quarter of 2009 and the first quarter of 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 below, when the Purchased Paper — Non-Mortgage business either sells all of its remaining assets or completely winds down its operations, its results will be shown as discontinued operations.

Purchased Paper — Non-Mortgage

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
Gross Cash Collections ("GCC")	$ 63	$ 62	$156
Collections revenue (loss)	22	(38)	$ 43
Collections revenue (loss) as a percentage of GCC	34%	(61)%	27%
Carrying value of purchased paper	$245	$285	$459

Contingency Inventory

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

	March 31, 2010	December 31, 2009	March 31, 2009
Contingency:			
Student loans	$ 9,846	$ 8,762	$ 9,234
Other	1,573	1,262	1,725
Total	$11,419	$10,024	$10,959

Operating Expenses — APG Business Segment

For the quarters ended March 31, 2010, December 31, 2009 and March 31, 2009, operating expenses for the APG business segment totaled $86 million, $81 million and $93 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 due to the decreasing size of the portfolio as a result of winding down the business.

CORPORATE AND OTHER BUSINESS SEGMENT

The following table includes "Core Earnings" results for our Corporate and Other business segment.

	Quarters ended		
	March 31, 2010	December 31, 2009	March 31, 2009
Net interest income after provisions for losses	$ 5	$ 6	$ 5
Guarantor servicing fees	36	29	34
Loan servicing fees	19	18	10
Upromise	28	33	25
Other	10	11	14
Total other income	93	91	83
Restructuring expenses	3	—	2
Direct operating expenses	62	58	46
Overhead expenses	4	3	3
Operating expenses	66	61	49
Total expenses	69	61	51
Income from continuing operations, before income tax expense	29	36	37
Income tax expense	11	12	13
Net income	18	24	24
Less: net income attributable to noncontrolling interest	—	—	—
"Core Earnings" net income attributable to SLM Corporation	$18	$24	$24
"Core Earnings" net income attributable to SLM Corporation			
Continuing operations, net of tax	$18	$24	$24
Discontinued operations, net of tax	—	—	—
"Core Earnings" net income attributable to SLM Corporation	$18	$24	$24

The increase in guarantor servicing fees versus the prior quarter was primarily due to the seasonality of loan disbursements, which were higher in the first quarter of 2010 than in the prior quarter.

In the second quarter of 2009, ED named Sallie Mae as one of four private sector servicers awarded a servicing contract (the "ED Servicing Contract") to service loans we sell to ED plus a portion of the loans others sell to ED, existing DSLP loans, and loans originated in the future. The contract covers the servicing of all federally-owned student loans, including the servicing of FFELP loans purchased by ED as part of the Purchase Program pursuant to The Ensuring Continued Access to Student Loans Act of 2008 ("ECASLA"). Beginning in 2010, the contract also covers the servicing of new Direct Loans. The 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 March 31, 2010. This amount serviced includes loans sold by the Company to ED as well as loans sold by other companies to ED. Loan servicing fees in the first quarter of 2010 and fourth quarter of 2009 included $9 million of servicing revenue related to the loans the Company is servicing under the ED Servicing Contract. This is the primary increase from the year-ago quarter.

USA Funds, the nation's largest guarantee agency, accounted for 89 percent, 86 percent and 88 percent, respectively, of guarantor servicing fees and 1 percent, 2 percent and 5 percent, respectively, of revenues associated with other products and services for the quarters ended March 31, 2010, December 31, 2009 and March 31, 2009.

Operating Expenses — Corporate and Other Business Segment

Operating expenses for our Corporate and Other business segment include direct costs incurred to service loans for unrelated third parties, 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 March 31, 2010, December 31, 2009 and March 31, 2009, operating expenses for the Corporate and Other business segment totaled $66 million, $61 million and $49 million, respectively. The increase in operating expenses for the first quarter of 2010 versus the year-ago quarter was primarily due to higher expenses incurred to reconfigure the Company's servicing system to meet the requirements of the ED Servicing Contract awarded to the Company on June 17, 2009 to service FFELP loans that have been and will be sold to ED.

LIQUIDITY AND CAPITAL RESOURCES

The following "LIQUIDITY AND CAPITAL RESOURCES" discussion concentrates on our Lending business segment. Our APG contingency collections and Corporate 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. In June 2008, 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 AY 2008-2009 pursuant to ED's Loan 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.

