SLM CORPORATION

Supplemental Earnings Disclosure

June 30, 2010
(In millions, except per share amounts)
(Unaudited)

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
SELECTED FINANCIAL INFORMATION AND RATIOS					
GAAP Basis[1]					
Net income (loss) attributable to SLM Corporation	$ 338	$ 240	$ (123)	$ 578	$ (144)
Diluted earnings (loss) per common share attributable to SLM Corporation common shareholders	$ .63	$ .45	$ (.32)	$ 1.08	$ (.42)
Return on assets	.68%	.50%	(.30)%	.59%	(.18)%
"Core Earnings" Basis[1][2][3]					
"Core Earnings" net income attributable to SLM Corporation	$ 209	$ 212	$ 170	$ 421	$ 184
"Core Earnings" diluted earnings per common share attributable to SLM Corporation common shareholders	$ .39	$ .39	$ .31	$ .78	$ .28
"Core Earnings" return on assets	.42%	.44%	.34%	.43%	.19%
OTHER OPERATING STATISTICS					
Average on-balance sheet student loans	$184,571	$181,533	$153,588	$183,060	$151,636
Average off-balance sheet student loans	—	—	34,902	—	35,237
Average Managed student loans	$184,571	$181,533	$188,490	$183,060	$186,873
Ending on-balance sheet student loans, net	$183,643	$181,886	$154,157		
Ending off-balance sheet student loans, net	—	—	33,961		
Ending Managed student loans, net	$183,643	$181,886	$188,118		
Ending Managed FFELP Stafford and Other Student Loans, net	$ 67,457	$ 64,346	$ 68,374		
Ending Managed FFELP Consolidation Loans, net	81,035	82,178	85,272		
Ending Managed Private Education Loans, net	35,151	35,362	34,472		
Ending Managed student loans, net	$183,643	$181,886	$188,118		

(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 quarters ended June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 2009 was:

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
GAAP Basis					
Diluted earnings (loss) per common share attributable to SLM Corporation common shareholders:					
Continuing operations	$.63	$.45	$(.31)	$1.08	$(.31)
Discontinued operations	—	—	(.01)	—	(.11)
Total	$.63	$.45	$(.32)	$1.08	$(.42)
"Core Earnings" Basis[2][3]					
Diluted earnings (loss) per common share attributable to SLM Corporation common shareholders:					
Continuing operations	$.39	$.39	$ .32	$ .78	$ .39
Discontinued operations	—	—	(.01)	—	(.11)
Total	$.39	$.39	$ .31	$ .78	$ .28

(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 June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 2009 was:

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Total Economic Floor Income earned on Managed loans, not included in "Core Earnings" (net of tax)	$ 1	$ 3	$ 89	$ 4	$168
Total Economic Floor Income earned, not included in "Core Earnings" (net of tax) per common share attributable to SLM Corporation common shareholders	$—	$.01	$.17	$.01	$ .36

SLM CORPORATION

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

	June 30, 2010	March 31, 2010	June 30, 2009
Assets			
FFELP Stafford and Other Student Loans (net of allowance for losses of $122,192; $119,522; and $102,857, respectively)	$ 47,280,248	$ 47,928,753	$ 44,044,636
FFELP Stafford Loans Held-for-Sale	20,177,860	16,418,101	18,159,232
FFELP Consolidation Loans (net of allowance for losses of $66,493; $66,693; and $50,181, respectively)	81,034,596	82,177,664	70,102,304
Private Education Loans (net of allowance for losses of $2,042,413; $2,018,676; and $1,396,707, respectively)	35,150,686	35,361,689	21,850,688
Cash and investments	7,680,116	8,241,961	8,212,439
Restricted cash and investments	6,252,914	6,115,399	5,245,702
Retained Interest in off-balance sheet securitized loans	—	—	1,820,614
Goodwill and acquired intangible assets, net	1,157,888	1,167,599	1,233,871
Other assets	8,584,404	10,101,919	10,514,309
Total assets	$207,318,712	$207,513,085	$181,183,795
Liabilities			
Short-term borrowings	$ 46,472,435	$ 41,102,389	$ 47,331,576
Long-term borrowings	152,250,912	157,983,266	125,880,044
Other liabilities	3,508,617	3,671,734	3,120,636
Total liabilities	202,231,964	202,757,389	176,332,256
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: 553,571; 553,408; and 534,842 shares, respectively, issued	110,715	110,682	106,969
Additional paid-in capital	5,122,583	5,106,094	4,709,053
Accumulated other comprehensive loss, net of tax benefit	(43,333)	(42,511)	(48,683)
Retained earnings	391,169	72,062	229,865
Total SLM Corporation stockholders' equity before treasury stock	6,956,504	6,621,697	6,711,974
Common stock held in treasury: 67,775; 67,564; and 67,128 shares, respectively	1,869,760	1,866,020	1,860,440
Total SLM Corporation stockholders' equity	5,086,744	4,755,677	4,851,534
Noncontrolling interest	4	19	5
Total equity	5,086,748	4,755,696	4,851,539
Total liabilities and equity	$207,318,712	$207,513,085	$181,183,795

Supplemental information — assets and liabilities of variable interest entities:

	June 30, 2010	March 31, 2010	June 30, 2009
FFELP Stafford and Other Student Loans	$ 66,130,975	$ 62,163,939	$59,530,772
FFELP Consolidation Loans	79,558,032	81,460,381	69,618,020
Private Education Loans	23,561,695	23,860,189	5,834,568
Restricted cash and investments	5,881,972	5,724,454	4,389,635
Other assets	2,856,872	4,323,164	3,567,605
Short-term borrowings	37,014,277	33,766,308	40,814,409
Long-term borrowings	127,904,461	130,114,526	90,454,256

SLM CORPORATION

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

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Interest income:					
FFELP Stafford and Other Student Loans	$ 325,042	$ 283,437	$ 323,939	$ 608,479	$ 666,755
FFELP Consolidation Loans	550,920	523,325	460,690	1,074,245	950,052
Private Education Loans	575,340	565,154	393,019	1,140,494	780,060
Other loans	7,254	8,996	18,468	16,250	34,888
Cash and investments	6,299	4,949	7,044	11,248	13,015
Total interest income	1,464,855	1,385,861	1,203,160	2,850,716	2,444,770
Total interest expense	568,933	531,384	819,459	1,100,317	1,846,006
Net interest income	895,922	854,477	383,701	1,750,399	598,764
Less: provisions for loan losses	382,239	359,120	278,112	741,359	528,391
Net interest income after provisions for loan losses	513,683	495,357	105,589	1,009,040	70,373
Other income:					
Securitization servicing and Residual Interest revenue (loss)	—	—	87,488	—	(7,817)
Gains (losses) on sales of loans and securities, net	(3,515)	8,653	—	5,138	—
Gains (losses) on derivative and hedging activities, net	95,316	(82,410)	(561,795)	12,906	(457,770)
Contingency fee revenue	88,181	80,311	73,368	168,492	148,183
Collections revenue	17,219	21,966	23,933	39,185	67,589
Guarantor servicing fees	22,457	36,090	24,772	58,547	58,780
Other	164,899	190,410	399,065	355,309	591,523
Total other income	384,557	255,020	46,831	639,577	400,488
Expenses:					
Operating expenses	346,520	328,020	308,164	674,540	603,280
Restructuring expenses	17,666	26,282	3,333	43,948	7,106
Total expenses	364,186	354,302	311,497	718,488	610,386
Income (loss) from continuing operations, before income tax expense (benefit)	534,054	396,075	(159,077)	930,129	(139,525)
Income tax expense (benefit)	196,103	155,795	(43,110)	351,898	(48,627)
Net income (loss) from continuing operations	337,951	240,280	(115,967)	578,231	(90,898)
Loss from discontinued operations, net of tax	—	—	(6,542)	—	(52,716)
Net income (loss)	337,951	240,280	(122,509)	578,231	(143,614)
Less: net income attributable to noncontrolling interest	133	140	211	273	492
Net income (loss) attributable to SLM Corporation	337,818	240,140	(122,720)	577,958	(144,106)
Preferred stock dividends	18,711	18,678	25,800	37,389	52,195
Net income (loss) attributable to SLM Corporation common stock	$ 319,107	$ 221,462	$ (148,520)	$ 540,569	$ (196,301)
Net income (loss) attributable to SLM Corporation:					
Continuing operations, net of tax	$ 337,818	$ 240,140	$ (116,178)	$ 577,958	$ (91,390)
Discontinued operations, net of tax	—	—	(6,542)	—	(52,716)
Net income (loss) attributable to SLM Corporation	$ 337,818	$ 240,140	$ (122,720)	$ 577,958	$ (144,106)
Basic earnings (loss) per common share attributable to SLM Corporation common shareholders:					
Continuing operations	$ .66	$ .46	$ (.31)	$ 1.12	$ (.31)
Discontinued operations	—	—	(.01)	—	(.11)
Total	$ .66	$ .46	$ (.32)	$ 1.12	$ (.42)
Average common shares outstanding	484,832	484,259	466,799	484,547	466,780
Diluted earnings (loss) per common share attributable to SLM Corporation common shareholders:					
Continuing operations	$ .63	$ .45	$ (.31)	$ 1.08	$ (.31)
Discontinued operations	—	—	(.01)	—	(.11)
Total	$ .63	$ .45	$ (.32)	$ 1.08	$ (.42)
Average common and common equivalent shares outstanding	527,391	526,631	466,799	527,013	466,780
Dividends per common share attributable to SLM Corporation common shareholders	$ —	$ —	$ —	$ —	$ —

SLM CORPORATION

Segment and “Core Earnings”

Consolidated Statements of Income
(In thousands)
(Unaudited)

	Quarter ended June 30, 2010					
	Lending	Asset Performance Group	Other	Total “Core Earnings”[2]	Adjustments	Total GAAP
Interest income:						
FFELP Stafford and Other Student Loans	$ 324,052	$ —	$ —	$ 324,052	$ 990	$ 325,042
FFELP Consolidation Loans	418,031	—	—	418,031	132,889	550,920
Private Education Loans	575,340	—	—	575,340	—	575,340
Other loans	7,254	—	—	7,254	—	7,254
Cash and investments	2,554	—	3,745	6,299	—	6,299
Total interest income	1,327,231	—	3,745	1,330,976	133,879	1,464,855
Total interest expense	571,952	—	—	571,952	(3,019)	568,933
Net interest income	755,279	—	3,745	759,024	136,898	895,922
Less: provisions for loan losses	382,239	—	—	382,239	—	382,239
Net interest income after provisions for loan losses	373,040	—	3,745	376,785	136,898	513,683
Other income:						
Contingency fee revenue	—	88,181	—	88,181	—	88,181
Collections revenue	—	17,219	—	17,219	—	17,219
Guarantor servicing fees	—	—	22,457	22,457	—	22,457
Other income	127,587	—	53,009	180,596	76,104	256,700
Total other income	127,587	105,400	75,466	308,453	76,104	384,557
Expenses:						
Direct operating expenses	166,761	75,256	52,872	294,889	9,710	304,599
Overhead expenses	27,325	11,115	3,481	41,921	—	41,921
Operating expenses	194,086	86,371	56,353	336,810	9,710	346,520
Restructuring expenses	15,762	(109)	2,013	17,666	—	17,666
Total expenses	209,848	86,262	58,366	354,476	9,710	364,186
Income from continuing operations, before income tax expense	290,779	19,138	20,845	330,762	203,292	534,054
Income tax expense[1]	106,600	7,016	7,641	121,257	74,846	196,103
Net income from continuing operations	184,179	12,122	13,204	209,505	128,446	337,951
Loss from discontinued operations, net of tax	—	—	—	—	—	—
Net income	184,179	12,122	13,204	209,505	128,446	337,951
Less: net income attributable to noncontrolling interest	—	133	—	133	—	133
Net income attributable to SLM Corporation	$ 184,179	$ 11,989	$13,204	$ 209,372	$128,446	$ 337,818
Economic Floor Income (net of tax) not included in “Core Earnings”	$ 1,231	$ —	$ —	$ 1,231		

(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.

SLM CORPORATION

Segment and "Core Earnings"

Consolidated Statements of Income
(In thousands)
(Unaudited)

	Quarter ended March 31, 2010					
	Lending	Asset Performance Group	Other	Total "Core Earnings"[2]	Adjustments	Total GAAP
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
Other income:						
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
Expenses:						
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
Restructuring expenses	21,336	1,608	3,338	26,282	—	26,282
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.

SLM CORPORATION

Segment and "Core Earnings"

Consolidated Statements of Income
(In thousands)
(Unaudited)

	Quarter ended June 30, 2009					
	Lending	Asset Performance Group	Other	Total "Core Earnings"[2]	Adjustments	Total GAAP
Interest income:						
FFELP Stafford and Other Student Loans	$ 309,553	$ —	$ —	$ 309,553	$ 14,386	$ 323,939
FFELP Consolidation Loans	394,288	—	—	394,288	66,402	460,690
Private Education Loans	558,667	—	—	558,667	(165,648)	393,019
Other loans	18,468	—	—	18,468	—	18,468
Cash and investments	3,683	—	4,319	8,002	(958)	7,044
Total interest income	1,284,659	—	4,319	1,288,978	(85,818)	1,203,160
Total interest expense	832,030	—	—	832,030	(12,571)	819,459
Net interest income	452,629	—	4,319	456,948	(73,247)	383,701
Less: provisions for loan losses	401,790	—	—	401,790	(123,678)	278,112
Net interest income after provisions for loan losses	50,839	—	4,319	55,158	50,431	105,589
Other income:						
Contingency fee revenue	—	73,368	—	73,368	—	73,368
Collections revenue	—	23,933	—	23,933	—	23,933
Guarantor servicing fees	—	—	24,772	24,772	—	24,772
Other income (loss)	359,363	—	46,273	405,636	(480,878)	(75,242)
Total other income	359,363	97,301	71,045	527,709	(480,878)	46,831
Expenses:						
Direct operating expenses	133,547	76,348	52,354	262,249	9,687	271,936
Overhead expenses	21,475	11,223	3,530	36,228	—	36,228
Operating expenses	155,022	87,571	55,884	298,477	9,687	308,164
Restructuring expenses	4,147	(729)	(85)	3,333	—	3,333
Total expenses	159,169	86,842	55,799	301,810	9,687	311,497
Income (loss) from continuing operations, before income tax expense	251,033	10,459	19,565	281,057	(440,134)	(159,077)
Income tax expense (benefit)[1]	93,083	3,504	7,337	103,924	(147,034)	(43,110)
Net income (loss) from continuing operations	157,950	6,955	12,228	177,133	(293,100)	(115,967)
Loss from discontinued operations, net of tax	—	(6,478)	—	(6,478)	(64)	(6,542)
Net income (loss)	157,950	477	12,228	170,655	(293,164)	(122,509)
Less: net income attributable to noncontrolling interest	—	211	—	211	—	211
Net income (loss) attributable to SLM Corporation	$ 157,950	$ 266	$12,228	$ 170,444	$(293,164)	$ (122,720)
Economic Floor Income (net of tax) not included in "Core Earnings"	$ 88,899	$ —	$ —	$ 88,899		

(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	Other	Total "Core Earnings"	Adjustments	Total GAAP
Net income (loss) attributable to SLM Corporation:						
Continuing operations, net of tax	$ 157,950	$ 6,744	$ 12,228	$ 176,922	$ (293,100)	$ (116,178)
Discontinued operations, net of tax	—	(6,478)	—	(6,478)	(64)	(6,542)
Net income (loss) attributable to SLM Corporation	$ 157,950	$ 266	$ 12,228	$ 170,444	$ (293,164)	$ (122,720)

SLM CORPORATION

Segment and "Core Earnings"

Consolidated Statements of Income
(In thousands)
(Unaudited)

	Six months ended June 30, 2010					
	Lending	Asset Performance Group	Other	Total "Core Earnings"[2]	Adjustments	Total GAAP
Interest income:						
FFELP Stafford and Other Student Loans	$ 598,399	$ —	$ —	$ 598,399	$ 10,080	$ 608,479
FFELP Consolidation Loans	781,786	—	—	781,786	292,459	1,074,245
Private Education Loans	1,140,494	—	—	1,140,494	—	1,140,494
Other loans	16,250	—	—	16,250	—	16,250
Cash and investments	2,999	—	8,249	11,248	—	11,248
Total interest income	2,539,928	—	8,249	2,548,177	302,539	2,850,716
Total interest expense	1,087,082	—	—	1,087,082	13,235	1,100,317
Net interest income	1,452,846	—	8,249	1,461,095	289,304	1,750,399
Less: provisions for loan losses	741,359	—	—	741,359	—	741,359
Net interest income after provisions for loan losses	711,487	—	8,249	719,736	289,304	1,009,040
Other income:						
Contingency fee revenue	—	168,492	—	168,492	—	168,492
Collections revenue	—	39,185	—	39,185	—	39,185
Guarantor servicing fees	—	—	58,547	58,547	—	58,547
Other income	268,904	—	109,530	378,434	(5,081)	373,353
Total other income	268,904	207,677	168,077	644,658	(5,081)	639,577
Expenses:						
Direct operating expenses	312,519	150,813	115,090	578,422	19,422	597,844
Overhead expenses	47,938	21,888	6,870	76,696	—	76,696
Operating expenses	360,457	172,701	121,960	655,118	19,422	674,540
Restructuring expenses	37,098	1,499	5,351	43,948	—	43,948
Total expenses	397,555	174,200	127,311	699,066	19,422	718,488
Income from continuing operations, before income tax expense	582,836	33,477	49,015	665,328	264,801	930,129
Income tax expense[1]	213,668	12,273	17,968	243,909	107,989	351,898
Net income from continuing operations	369,168	21,204	31,047	421,419	156,812	578,231
Loss from discontinued operations, net of tax	—	—	—	—	—	—
Net income	369,168	21,204	31,047	421,419	156,812	578,231
Less: net income attributable to noncontrolling interest	—	273	—	273	—	273
Net income attributable to SLM Corporation	$ 369,168	$ 20,931	$ 31,047	$ 421,146	$156,812	$ 577,958
Economic Floor Income (net of tax) not included in "Core Earnings"	$ 4,097	$ —	$ —	$ 4,097		

(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.

SLM CORPORATION

Segment and "Core Earnings"

Consolidated Statements of Income
(In thousands)
(Unaudited)

	Six months ended June 30, 2009					
	Lending	Asset Performance Group	Other	Total "Core Earnings"[2]	Adjustments	Total GAAP
Interest income:						
FFELP Stafford and Other Student Loans	$ 671,472	$ —	$ —	$ 671,472	$ (4,717)	$ 666,755
FFELP Consolidation Loans	833,184	—	—	833,184	116,868	950,052
Private Education Loans	1,121,949	—	—	1,121,949	(341,889)	780,060
Other loans	34,888	—	—	34,888	—	34,888
Cash and investments	5,862	—	9,447	15,309	(2,294)	13,015
Total interest income	2,667,355	—	9,447	2,676,802	(232,032)	2,444,770
Total interest expense	1,790,909	—	—	1,790,909	55,097	1,846,006
Net interest income	876,446	—	9,447	885,893	(287,129)	598,764
Less: provisions for loan losses	750,876	—	—	750,876	(222,485)	528,391
Net interest income after provisions for loan losses	125,570	—	9,447	135,017	(64,644)	70,373
Other income:						
Contingency fee revenue	—	148,183	—	148,183	—	148,183
Collections revenue	—	66,900	—	66,900	689	67,589
Guarantor servicing fees	—	—	58,780	58,780	—	58,780
Other income	461,731	—	96,054	557,785	(431,849)	125,936
Total other income	461,731	215,083	154,834	831,648	(431,160)	400,488
Expenses:						
Direct operating expenses	257,262	159,769	98,140	515,171	19,446	534,617
Overhead expenses	40,701	21,271	6,691	68,663	—	68,663
Operating expenses	297,963	181,040	104,831	583,834	19,446	603,280
Restructuring expenses	5,684	(74)	1,496	7,106	—	7,106
Total expenses	303,647	180,966	106,327	590,940	19,446	610,386
Income (loss) from continuing operations, before income tax expense	283,654	34,117	57,954	375,725	(515,250)	(139,525)
Income tax expense (benefit)[1]	105,094	11,751	21,472	138,317	(186,944)	(48,627)
Net income (loss) from continuing operations	178,560	22,366	36,482	237,408	(328,306)	(90,898)
Loss from discontinued operations, net of tax	—	(52,588)	—	(52,588)	(128)	(52,716)
Net income (loss)	178,560	(30,222)	36,482	184,820	(328,434)	(143,614)
Less: net income attributable to noncontrolling interest	—	492	—	492	—	492
Net income (loss) attributable to SLM Corporation	$ 178,560	$ (30,714)	$ 36,482	$ 184,328	$ (328,434)	$ (144,106)
Economic Floor Income (net of tax) not included in "Core Earnings"	$ 168,287	$ —	$ —	$ 168,287		