In the near term, we expect to continue to use ED's Purchase and Participation Programs to fund future FFELP Stafford and PLUS Loan originations through July 1, 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, 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 Loan Purchase Participation Program (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. Under the terms of the Participation Program, on September 30, 2010, AY 2009-2010 loans funded under the Participation Program must be either repurchased by the Company or sold to ED pursuant to the Participation Program, which has identical economics to the Purchase Program. Given the state of the credit markets, we currently expect to sell all of the loans we fund under the Participation Program to ED. 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. As of March 31, 2010, the Company had $15.7 billion of advances outstanding under the Participation 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 will accept eligible loans through July 1, 2010. The ED Conduit Program has a term of five years and will expire 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 the Put Agreement at a price of 97 percent of the face amount of the loans. As of March 31, 2010, approximately $15.0 billion face amount of our Stafford and PLUS Loans were funded through the ED Conduit Program. For the first quarter of 2010, the average interest rate paid on this facility was approximately 0.62 percent. As of March 31, 2010, there is less than $200 million face amount of additional FFELP Stafford and PLUS Loans (excluding loans currently in the Participation Program) that can be funded through the ED Conduit Program and no Company loans from AY 2009 — 2010 have yet been sold to ED.

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 83 percent of our Managed debt outstanding at March 31, 2010 versus 80 percent at March 31, 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 primarily through intermediaries in the retail brokered Certificate of Deposit ("CD") market. As of March 31, 2010, total term bank deposits were $5.4 billion and cash and liquid investments totaled $3.0 billion. As of March 31, 2010, $3.5 billion of Private Education Loans were held at Sallie Mae Bank. We ultimately expect to raise additional long-term financing, through Private Education Loan securitizations or other financings, to fund these loans. In March 2010, $1.2 billion of Private Education Loans were sold to a non-bank affiliate and subsequently securitized. In the near term, we expect Sallie Mae Bank to continue to fund newly originated Private Education Loans through long-term bank deposits.

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 the 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. This facility is used to provide up to $1.5 billion term financing for Private Education Loans. 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. In addition, we completed $6.0 billion of Private Education Loan term ABS transactions which 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.

Although we have demonstrated our access to the ABS market in 2009 and the first quarter 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 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. 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 facilities. Increases in the borrowing rate of up to LIBOR plus 450 basis points 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 200 basis points to LIBOR plus 300 basis points 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 March 31, 2010, there was approximately $8.3 billion outstanding in this facility. The book basis of the assets securing this facility at March 31, 2010 was $9.0 billion.

Federal Home Loan Bank in 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. 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 March 31, 2010, subject to available collateral, is approximately $11 billion. As of March 31, 2010 borrowing under the facility totaled $90 million. The Company has provided a guarantee to the FHLB-DM for the performance and payment of HICA's obligations.

Auction Rate Securities

At March 31, 2010, we had $3.3 billion of taxable and $1.1 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, $3.6 billion of the Company's auction rate securities as of March 31, 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 0.84 percent during the first quarter of 2010. As of March 31, 2010, $0.8 billion of auction rate securities with shorter weighted average terms to maturity have had successful auctions, resulting in an average rate of 1.56 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 March 31, 2010, $2.6 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 March 31, 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 January 11, 2010, the Company announced that it repurchased $812 million U.S. dollar equivalent face amount of its $28 billion senior unsecured notes outstanding, through a tender offer which settled on January 14, 2010. This transaction resulted in a taxable gain of approximately $45 million. Total repurchases in the first quarter including the tender offer totaled $1.3 billion and resulted in a taxable gain of $90 million. The Company began repurchasing its outstanding unsecured debt in the second quarter 2008. Since that time we have repurchased in both open-market repurchases and public tender offers, $6.7 billion face amount of our senior unsecured notes in the aggregate, with maturity dates ranging from 2008 to 2016.

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.

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 $3.8 billion of senior unsecured notes remaining to mature in 2010, 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 liquidity facilities made available by ED, the 2010 Facility, the issuance of term ABS, term bank deposits, unsecured debt and other sources.

To supplement our funding sources, we maintained an additional $3.5 billion in unsecured revolving credit facilities as of March 31, 2010; $1.9 billion of our unsecured revolving facilities matures in October 2010 and $1.6 billion matures in October 2011. The principal financial covenants in the unsecured revolving credit facilities 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 $2.9 billion as of March 31, 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 March 31, 2010. In the past, we have not relied upon our unsecured revolving credit facilities as a primary source of liquidity. Even though 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 March 31, 2010 and December 31, 2009.