(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	Other	Total "Core Earnings"	Adjustments	Total GAAP
Net income (loss) attributable to SLM Corporation:						
Continuing operations, net of tax	$ 178,560	$ 21,874	$ 36,482	$ 236,916	$ (328,306)	$ (91,390)
Discontinued operations, net of tax	—	(52,588)	—	(52,588)	(128)	(52,716)
Net income (loss) attributable to SLM Corporation	$ 178,560	$ (30,714)	$ 36,482	$ 184,328	$ (328,434)	$ (144,106)

SLM CORPORATION

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

	Quarters ended			Six months ended	
	June 30, 2010	**March 31, 2010**	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
"Core Earnings" net income attributable to SLM Corporation[1][2]	$209,372	$211,774	$ 170,444	$ 421,146	$ 184,328
"Core Earnings" adjustments:					
Net impact of securitization accounting	—	—	(25,861)	—	(224,451)
Net impact of derivative accounting	301,421	120,107	(494,581)	421,528	(440,571)
Net impact of Floor Income	(88,419)	(48,886)	90,002	(137,305)	169,045
Net impact of acquired intangibles	(9,710)	(9,712)	(9,758)	(19,422)	(19,401)
Total "Core Earnings" adjustments before income tax effect	203,292	61,509	(440,198)	264,801	(515,378)
Net income tax effect	(74,846)	(33,143)	147,034	(107,989)	186,944
Total "Core Earnings" adjustments	128,446	28,366	(293,164)	156,812	(328,434)
GAAP net income (loss) attributable to SLM Corporation	$337,818	$240,140	$(122,720)	$ 577,958	$(144,106)
GAAP diluted earnings (loss) per common share attributable to SLM Corporation common shareholders	$ .63	$ .45	$ (.32)	$ 1.08	$ (.42)

(1) "Core Earnings" diluted earnings (loss) per common share attributable to SLM Corporation common shareholders	$ .39	$ .39	$ .31	$ .78	$ .28
(2) Total Economic Floor Income earned on Managed loans, not included in "Core Earnings" (net of tax)	$ 1,231	$ 2,866	$ 88,899	$ 4,097	$ 168,287
Total Economic Floor Income earned, not included in "Core Earnings" (net of tax) per common share attributable to SLM Corporation common shareholders	$ —	$ .01	$ .17	$ .01	$ .36

"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 off-balance sheet for GAAP purposes 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, securitization servicing income and Residual Interest Income. 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 “securitization servicing and Residual Interest revenue (loss)” presented in accordance with GAAP, were excluded from “Core Earnings” and were replaced by interest income, provisions for loan losses, and interest expense as earned or incurred on the securitization loans. We also excluded transactions with our off-balance sheet trusts from “Core Earnings” as they were considered intercompany transactions on a “Core Earnings” basis. On January 1, 2010, 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 of January 1, 2010, there are no longer differences between the Company’s GAAP and “Core Earnings” presentation for securitization accounting. As a result, effective January 1, 2010, the Company’s Managed and on-balance sheet (GAAP) portfolios are the same.

   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 losses) and $34.4 billion of liabilities (primarily trust debt), which resulted in an approximate $750 million after-tax reduction of stockholders’ equity (recorded as a cumulative effect adjustment to retained earnings). After the adoption of topic updates to ASC 810, the Company’s results of operations no longer reflect securitization servicing and Residual Interest revenue (loss) 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
SECOND 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 second quarter 2010 earnings, dated July 20, 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 March 31, 2010 and June 30, 2009, to be consistent with classifications adopted for the quarter ended June 30, 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 are 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. We will no longer originate FFELP loans and therefore will no longer earn revenue on newly originated FFELP loan volume after 2010. We 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”) and expect to earn approximately $315 million of revenue in 2010 related to this program. We also earned $40 million in 2009 and $66 million during the six months ended June 30, 2010 in net interest income on the loans before selling them to ED. The net interest income that we earn on our FFELP loan portfolio will decline over time as the FFELP loans on the Company’s balance sheet pay down.

2. We earn revenue collecting on delinquent and defaulted FFELP loans as well as guarantor account maintenance fees which are based on the size of the underlying guarantor portfolio. This revenue totaled $265 million in 2009 and $156 million during the six months ended June 30, 2010. Because there will no longer be any new FFELP loan originations, this collections revenue and guarantor account maintenance fee revenue will decline over time as the underlying guarantor portfolios wind down. These revenues are recorded in contingency fee revenue and guarantor servicing fees.

3. We earn 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 $29 million for the six months ended June 30, 2010. This revenue is recorded in guarantor servicing fees.

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 losses) and $34.4 billion of liabilities (primarily trust debt), which resulted in an approximate $750 million after-tax reduction of stockholders’ equity (recorded as a cumulative effect adjustment to retained earnings). After the adoption of topic updates to ASC 810, the Company’s results of operations no longer reflect securitization servicing and Residual Interest revenue related to these securitization trusts, but instead report interest income, provisions for loan losses associated with the securitized assets and interest expense associated with the debt issued from the securitization trusts to third parties, consistent with the Company’s accounting treatment of prior on-balance securitization trusts. As of January 1, 2010, there are no longer differences between the Company’s GAAP and “Core Earnings” presentation for securitization accounting. As a result, our Managed and on-balance sheet (GAAP) student loan portfolios are the same.

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

DISCUSSION OF CONSOLIDATED RESULTS OF OPERATIONS

Three Months Ended June 30, 2010 Compared with Three Months Ended March 31, 2010

For the three months ended June 30, 2010 and March 31, 2010, net income attributable to SLM Corporation was $338 million or $.63 diluted earnings per common share and $240 million, or $.45 diluted earnings per common share, respectively. There was no net income or loss attributable to SLM Corporation from discontinued operations for the current quarter or prior quarter.

For the three months ended June 30, 2010, the Company's pre-tax income from continuing operations was $534 million compared with pre-tax income of $396 million in the prior quarter. This increase in pre-tax income from continuing operations of $138 million was primarily due to a $177 million increase in net gains (losses) on derivative and hedging activities from $82 million of net losses in the first quarter of 2010 to $95 million of net gains in the second quarter of 2010. The increase in the mark-to-market on derivative valuations was primarily from gains on derivatives that do not qualify for hedge accounting treatment under GAAP.

Net interest income after provisions for loan losses increased by $19 million in the second quarter of 2010 from the prior quarter. This increase was due to a $42 million increase in net interest income offset by a $23 million increase in provisions for loan losses. The increase in net interest income was primarily due to a 2 basis point increase in the student loan spread coupled with a $3.3 billion increase in the average balance of on balance sheet student loans (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*").

The net gains (losses) on sales of loans and securities decreased $13 million from $9 million of net gains in the first quarter of 2010 to net losses of $4 million in the second quarter of 2010. The $9 million gain in the first quarter of 2010 primarily related to selling a portion of the Company's other loan portfolio.

In the second quarter of 2010, contingency fee revenue, collections revenue and guarantor servicing fees totaled $127 million, an $11 million decrease from the prior quarter. This decrease was primarily due to the seasonality of guarantor servicing fees (see "OTHER BUSINESS SEGMENT").

Restructuring expenses of $18 million and $26 million were recorded in the second and first quarters of 2010, 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 due to the elimination of positions and facilities associated with the origination of FFELP loans. In the second and first quarters of 2010, expenses associated with this restructuring plan were $18 million and $23 million, respectively. Restructuring expenses from the first quarter of 2010 through the second quarter of 2010 were $41 million, all of which was recorded in continuing operations. 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. In connection with this restructuring effort, on July 1, 2010, the Company announced its corporate headquarters will be moving from Reston, VA to Newark, DE by March 31, 2011. The Company is currently finalizing this restructuring plan and expects to incur $21 million 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 $0 and $3 million were recognized in continuing operations in the second and first quarters of 2010, respectively. Restructuring expenses from the fourth quarter of 2007 through the second 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 3,000 positions, or approximately 25 percent of the workforce. We estimate approximately $5 million of additional restructuring expenses will be incurred in the future related to this restructuring plan.

For the three months ended June 30, 2010 and March 31, 2010, operating expenses, excluding restructuring-related asset impairments of $6 million and $4 million, respectively, were $341 million compared with $324 million, respectively. Operating expenses, excluding restructuring-related asset impairments, increased $17 million over the prior quarter, primarily due to legal contingencies and higher marketing and technology enhancement costs related to Private Education Loans. The amortization and impairment of acquired intangibles for continuing operations was $10 million in the second and first quarters of 2010.

Income tax expense from continuing operations was $196 million in the second quarter of 2010 compared with income tax expense of $156 million in the prior quarter, resulting in effective tax rates of 37 percent and 39 percent, respectively. The decline in the effective tax rate in the second quarter of 2010 compared with the first quarter of 2010 was primarily driven by the impact of state tax rate changes and state law changes recorded in the first quarter of 2010.

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

For the three months ended June 30, 2010 and June 30, 2009, net income attributable to SLM Corporation was $338 million or $.63 diluted earnings per common share and a net loss of $123 million or $.32 diluted loss per common share, respectively. For the three months ended June 30, 2010 and June 30, 2009, net income attributable to SLM Corporation from continuing operations was $338 million or $.63 diluted earnings from continuing operations per common share and a net loss from continuing operations of $116 million, or $.31 diluted loss per share from continuing operations per common share, respectively. For the three months ended June 30, 2010, there was no net income or loss from discontinued operations, compared with a net loss from discontinued operations of $7 million, or $.01 diluted loss per common share from discontinued operations for the three months ended June 30, 2009.

For the three months ended June 30, 2010, the Company's pre-tax income from continuing operations was $534 million compared with a pre-tax loss of $159 million in the year-ago quarter. The increase in pre-tax income of $693 million was primarily due to a $657 million increase in net gains on derivative and hedging activities, a $408 million increase in net interest income after provisions for loan losses offset by a $234 million decrease in gains on debt repurchases and a decrease in securitization servicing and Residual Interest revenue of $87 million.

Net gains (losses) on derivative and hedging activities increased from a $562 million net loss in the second quarter of 2009 to a $95 million net gain in the second quarter of 2010. The change in net gains (losses) on derivative and hedging activities was primarily the result of increases in 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 $408 million in the second quarter of 2010 from the year-ago quarter. This increase was due to a $512 million increase in net interest income offset by a $104 million increase in provisions for loan losses. The increase in net interest income and provisions for loan losses was partially due to the adoption of topic updates to ASC 810 which resulted in the consolidation of $35.0 billion of assets and $34.4 billion of liabilities in certain securitizations trusts as of January 1, 2010. As discussed above, for securitization trusts that were consolidated on January 1, 2010, the Company's results of operations no longer reflect securitization servicing and residual interest revenue related to these securitization trusts, but instead report interest income, provisions for loan losses associated with the securitized assets and interest expense associated with the debt issued from the securitization trusts to third parties. The consolidation of these securitization trusts as of January 1, 2010 resulted in $255 million of additional net interest income and $79 million of additional provisions for loan losses in the second quarter of 2010. Excluding the results of the trusts consolidated as of January 1, 2010, net interest income would have increased $257 million from the second quarter of 2009 and provisions for loan losses would have increased $25 million from the second quarter of 2009. The increase in net interest margin, excluding the impact of the ASC 810 securitization trust consolidations, was primarily the result of an increase in the student loan spread and a decrease in the 2008 Asset-Backed Financing Facilities fees (see "LENDING BUSINESS SEGMENT — Net Interest Income — *Net Interest Margin — On-Balance Sheet*"). The majority of the provisions for loan losses relates to the Private Education Loan loss provision (see "LENDING BUSINESS

SEGMENT — Private Education Loan Losses — *Private Education Loan Delinquencies and Forbearance*" and "— *Allowance for Private Education Loan Losses*").

As discussed above, as a result of adopting topic updates to ASC 810, there was no securitization servicing and Residual Interest revenue in the second quarter of 2010, compared with $87 million revenue in the second quarter of 2009.

In the second quarter of 2010, contingency fee revenue, collections revenue and guarantor servicing fees totaled $127 million, a $5 million increase from $122 million in the year-ago quarter.

Restructuring expenses of $18 million and $3 million were recognized in the second quarters of 2010 and 2009, respectively, as previously discussed.

For the three months ended June 30, 2010 and June 30, 2009, operating expenses, excluding restructuring-related asset impairments of $6 million and $0 million, respectively, were $341 million compared with $308 million, respectively. The $33 million increase from the year-ago quarter was primarily due to legal contingencies, higher costs related to the ED Servicing Contract (see "OTHER BUSINESS SEGMENT"), higher collection costs from a greater number of loans in repayment and delinquent status, and higher marketing and technology enhancement costs related to Private Education Loans. The amortization and impairment of acquired intangibles for continuing operations was $10 million in the second quarters of 2010 and 2009.

Income tax expense from continuing operations was $196 million in the second quarter of 2010 compared with income tax benefit of $43 million in the second quarter of 2009, resulting in effective tax rates of 37 percent and 27 percent, respectively. The change in the effective tax rate in the second quarter of 2010 compared with the year-ago period was primarily driven by the effect of adjustments related to the IRS examination of the Company's 2005 and 2006 U.S. federal income tax returns in the second quarter of 2009. Also contributing to the movement was the impact of significantly higher reported pre-tax income in the second 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 with a net loss from discontinued operations of $7 million for the second 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. After-tax impairment of the assets of $5 million in the second quarter of 2009 was the primary reason for the net loss attributable to SLM Corporation from discontinued operations in the year-ago quarter.

Six Months Ended June 30, 2010 Compared with Six Months Ended June 30, 2009

For the six months ended June 30, 2010 and June 30, 2009, net income attributable to SLM Corporation was $578 million or $1.08 diluted earnings per common share and a net loss of $144 million, or $.42 diluted loss per common share, respectively. For the six months ended June 30, 2010, net income attributable to SLM Corporation from continuing operations was $578 million or $1.08 diluted earnings from continuing operations per common share compared with a net loss from continuing operations of $91 million, or $.31 diluted loss per share from continuing operations per common share for the six months ended June 30, 2009. For the six months ended June 30, 2010, there was no net income or loss from discontinued operations, compared with a net loss from discontinued operations of $53 million, or $.11 diluted loss from discontinued operations per common share for the six months ended June 30, 2009.

For the six months ended June 30, 2010, the Company's pre-tax income from continuing operations was $930 million compared with a pre-tax loss of $140 million in the prior-year period. The increase in pre-tax income of $1.1 billion was primarily due to a $939 million increase in net interest income after provisions for loan losses and a $471 million increase in net gains on derivative and hedging activities, from a $458 million net loss for the six months ended June 30, 2009 to a $13 million net gain in the six months ended June 30, 2010. The change in derivative and hedging activities was primarily the result of the increase in

mark-to-market derivative valuations on derivatives that do not qualify for hedge accounting treatment under GAAP. This was partially offset by a $208 million decrease in gains on debt repurchases.

Net interest income after provisions for loan losses increased by $939 million in the six months ended June 30, 2010 from the year-ago period. This increase was due to a $1.2 billion increase in net interest income offset by a $213 million increase in provisions for loan losses. The increase in net interest income and provisions for loan losses was partially due to the adoption of topic updates to ASC 810 which resulted in the consolidation of $35.0 billion of assets and $34.4 billion of liabilities in certain securitizations trusts as of January 1, 2010 as discussed above. The consolidation of these securitization trusts as of January 1, 2010 resulted in $506 million of additional net interest income and $176 million of additional provisions for loan losses in the first half of 2010. Excluding the results of the trusts consolidated as of January 1, 2010, net interest income would have increased $646 million from the first half of 2009 and provisions for loan losses would have increased $37 million from the first half of 2009. The increase in net interest income, excluding the impact of the ASC 810 securitization trust consolidations, was primarily the result of an increase in the student loan spread and a decrease in the 2008 Asset-Backed Financing Facilities fees (see "LENDING BUSINESS SEGMENT — Net Interest Income — *Net Interest Margin — On-Balance Sheet*"). The majority of the provisions for loan losses relates to the Private Education Loan loss provision (see "LENDING BUSINESS SEGMENT — Private Education Loan Losses — *Private Education Loan Delinquencies and Forbearance*" and "— *Allowance for Private Education Loan Losses*").

As discussed above, as a result of adopting topic updates to ASC 810, there was no securitization servicing or Residual Interest revenue in the six months ended June 30, 2010, compared with an $8 million loss in the year-ago period.

In the six months ended June 30, 2010, contingency fee revenue, collections revenue and guarantor servicing fees totaled $267 million, an $8 million decrease from $275 million in the year-ago period.

Restructuring expenses of $44 million and $7 million were recognized in the six months ended June 30, 2010 and 2009, respectively, as previously discussed.

For the six months ended June 30, 2010 and June 30, 2009, operating expenses, excluding restructuring-related asset impairments of $10 million and $0 million, respectively, were $664 million compared with $603 million, respectively. The $61 million increase from the year-ago period was primarily due to legal contingencies, higher costs related to the ED Servicing Contract (see "OTHER BUSINESS SEGMENT"), higher collection costs from a higher number of loans in repayment and delinquent status, and higher marketing and technology enhancement costs related to Private Education Loans. The amortization and impairment of acquired intangibles for continuing operations totaled $20 million and $19 million in the six months ended June 30, 2010 and 2009, respectively.

Income tax expense from continuing operations was $352 million in the six months ended June 30, 2010 compared with income tax benefit of $49 million in the year-ago period, resulting in effective tax rates of 38 percent and 35 percent, respectively. The change in the effective tax rate in the first half 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 effect of adjustments related to the IRS examination of the Company's 2005 and 2006 U.S. federal income tax returns in the first half of 2009. Also contributing to the change in effective tax rate was the effect of significantly higher reported pre-tax income in the first half 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 six months ended June 30, 2010 compared with a net loss from discontinued operations of $53 million for the year-ago period. The Company sold all of the assets in its Purchased Paper — Mortgage/Properties business in the fourth quarter of 2009 for $280 million. Because of the sale, the Purchased Paper — Mortgage/Properties business is required to be presented separately as discontinued operations for all periods presented. After-tax impairment of the assets of $51 million in the six months ended June 30, 2009 was the primary reason for the net loss attributable to SLM Corporation from discontinued operations in the year-ago period.

Other Income

The following table summarizes the components of "Other income" in the consolidated statements of income for the quarters ended June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 2009.

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Gains on debt repurchases	$ 91	$ 90	$325	$181	$389
Late fees and forbearance fees	36	41	32	78	69
Asset servicing and other transaction fees	30	28	26	58	51
Loan servicing fees	17	19	9	36	19
Foreign currency translation gains (losses)	(19)	1	(6)	(18)	34
Other	10	11	14	20	29
Total other income	$165	$190	$400	$355	$591

The change in other income over the prior periods presented was primarily the result of the gains on debt repurchases and foreign currency translation gains (losses). The Company began repurchasing its outstanding debt in the second quarter of 2008 in both open-market repurchases and public tender offers. The Company repurchased $1.4 billion, $1.3 billion and $1.1 billion face amount of its senior unsecured notes for the quarters ended June 30, 2010, March 31, 2010 and June 30, 2009, respectively. Since the second quarter of 2008, the Company has repurchased $8.0 billion face amount of its senior unsecured notes, with maturity dates ranging from 2008 to 2016. The foreign currency translation gains (losses) relate to a portion of the Company's foreign currency denominated debt that does not receive hedge accounting treatment under ASC 815. Partially offsetting gains (losses) were 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 June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 2009.

	Quarters ended			Six months ended	
(in thousands)	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Reported net income (loss) attributable to SLM Corporation	$337,818	$240,140	$(122,720)	$577,958	$(144,106)
Preferred stock dividends	(18,711)	(18,678)	(25,800)	(37,389)	(52,195)
Reported net income (loss) attributable to common stock	319,107	221,462	(148,520)	540,569	(196,301)
Expense items disclosed separately (tax-effected):					
Restructuring expenses	11,130	16,558	2,100	27,688	4,477
Other reorganization-related asset impairments	3,699	2,075	222	5,774	222
Total expense items disclosed separately (tax-effected)	14,829	18,633	2,322	33,462	4,699
Net income (loss) attributable to SLM Corporation common stock, excluding the impact of items disclosed separately	333,936	240,095	(146,198)	574,031	(191,602)
Adjusted for dividends on convertible Series C Preferred Stock[(1)]	14,688	14,688	—	29,376	—
Net income (loss) attributable to SLM Corporation common stock, excluding the impact of items disclosed separately, adjusted	$348,624	$254,783	$(146,198)	$603,407	$(191,602)
Average common and common equivalent shares outstanding	527,391	526,631	466,799	527,013	466,780

(1) There was no impact on diluted earnings (loss) per common share for the year-ago quarter and the six months ended June 30, 2009 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 June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 2009.