	March 31, 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]	*Unlimited through July 1, 2010*[1]	*Unlimited*[1]
Sources of primary liquidity for general corporate purposes:		
Unrestricted cash and liquid investments:		
Cash and cash equivalents	$ 6,841	$ 6,070
Commercial paper and asset-backed commercial paper	650	1,150
Other[2]	98	131
Total unrestricted cash and liquid investments[3][4][5]	7,589	7,351
Unused commercial paper and bank lines of credit	3,485	3,485
FFELP ABCP Facilities[6]	1,431	1,703
Total sources of primary liquidity for general corporate purposes[7]	$ 12,505	$ 12,539

(1) The ED Purchase and Participation Programs provide 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.

(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 March 31, 2010 and December 31, 2009, excludes $0 million and $25 million, respectively, of investments pledged as collateral related to certain derivative positions and $653 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 March 31, 2010 and December 31, 2009, includes $553 million and $821 million, respectively, of cash collateral pledged by derivative counterparties and held by the Company in unrestricted cash.

(5) At March 31, 2010 and December 31, 2009, includes $3 billion and $2.4 billion, respectively, of cash and liquid investments at Sallie Mae Bank, for which Sallie Mae Bank is not authorized to dividend to the Company without FDIC approval. This cash will be used primarily to originate or acquire student loans.

(6) Borrowing capacity is subject to availability of collateral. As of March 31, 2010 and December 31, 2009, the Company had $2.6 billion and $2.1 billion, respectively, of outstanding unencumbered FFELP loans, net.

(7) 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 March 31, 2010, we had a total of $28.7 billion of unencumbered assets, including goodwill and acquired intangibles. Total student loans, net, comprised $14.0 billion of this unencumbered asset total of which $11.4 billion relates to Private Education Loans, net.

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

(Dollars in billions)	March 31, 2010	December 31, 2009
Net assets in secured financing facilities	$ 15.4	$ 14.5
Unencumbered assets	28.7	31.3
Unsecured debt	(33.6)	(35.1)
ASC 815 mark-to-market on all hedged debt[1]	(2.9)	(3.4)
Other liabilities, net	(2.8)	(2.0)
Total GAAP equity	$ 4.8	$ 5.3

[1] At March 31, 2010 and December 31, 2009, there were $3.0 billion and $3.4 billion, respectively, of net gains on derivatives hedging this debt, which partially offsets these losses. These gains are a part of the net assets in secured financing facilities and unencumbered assets.

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 and also within its securitization trusts. 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 impacted by changes in interest rate and foreign exchange rates. These movements may require the Company to return cash collateral posted or may require the Company to access primary liquidity to post collateral to counterparties. As of March 31, 2010, the Company held $553 million 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.

The table below highlights exposure related to our derivative counterparties at March 31, 2010.

	SLM Corporation and Sallie Mae Bank Contracts	On-Balance Sheet Securitizations Contracts
Exposure, net of collateral	$373	$1,300
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3	69%	34%
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 (excluding ASC 815 valuation adjustments) at March 31, 2010, December 31, 2009 and March 31, 2009.

	March 31, 2010			December 31, 2009			March 31, 2009		
	Short Term	Long Term	Total Managed Basis	Short Term	Long Term	Total Managed Basis	Short Term	Long Term	Total Managed Basis
Unsecured borrowings	$ 4,831	$ 22,214	$ 27,045	$ 5,185	$ 22,797	$ 27,982	$ 5,052	$ 29,840	$ 34,892
Unsecured term bank deposits	1,208	4,202	5,410	842	4,795	5,637	1,066	2,215	3,281
Indentured trusts (on-balance sheet)	60	1,505	1,565	64	1,533	1,597	—	1,924	1,924
ED Participation Program facility (on-balance sheet)[1]	15,746	—	15,746	9,006	—	9,006	13,530	—	13,530
ED Conduit Program facility (on-balance sheet)	14,682	—	14,682	14,314	—	14,314	—	—	—
ABCP borrowings (on-balance sheet)[2]	3,278	5,000	8,278	—	8,801	8,801	25,519	—	25,519
Securitizations (on-balance sheet)	—	122,277	122,277	—	89,200	89,200	—	80,585	80,585
Securitizations (off-balance sheet)	—	—	—	—	33,615	33,615	—	36,359	36,359
Other	1,159	—	1,159	1,472	—	1,472	1,154	—	1,154
Total	$40,964	$155,198	$196,162	$30,883	$160,741	$191,624	$46,321	$150,923	$197,244

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

(2) Includes $1.9 billion outstanding in the 2008 Asset-Backed Loan Facility at March 31, 2009. There was no balance outstanding at either March 31, 2010 or December 31, 2009.

The following table presents the senior unsecured credit ratings assigned by major rating agencies as of April 20, 2010.

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