	Quarters ended			Six months ended	
(in thousands)	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
"Core Earnings" net income attributable to SLM Corporation	$209,372	$211,774	$170,444	$421,146	$184,328
Preferred stock dividends	(18,711)	(18,678)	(25,800)	(37,389)	(52,195)
"Core Earnings" net income attributable to SLM Corporation common stock	190,661	193,096	144,644	383,757	132,133
Expense items disclosed separately (tax-effected):					
Restructuring expenses	11,130	16,558	2,100	27,688	4,477
Other reorganization-related asset impairments	3,699	2,075	222	5,774	222
Total expense items disclosed separately (tax-effected)	14,829	18,633	2,322	33,462	4,699
"Core Earnings" net income attributable to SLM Corporation common stock, excluding the impact of items disclosed separately	205,490	211,729	146,966	417,219	136,832
Adjusted for dividends on convertible Series C Preferred Stock[1]	14,688	14,688	—	29,376	—
"Core Earnings" net income (loss) attributable to SLM Corporation common stock, excluding the impact of items disclosed separately, adjusted	$220,178	$226,417	$146,966	$446,595	$136,832
Average common and common equivalent shares outstanding	527,391	526,631	467,437	527,013	467,318

(1) There was no impact on diluted earnings (loss) per common share for the year-ago quarter and six months ended June 30, 2009 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 Other business segments are presented below, using our "Core Earnings" presentation.

The Lending business segment section includes discussion of income and related expenses associated with the net interest margin, the student loan spread and its components, the provisions for loan losses, and other fees earned on our Managed portfolio of student loans. The APG business segment reflects fees earned and expenses incurred in providing accounts receivable management and collection services. The Other business segment includes our remaining fee businesses that do not pertain directly to the primary segments identified above.

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

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 "securitization servicing and Residual Interest revenue (loss)" presented in accordance with GAAP, were excluded from "Core Earnings" and were replaced by interest income, provisions for loan losses, and interest expense as earned or incurred on the securitization loans. We also excluded transactions with our off-balance sheet trusts from "Core Earnings" as they were considered intercompany transactions on a "Core Earnings" basis. On January 1, 2010, upon the adoption of topic updates to ASC 810, which resulted in the consolidation of these off-balance sheet securitization trusts, there are no longer differences between the Company's GAAP and "Core Earnings" presentation for securitization accounting (see "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — VIE Consolidation Model").

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

	Three months ended June 30, 2009	Six months ended June 30, 2009
"Core Earnings" securitization adjustments:		
Net interest income on securitized loans, before provisions for loan losses and before intercompany transactions	$(236)	$(438)
Provisions for loan losses	124	222
Net interest income on securitized loans, after provisions for loan losses	(112)	(216)
Securitization servicing and Residual Interest revenue (loss)	87	(8)
Total "Core Earnings" securitization adjustments[1]	$ (25)	$(224)

[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 June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 2009, when compared with the accounting principles employed in all years prior to the ASC 815 implementation.

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
"Core Earnings" derivative adjustments:					
Gains (losses) on derivative and hedging activities, net, included in other income[1]	$ 95	$ (82)	$(562)	$ 13	$(458)
Plus: Realized losses on derivative and hedging activities, net[1]	226	204	78	431	2
Unrealized gains (losses) on derivative and hedging activities, net	321	122	(484)	444	(456)
Other pre-ASC 815 accounting adjustments	(20)	(2)	(11)	(22)	15
Total net impact of ASC 815 derivative accounting[2]	$301	$120	$(495)	$422	$(441)

(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 June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 2009.

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Reclassification of realized gains (losses) on derivative and hedging activities:					
Net settlement expense on Floor Income Contracts reclassified to net interest income	$(222)	$(210)	$(171)	$(433)	$(311)
Net settlement income (expense) on interest rate swaps reclassified to net interest income	(5)	6	95	2	324
Foreign exchange derivatives gains (losses) reclassified to other income	1	—	(1)	1	(14)
Net realized losses on terminated derivative contracts reclassified to other income	—	—	(1)	(1)	(1)
Total reclassifications of realized losses on derivative and hedging activities	(226)	(204)	(78)	(431)	(2)
Add: Unrealized gains (losses) on derivative and hedging activities, net[1]	321	122	(484)	444	(456)
Gains (losses) on derivative and hedging activities, net	$ 95	$ (82)	$(562)	$ 13	$(458)

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

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Floor Income Contracts	$ (42)	$ 19	$ 236	$ (23)	$ 402
Basis swaps	263	63	(217)	326	(532)
Foreign currency hedges	99	8	(361)	107	(279)
Other	1	32	(142)	34	(47)
Total unrealized gains (losses) on derivative and hedging activities, net	$321	$122	$(484)	$444	$(456)

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 June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 2009.

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
"Core Earnings" Floor Income adjustments:					
Floor Income earned on Managed loans, net of payments on Floor Income Contracts	$ 2	$ 5	$120	$ 7	$227
Amortization of net premiums on Floor Income Contracts in net interest income	(90)	(54)	(30)	(144)	(58)
Total "Core Earnings" Floor Income adjustments[1][2]	$(88)	$(49)	$ 90	$(137)	$169

[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 June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 2009 that is not included in "Core Earnings" net income:

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Floor Income earned on Managed loans, net of payments on Floor Income Contracts, not included in "Core Earnings"	$ 2	$ 5	$120	$ 7	$227
Amortization of net premiums on Variable Rate Floor Income Contracts not included in "Core Earnings"	—	—	21	—	40
Amortization of net premiums on Fixed Rate Floor Income Contracts included in "Core Earnings"	90	54	30	144	58
Total Economic Floor Income Earned	92	59	171	151	325
Less: Amortization of net premiums on Fixed Rate Floor Income Contracts included in "Core Earnings"	(90)	(54)	(30)	(144)	(58)
Total Economic Floor Income earned, not included in "Core Earnings"	$ 2	$ 5	$141	$ 7	$267

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 June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 2009.

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
"Core Earnings" goodwill and acquired intangibles adjustments:					
Goodwill and intangible impairment and the amortization of acquired intangibles from continuing operations[1]	$(10)	$(10)	$(10)	$(20)	$(19)

[1] Negative amounts are subtracted from "Core Earnings" net income to arrive at GAAP net income.

LENDING BUSINESS SEGMENT

In our Lending business segment, we originate and acquire federally guaranteed student loans and Private Education Loans that are not federally guaranteed. See "RECENT DEVELOPMENTS — Legislative and Regulatory Developments" for a discussion of the elimination of new FFELP loan originations effective July 1,

2010. In the past, a Private Education Loan was made in conjunction with a FFELP Stafford Loan. While FFELP Loans and Private Education Loans have different overall risk profiles due to the federal guarantee of the FFELP Loans, they currently share many of the same characteristics such as the same marketing channel, sales force, and origination and servicing platforms.

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

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
"Core Earnings" interest income:					
FFELP Stafford and Other Student Loans	$ 324	$ 274	$ 310	$ 598	$ 672
FFELP Consolidation Loans	418	364	394	782	833
Private Education Loans	575	565	559	1,141	1,122
Other loans	7	9	18	16	35
Cash and investments	3	—	4	3	6
Total "Core Earnings" interest income	1,327	1,212	1,285	2,540	2,668
Total "Core Earnings" interest expense	572	515	832	1,087	1,791
Net "Core Earnings" interest income	755	697	453	1,453	877
Less: provisions for loan losses	382	359	402	741	751
Net "Core Earnings" interest income after provisions for loan losses	373	338	51	712	126
Other income	128	141	360	269	461
Direct operating expenses	167	146	134	313	257
Overhead expenses	27	20	21	48	41
Operating expenses	194	166	155	361	298
Restructuring expenses	16	21	4	37	6
Total expenses	210	187	159	398	304
Income from continuing operations, before income tax expense	291	292	252	583	283
Income tax expense	107	107	94	214	104
Net income	184	185	158	369	179
Less: net income attributable to noncontrolling interest	—	—	—	—	—
"Core Earnings" net income attributable to SLM Corporation	$ 184	$ 185	$ 158	$ 369	$ 179
Economic Floor Income (net of tax) not included in "Core Earnings"	$ 1	$ 3	$ 89	$ 4	$ 168

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.

On a Managed Basis, the Company had $82.0 billion, $86.2 billion and $113.9 billion as of June 30, 2010, March 31, 2010, and June 30, 2009, respectively, of FFELP Loans indexed to three-month commercial paper rate ("CP") funded with debt indexed to three-month LIBOR. As a result of the turmoil in the capital markets, the historically tight spread between CP and three-month LIBOR began to widen dramatically in the fourth quarter of 2008. The spread has subsequently reverted to more normal levels beginning in the third quarter of 2009 and, while more volatile than in the past, has been relatively stable since then.

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 June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 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					
	June 30, 2010		March 31, 2010		June 30, 2009	
	Balance	Rate	Balance	Rate	Balance	Rate
Average Assets						
FFELP Stafford and Other Student Loans	$ 66,488	1.96%	$ 62,167	1.85%	$ 60,120	2.16%
FFELP Consolidation Loans	81,613	2.71	82,687	2.57	70,456	2.62
Private Education Loans	36,470	6.33	36,679	6.25	23,012	6.85
Other loans	322	9.05	391	9.32	630	11.76
Cash and investments	13,152	.19	12,773	.16	10,383	.27
Total interest-earning assets	198,045	2.97%	194,697	2.89%	164,601	2.93%
Non-interest-earning assets	6,503		6,736		8,898	
Total assets	$204,548		$201,433		$173,499	
Average Liabilities and Equity						
Short-term borrowings	$ 42,813	.78%	$ 38,978	.86%	$ 44,550	1.99%
Long-term borrowings	153,303	1.27	154,268	1.18	120,073	2.00
Total interest-bearing liabilities	196,116	1.16%	193,246	1.12%	164,623	2.00%
Non-interest-bearing liabilities	3,485		3,412		3,799	
Equity	4,947		4,775		5,077	
Total liabilities and equity	$204,548		$201,433		$173,499	
Net interest margin		1.81%		1.78%		.94%

	Six months ended			
	June 30, 2010		June 30, 2009	
	Balance	Rate	Balance	Rate
Average Assets				
FFELP Stafford and Other Student Loans	$ 64,339	1.91%	$ 57,913	2.32%
FFELP Consolidation Loans	82,147	2.64	70,881	2.70
Private Education Loans	36,574	6.29	22,842	6.89
Other loans	356	9.20	669	10.51
Cash and investments	12,964	.17	8,904	.29
Total interest-earning assets	196,380	2.93%	161,209	3.06%
Non-interest-earning assets	6,619		9,181	
Total assets	$202,999		$170,390	
Average Liabilities and Equity				
Short-term borrowings	$ 40,906	.82%	$ 44,198	2.48%
Long-term borrowings	153,783	1.23	117,167	2.24
Total interest-bearing liabilities	194,689	1.14%	161,365	2.31%
Non-interest-bearing liabilities	3,449		3,894	
Equity	4,861		5,131	
Total liabilities and equity	$202,999		$170,390	
Net interest margin		1.80%		.75%

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			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Student loan spread[1][2]	2.04%	2.02%	1.32%	2.03%	1.14%
Other asset spread[1][3]	(1.25)	(1.55)	(2.08)	(1.40)	(2.12)
Net interest margin, before the impact of 2008 Asset-Backed Financing Facilities fees[1]	1.81	1.78	1.10	1.80	.95
Less: 2008 Asset-Backed Financing Facilities fees	—	—	(.16)	—	(.20)
Net interest margin	1.81%	1.78%	.94%	1.80%	.75%

(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 — *Asset-Backed Financing Facilities*" for a further discussion.

(2) Composition of student loan spread:

	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Student loan yield, before Floor Income	3.32%	3.24%	3.21%	3.28%	3.38%
Gross Floor Income	.49	.48	.56	.48	.53
Consolidation Loan Rebate Fees	(.46)	(.48)	(.47)	(.47)	(.49)
Repayment Borrower Benefits	(.09)	(.08)	(.09)	(.08)	(.09)
Premium and discount amortization	(.10)	(.10)	(.14)	(.10)	(.14)
Student loan net yield	3.16	3.06	3.07	3.11	3.19
Student loan cost of funds	(1.12)	(1.04)	(1.75)	(1.08)	(2.05)
Student loan spread, before 2008 Asset-Backed Financing Facilities fees	2.04%	2.02%	1.32%	2.03%	1.14%

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

Student Loan Spread — On-Balance Sheet

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

The student loan spread, before 2008 Asset-Backed Financing Facilities fees, for the second quarter of 2010 increased 2 basis points from the prior quarter. The student loan spread was positively affected by a 2 basis point tightening of the CP/3-month LIBOR spread and a lower cost of funds related to the ED Conduit and Participation Funding Programs and 2010 ABCP facility (see "LIQUIDITY AND CAPITAL RESOURCES"). 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 first half 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 second quarter of 2010 increased 72 basis points from the year-ago quarter. The student loan spread was positively affected by a 42 basis point tightening of the CP/3-month 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 $35.0 billion of assets and $34.4 billion of liabilities as of January 1, 2010, upon the adoption of topic updates to ASC 810 (see "RECENT DEVELOPMENTS — Recently Adopted Accounting Standards — VIE Consolidation Model" for a further discussion). The student loans that were consolidated had a higher student loan spread compared to the on-balance sheet portfolio prior to consolidation as a higher percentage of these consolidated loans were Private Education Loans which have a higher spread compared to FFELP loans. Offsetting these improvements to the student loan spread were higher credit spreads on the Company's unsecured and ABS debt issued in 2009 and 2010 due to the current credit environment.

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

Other Asset Spread — On-Balance Sheet

The other asset spread is generated from cash and investments (both restricted and unrestricted) primarily in our liquidity portfolio and other loans. The Company invests its liquidity portfolio primarily in short-term securities with maturities of one week or less to manage counterparty credit risk and maintain available cash balances. The other asset spread for the second quarter of 2010 increased 30 basis points from the prior quarter and increased 83 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 second quarter of 2010 increased 3 basis points from the prior quarter and increased 71 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*" in the Company's 2009 Form 10-K filed with the SEC on February 26, 2010 for a discussion of the 2008 Asset-Backed Financing Facilities fees and related extensions.

"Core Earnings" Net Interest Margin

The following table analyzes the earnings from our portfolio of Managed interest-earning assets on a "Core Earnings" basis (see "BUSINESS SEGMENTS — Pre-tax Differences between "'Core Earnings' and 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			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
"Core Earnings" basis student loan spread[1]:					
FFELP loan spread	1.04%	.90%	.39%	.97%	.38%
Private Education Loan spread[2]	4.61	4.56	4.50	4.59	4.58
Total "Core Earnings" basis student loan spread[3]	1.75	1.64	1.17	1.69	1.19
"Core Earnings" basis other asset spread[1][4]	(1.31)	(.95)	(.91)	(1.13)	(1.01)
"Core Earnings" net interest margin, before 2008 Asset-Backed Financing Facilities fees[1]	1.54	1.46	1.04	1.50	1.06
Less: 2008 Asset-Backed Financing Facilities fees	—	—	(.13)	—	(.16)
"Core Earnings" net interest margin[5]	1.54%	1.46%	.91%	1.50%	.90%

(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 — *Asset-Backed Financing Facilities*" for a further discussion.

	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
(2) "Core Earnings" basis Private Education Loan Spread, before 2008 Asset-Backed Financing Facilities fees and after provision for loan losses	.77%	.97%	.47%	.87%	.88%
(3) Composition of "Core Earnings" basis student loan spread:					
"Core Earnings" basis student loan yield	3.52%	3.35%	3.36%	3.42%	3.54%
Consolidation Loan Rebate Fees	(.46)	(.48)	(.47)	(.47)	(.48)
Repayment Borrower Benefits	(.09)	(.08)	(.09)	(.08)	(.09)
Premium and discount amortization	(.10)	(.10)	(.12)	(.10)	(.13)
"Core Earnings" basis student loan net yield	2.87	2.69	2.68	2.77	2.84
"Core Earnings" basis student loan cost of funds	(1.12)	(1.05)	(1.51)	(1.08)	(1.65)
"Core Earnings" basis student loan spread, before 2008 Asset-Backed Financing Facilities fees	1.75%	1.64%	1.17%	1.69%	1.19%

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

	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
(5) The average balances of our Managed interest-earning assets for the respective periods are:					
FFELP loans	$148,101	$144,854	$152,482	$146,486	$150,960
Private Education Loans	36,470	36,679	36,008	36,574	35,913
Total student loans	184,571	181,533	188,490	183,060	186,873
Other interest-earning assets	13,474	13,164	12,336	13,320	10,987
Total Managed interest-earning assets	$198,045	$194,697	$200,826	$196,380	$197,860

"Core Earnings" Basis Student Loan Spread

The "Core Earnings" basis student loan spread, before the 2008 Asset-Backed Financing Facilities fees, for the second quarter of 2010 increased by 11 basis points from the prior quarter. The "Core Earnings" basis student loan spread was positively affected by a 2 basis point tightening of the average CP/3-month LIBOR spread between the quarters, a 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 the first half 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 second quarter of 2010 increased 58 basis points from the year-ago quarter. The “Core Earnings” basis student loan spread was positively affected by a 42 basis point tightening of the average CP/3-month LIBOR spread between the quarters, a 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 to manage counterparty credit risk and maintain available cash balances. The “Core Earnings” basis other asset spread for the second quarter of 2010 decreased 36 basis points and 40 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 second quarter of 2010 increased 8 basis points from the prior quarter and increased 50 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*” in the Company’s 2009 Form 10-K filed with the SEC on February 26, 2010 for a discussion of the 2008 Asset-Backed Financing Facilities fees and related extensions.

Private Education Loan Losses

On-Balance Sheet versus Managed Basis Presentation

Effective January 1, 2010, upon the adoption of topic updates to ASC 810, there are no longer 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 June 30, 2010, March 31, 2010 and June 30, 2009.

	On-Balance Sheet Private Education Loan Delinquencies					
	June 30, 2010		March 31, 2010		June 30, 2009	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$10,051		$11,452		$10,355	
Loans in forbearance[2]	1,437		1,338		945	
Loans in repayment and percentage of each status:						
Loans current	22,669	88.2%	21,699	87.9%	10,294	84.8%
Loans delinquent 31-60 days[3]	948	3.7	842	3.4	504	4.2
Loans delinquent 61-90 days[3]	604	2.3	576	2.3	335	2.7
Loans delinquent greater than 90 days[3]	1,501	5.8	1,589	6.4	1,013	8.3
Total Private Education Loans in repayment	25,722	100%	24,706	100%	12,146	100%
Total Private Education Loans, gross	37,210		37,496		23,446	
Private Education Loan unamortized discount	(905)		(912)		(537)	
Total Private Education Loans	36,305		36,584		22,909	
Private Education Loan receivable for partially charged-off loans	888		797		338	
Private Education Loan allowance for losses	(2,042)		(2,019)		(1,396)	
Private Education Loans, net	$35,151		$35,362		$21,851	
Percentage of Private Education Loans in repayment		69.1%		65.9%		51.8%
Delinquencies as a percentage of Private Education Loans in repayment		11.9%		12.2%		15.2%
Loans in forbearance as a percentage of loans in repayment and forbearance		5.3%		5.1%		7.2%

(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	
	June 30, 2009[4]	
	Balance	%
Loans in-school/grace/deferment[1]	$ 2,974	
Loans in forbearance[2]	583	
Loans in repayment and percentage of each status:		
Loans current	8,874	90.4%
Loans delinquent 31-60 days[3]	261	2.7
Loans delinquent 61-90 days[3]	174	1.8
Loans delinquent greater than 90 days[3]	505	5.1
Total Private Education Loans in repayment	9,814	100%
Total Private Education Loans, gross	13,371	
Private Education Loan unamortized discount	(355)	
Total Private Education Loans	13,016	
Private Education Loan receivable for partially charged-off loans	149	
Private Education Loan allowance for losses	(544)	
Private Education Loans, net	$12,621	
Percentage of Private Education Loans in repayment		73.4%
Delinquencies as a percentage of Private Education Loans in repayment		9.6%
Loans in forbearance as a percentage of loans in repayment and forbearance		5.6%

(1) Loans for borrowers who may still be attending school or engaging in other permitted educational activities and are not yet required to make payments on the loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

(2) Loans for borrowers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

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

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

	Managed Basis Private Education Loan Delinquencies					
	June 30, 2010		March 31, 2010		June 30, 2009	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$10,051		$11,452		$13,329	
Loans in forbearance[2]	1,437		1,338		1,528	
Loans in repayment and percentage of each status:						
Loans current	22,669	88.2%	21,699	87.9%	19,168	87.3%
Loans delinquent 31-60 days[3]	948	3.7	842	3.4	765	3.5
Loans delinquent 61-90 days[3]	604	2.3	576	2.3	509	2.3
Loans delinquent greater than 90 days[3]	1,501	5.8	1,589	6.4	1,518	6.9
Total Private Education Loans in repayment	25,722	100%	24,706	100%	21,960	100%
Total Private Education Loans, gross	37,210		37,496		36,817	
Private Education Loan unamortized discount	(905)		(912)		(892)	
Total Private Education Loans	36,305		36,584		35,925	
Private Education Loan receivable for partially charged-off loans	888		797		487	
Private Education Loan allowance for losses	(2,042)		(2,019)		(1,940)	
Private Education Loans, net	$35,151		$35,362		$34,472	
Percentage of Private Education Loans in repayment		69.1%		65.9%		59.7%
Delinquencies as a percentage of Private Education Loans in repayment		11.9%		12.2%		12.7%
Loans in forbearance as a percentage of loans in repayment and forbearance		5.3%		5.1%		6.5%

(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 June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 2009.

	Activity in Allowance for Private Education Loan Losses								
	On-balance sheet			Off-balance sheet			Managed Basis		
	Quarters ended			Quarters ended			Quarters ended		
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	March 31, 2010	June 30, 2009
Allowance at beginning of period	$ 2,019	$ 1,443	$ 1,384	$—	$ 524	$ 539	$ 2,019	$ 1,967	$ 1,923
Provision for Private Education Loan losses	349	325	242	—	—	120	349	325	362
Charge-offs	(336)	(284)	(239)	—	—	(116)	(336)	(284)	(355)
Reclassification of interest reserve	10	11	9	—	—	1	10	11	10
Consolidation of off-balance sheet trusts[1]	—	524	—	—	(524)	—	—	—	—
Allowance at end of period	$ 2,042	$ 2,019	$ 1,396	$—	$ —	$ 544	$ 2,042	$ 2,019	$ 1,940
Charge-offs as a percentage of average loans in repayment (annualized)	5.3%	4.7%	8.2%	—%	—%	4.8%	5.3%	4.7%	6.7%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	5.1%	4.4%	7.6%	—%	—%	4.6%	5.1%	4.4%	6.3%
Allowance as a percentage of the ending total loan balance	5.4%	5.3%	5.9%	—%	—%	4.0%	5.4%	5.3%	5.2%
Allowance as a percentage of ending loans in repayment	7.9%	8.2%	11.5%	—%	—%	5.5%	7.9%	8.2%	8.8%
Average coverage of charge-offs (annualized)	1.5	1.7	1.5	—	—	1.2	1.5	1.7	1.4
Ending total loans[2]	$38,098	$38,293	$23,784	$—	$ —	$13,520	$38,098	$38,293	$37,304
Average loans in repayment	$25,179	$24,646	$11,700	$—	$ —	$ 9,630	$25,179	$24,646	$21,330
Ending loans in repayment	$25,722	$24,706	$12,146	$—	$ —	$ 9,814	$25,722	$24,706	$21,960

(1) Upon the adoption of topic updates to ASC 810, on January 1, 2010, the Company consolidated all of its 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.

	Activity in Allowance for Private Education Loan Losses					
	On-balance sheet		Off-balance sheet		Managed Basis	
	Six months ended		Six months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Allowance at beginning of period	$ 1,443	$ 1,308	$ 524	$ 505	$ 1,967	$ 1,813
Provision for Private Education Loan losses	674	445	—	214	674	659
Charge-offs	(620)	(378)	—	(179)	(620)	(557)
Reclassification of interest reserve	21	21	—	4	21	25
Consolidation of off-balance sheet trusts[1]	524	—	(524)	—	—	—
Allowance at end of period	$ 2,042	$ 1,396	$ —	$ 544	$ 2,042	$ 1,940
Charge-offs as a percentage of average loans in repayment (annualized)	5.0%	6.7%	—%	3.8%	5.0%	5.4%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	4.8%	6.2%	—%	3.6%	4.8%	5.0%
Allowance as a percentage of the ending total loan balance	5.4%	5.9%	—%	4.0%	5.4%	5.2%
Allowance as a percentage of ending loans in repayment	7.9%	11.5%	—%	5.5%	7.9%	8.8%
Average coverage of charge-offs (annualized)	1.6	1.8	—	1.5	1.6	1.7
Ending total loans[2]	$38,098	$23,784	$ —	$13,520	$38,098	$37,304
Average loans in repayment	$24,914	$11,405	$ —	$ 9,522	$24,914	$20,927
Ending loans in repayment	$25,722	$12,146	$ —	$ 9,814	$25,722	$21,960

(1) Upon the adoption of topic updates to ASC 810, on January 1, 2010, the Company consolidated all of its 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 June 30, 2010, March 31, 2010 and June 30, 2009.

	June 30, 2010			March 31, 2010			June 30, 2009		
	Traditional	Non-Traditional	Total	Traditional	Non-Traditional	Total	Traditional	Non-Traditional	Total
Ending total loans[1]	$33,541	$4,557	$38,098	$33,630	$4,663	$38,293	$32,326	$4,978	$37,304
Ending loans in repayment	22,898	2,824	25,722	21,883	2,823	24,706	18,980	2,980	21,960
Private Education Loan allowance for losses	1,168	874	2,042	1,125	894	2,019	967	973	1,940
Charge-offs as a percentage of average loans in repayment[2]	3.7%	18.7%	5.3%	3.2%	15.9%	4.7%	3.9%	24.0%	6.7%
Allowance as a percentage of total ending loan balance	3.5%	19.2%	5.4%	3.3%	19.2%	5.3%	3.0%	19.6%	5.2%
Allowance as a percentage of ending loans in repayment	5.1%	31.0%	7.9%	5.1%	31.7%	8.2%	5.1%	32.7%	8.8%
Average coverage of charge-offs[2]	1.4	1.7	1.5	1.6	2.0	1.7	1.4	1.4	1.4
Delinquencies as a percentage of Private Education Loans in repayment	9.7%	29.6%	11.9%	9.8%	30.5%	12.2%	9.5%	33.5%	12.7%
Delinquencies greater than 90 days as a percentage of Private Education Loans in repayment	4.6%	16.1%	5.8%	4.9%	18.1%	6.4%	4.8%	20.6%	6.9%
Loans in forbearance as a percentage of loans in repayment and forbearance	5.1%	7.2%	5.3%	4.9%	7.0%	5.1%	6.1%	8.9%	6.5%
Percentage of Private Education Loans with a cosigner	62%	28%	58%	62%	28%	58%	60%	27%	55%
Average FICO at origination	725	623	714	725	623	714	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 June 30, 2010, March 31, 2010 and June 30, 2009.

Managed provision expense was $349 million in the second quarter of 2010, $325 million in the first quarter of 2010 and $362 million in the second 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), and have now declined to 11.9 percent at June 30, 2010. As of June 30, 2010, the Managed Private Education Loan allowance coverage of annualized current-quarter charge-offs ratio was 1.5 compared with 1.7 as of March 31, 2010 and 1.4 as of June 30, 2009. The allowance for loan losses as a percentage of ending Private Education Loans in repayment decreased to approximately 7.9 percent at June 30, 2010 versus 8.2 percent at March 31, 2010. Managed Private Education Loan delinquencies as a percentage of loans in repayment decreased from 12.7 percent to 11.9 percent from June 30, 2009 to June 30, 2010. Managed Private Education Loans in forbearance as a percentage of loans in repayment and forbearance decreased from 6.5 percent as of June 30, 2009 to 5.3 percent at June 30, 2010. The Company analyzed changes in the key ratios disclosed in the tables above when determining the appropriate Private Education Loan allowance for loan losses.

Forbearance involves granting the borrower a temporary cessation of payments (or temporary acceptance of smaller than scheduled payments) for a specified period of time. Using forbearance in this manner effectively extends the original term of the loan. Forbearance does not grant any reduction in the total repayment obligation (principal or interest). While a loan is in forbearance status, interest continues to accrue and is capitalized to principal when the loan re-enters repayment status. Our forbearance policies include limits on the number of forbearance months granted consecutively and the total number of forbearance months granted over the life of the loan. In some instances, we require good-faith payments before granting forbearance. Exceptions to forbearance policies are permitted when such exceptions are judged to increase the likelihood of ultimate collection of the loan. Forbearance as a collection tool is used most effectively when applied based on a borrower's unique situation, including historical information and judgments. We combine borrower information with a risk-based segmentation model to assist in our decision making as to who will be granted forbearance based on our expectation as to a borrower's ability and willingness to repay their

obligation. This strategy is aimed at mitigating the overall risk of the portfolio as well as encouraging cash resolution of delinquent loans.

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

Forbearance may also be granted to borrowers who are delinquent in their payments. In these circumstances, the forbearance cures the delinquency and the borrower is returned to a current repayment status. In more limited instances, delinquent borrowers will also be granted additional forbearance time. As we have obtained further experience about the effectiveness of forbearance, we have reduced the amount of time a loan will spend in forbearance, thereby increasing our ongoing contact with the borrower to encourage consistent repayment behavior once the loan is returned to a current repayment status. As a result, the balance of loans in a forbearance status as of month-end have decreased since 2008. In addition, the monthly average amount of loans granted forbearance as a percentage of loans in repayment and forbearance declined to 4.5 percent in the second quarter of 2010 compared with the year-ago quarter of 5.1 percent. As of June 30, 2010, 1.5 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 June 2010.

The table below reflects the historical effectiveness of using forbearance. Our experience has shown that three years after being granted forbearance for the first time, 69 percent of the loans are current, paid in full, or receiving an in-school grace or deferment, and 16 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	8.8%	8.1%	3.2%
Current	51.0	57.5	64.0
Delinquent 31-60 days	3.1	2.0	0.4
Delinquent 61-90 days	1.9	1.1	0.2
Delinquent greater than 90 days	4.6	2.6	0.3
Forbearance	5.2	3.8	—
Defaulted	15.9	8.4	4.9
Paid	9.5	16.5	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 June 30, 2010, loans in forbearance status as a percentage of loans in repayment and forbearance was 7.1 percent for loans that have been in active repayment status for less than 25 months. The percentage drops to 2.0 percent for loans that have been in active repayment status for more than 48 months. Approximately 83 percent of our Managed Private Education Loans in forbearance status have been in active repayment status less than 25 months.

June 30, 2010	Monthly Scheduled Payments Due			Not Yet in Repayment	Total
	0 to 24	25 to 48	More than 48		
Loans in-school/grace/deferment	$ —	$ —	$ —	$10,051	$10,051
Loans in forbearance	1,198	167	72	—	1,437
Loans in repayment — current	13,303	5,948	3,418	—	22,669
Loans in repayment — delinquent 31-60 days	719	156	73	—	948
Loans in repayment — delinquent 61-90 days	485	83	36	—	604
Loans in repayment — delinquent greater than 90 days	1,221	194	86	—	1,501
Total	$16,926	$6,548	$3,685	$10,051	37,210
Unamortized discount					(905)
Receivable for partially charged-off loans					888
Allowance for loan losses					(2,042)
Total Managed Private Education Loans, net					$35,151
Loans in forbearance as a percentage of loans in repayment and forbearance	7.1%	2.6%	2.0%	—%	5.3%

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%

June 30, 2009	Monthly Scheduled Payments Due 0 to 24	25 to 48	More than 48	Not Yet in Repayment	Total
Loans in-school/grace/deferment	$ —	$ —	$ —	$13,329	$13,329
Loans in forbearance	1,349	125	54	—	1,528
Loans in repayment — current	12,238	4,403	2,527	—	19,168
Loans in repayment — delinquent 31-60 days	612	103	50	—	765
Loans in repayment — delinquent 61-90 days	420	60	29	—	509
Loans in repayment — delinquent greater than 90 days	1,304	147	67	—	1,518
Total	$15,923	$4,838	$2,727	$13,329	36,817
Unamortized discount					(892)
Receivable for partially charged-off loans					487
Allowance for loan losses					(1,940)
Total Managed Private Education Loans, net					$34,472
Loans in forbearance as a percentage of loans in repayment and forbearance	8.5%	2.6%	2.0%	—%	6.5%

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

Cumulative number of months borrower has used forbearance	June 30, 2010 Forbearance Balance	June 30, 2010 % of Total	March 31, 2010 Forbearance Balance	March 31, 2010 % of Total	June 30, 2009 Forbearance Balance	June 30, 2009 % of Total
Up to 12 months	$1,014	71%	$ 958	72%	$1,031	68%
13 to 24 months	372	26	340	25	403	26
More than 24 months	51	3	40	3	94	6
Total	$1,437	100%	$1,338	100%	$1,528	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 June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 2009.

Total on-balance sheet loan provisions

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Private Education Loans	$349	$325	$242	$674	$445
FFELP loans	29	23	25	52	60
Mortgage and consumer loans	4	11	11	15	23
Total on-balance sheet provisions for loan losses	$382	$359	$278	$741	$528

Total Managed Basis loan provisions

	Quarters ended			Six months ended	
	June 30, 2010	**March 31, 2010**	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
Private Education Loans	$349	$325	$362	$674	$659
FFELP loans	29	23	29	52	69
Mortgage and consumer loans	4	11	11	15	23
Total Managed Basis provisions for loan losses	$382	$359	$402	$741	$751

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 June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 2009.

Total on-balance sheet loan charge-offs

	Quarters ended			Six months ended	
	June 30, 2010	**March 31, 2010**	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
Private Education Loans	$336	$284	$239	$620	$378
FFELP loans	24	21	25	46	44
Mortgage and consumer loans	7	9	8	15	13
Total on-balance sheet loan charge-offs	$367	$314	$272	$681	$435

Total Managed Basis loan charge-offs

	Quarters ended			Six months ended	
	June 30, 2010	**March 31, 2010**	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
Private Education Loans	$336	$284	$355	$620	$557
FFELP loans	24	21	29	46	52
Mortgage and consumer loans	7	9	8	15	13
Total Managed Basis loan charge-offs	$367	$314	$392	$681	$622

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 June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 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		
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	March 31, 2010	June 30, 2009
Receivable at beginning of period	$797	$499	$265	$—	$ 229	$109	$797	$728	$374
Expected future recoveries of current period defaults[1]	115	94	82	—	—	44	115	94	126
Recoveries	(24)	(25)	(9)	—	—	(5)	(24)	(25)	(14)
Consolidation of off-balance sheet trusts[2]	—	229	—	—	(229)	—	—	—	—
Receivable at end of period	$888	$797	$338	$—	$ —	$148	$888	$797	$486

	Activity in Receivable for Partially Charged-Off Loans					
	On-balance sheet		Off-balance sheet		Managed Basis	
	Six months ended		Six months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Receivable at beginning of period	$499	$222	$ 229	$ 91	$728	$313
Expected future recoveries of current period defaults[1]	209	135	—	64	209	199
Recoveries	(49)	(19)	—	(7)	(49)	(26)
Consolidation of off-balance sheet trusts[2]	229	—	(229)	—	—	—
Receivable at end of period	$888	$338	$ —	$148	$888	$486

(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 June 30, 2010, March 31, 2010 and June 30, 2009 and for the six months ended June 30, 2010 and 2009.

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Gains on debt repurchases	$ 91	$ 90	$325	$181	$389
Late fees and forbearance fees	36	41	32	78	69
Gains (losses) on sales of loans and securities, net	(3)	9	—	5	—
Other	4	1	3	5	3
Total other income, net	$128	$141	$360	$269	$461

The change in other income over the prior periods presented is primarily the result of the gains on debt repurchased. The Company began repurchasing its outstanding debt in the second quarter of 2008. The Company repurchased $1.4 billion, $1.3 billion and $1.1 billion face amount of its senior unsecured notes for the quarters ended June 30, 2010, March 31, 2010 and June 30, 2009, respectively. Since the second quarter of 2008, the Company has repurchased $8.0 billion face amount of its senior unsecured notes in the aggregate, with maturity dates ranging from 2008 to 2016. The $9 million gains on sales of loans and securities 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 June 30, 2010, March 31, 2010 and June 30, 2009, operating expenses for our Lending business segment, excluding restructuring-related asset impairments of $6 million, $4 million and $0 million, respectively, totaled $188 million, $162 million and $155 million, respectively. Operating expenses increased $26 million over the prior quarter, primarily due to legal contingencies and higher marketing costs and technology enhancement costs related to Private Education Loans. Operating expenses, excluding restructuring-related asset impairments, were 41 basis points and 33 basis points, respectively, of average Managed student loans in the second quarters of 2010 and 2009. The increase from the year-ago quarter was primarily the result of legal contingencies, higher collection costs from a higher number of loans in repayment and delinquent status, and higher marketing and technology enhancement costs related to Private Education Loans.

Loan Originations

Total Private Education Loan originations declined 43 percent from the year-ago quarter to $219 million in the quarter ended June 30, 2010. This decline was primarily a result of an increase in federal student loan limits, an overall increase in the use of federal student loans as well as an increase in federal grants.

At June 30, 2010, the Company was committed to purchase $624 million of loans originated by our Lender Partners ($257 million of FFELP loans and $367 million of Private Education Loans). Approximately $118 million of these FFELP loans were originated prior to CCRAA, and approximately $94 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			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Loan Originations — Internal lending brands					
Stafford	$2,551	$5,846	$3,008	$ 8,396	$ 7,932
PLUS	107	634	162	741	759
GradPLUS	171	397	160	569	436
Total FFELP	2,829	6,877	3,330	9,706	9,127
Private Education Loans	213	822	372	1,036	1,728
Total	$3,042	$7,699	$3,702	$10,742	$10,855

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Loan Originations — Lender Partners					
Stafford	$265	$765	$351	$1,032	$1,126
PLUS	8	46	16	54	66
GradPLUS	8	25	9	32	26
Total FFELP	281	836	376	1,118	1,218
Private Education Loans	6	18	15	22	174
Total	$287	$854	$391	$1,140	$1,392

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Loan Originations — Total					
Stafford	$2,816	$6,611	$3,359	$ 9,428	$ 9,058
PLUS	115	680	178	795	825
GradPLUS	179	422	169	601	462
Total FFELP	3,110	7,713	3,706	10,824	10,345
Private Education Loans	219	840	387	1,058	1,902
Total	$3,329	$8,553	$4,093	$11,882	$12,247

Student Loan Activity

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

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

	On-Balance Sheet/Managed Portfolio Three months ended June 30, 2010				
	FFELP Stafford and Other[1]	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	$64,346	$82,178	$146,524	$35,362	$181,886
Consolidations to third parties	(480)	(207)	(687)	(10)	(697)
Acquisitions	5,271	349	5,620	617	6,237
Net acquisitions	4,791	142	4,933	607	5,540
Sales	(90)	—	(90)	—	(90)
Repayments/claims/other	(1,590)	(1,285)	(2,875)	(818)	(3,693)
Ending balance[2]	$67,457	$81,035	$148,492	$35,151	$183,643

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

(2) As of June 30, 2010, the ending balance includes $26.6 billion of FFELP Stafford and other Loans and $2.5 billion of FFELP Consolidation Loans disbursed on or after October 1, 2007, which are affected by CCRAA legislation.

	On-Balance Sheet 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
Consolidations to third parties	(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
Securitization-related[2]	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
Consolidations to third parties	—	—	—	—	—
Acquisitions	—	—	—	—	—
Net acquisitions	—	—	—	—	—
Securitization-related[2]	(5,500)	(14,797)	(20,297)	(12,341)	(32,638)
Sales	—	—	—	—	—
Repayments/claims/other	—	—	—	—	—
Ending balance	$ —	$ —	$ —	$ —	$ —

	On-Balance Sheet/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
Consolidations to third parties	(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
Securitization-related[2]	—	—	—	—	—
Sales	(76)	—	(76)	—	(76)
Repayments/claims/other	(1,745)	(1,166)	(2,911)	(842)	(3,753)
Ending balance[3]	$64,346	$82,178	$146,524	$35,362	$181,886

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

(2) 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).

(3) 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 affected by CCRAA legislation.

	On-Balance Sheet Three months ended June 30, 2009				
	FFELP Stafford and Other[1]	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total On-Balance Sheet Portfolio
Beginning balance	$57,844	$70,885	$128,729	$21,645	$150,374
Consolidations to third parties	(163)	(73)	(236)	1	(235)
Acquisitions	5,456	281	5,737	733	6,470
Net acquisitions	5,293	208	5,501	734	6,235
Securitization-related[2]	425	—	425	—	425
Repayments/claims/resales/other	(1,358)	(991)	(2,349)	(528)	(2,877)
Ending balance	$62,204	$70,102	$132,306	$21,851	$154,157

	Off-Balance Sheet Three months ended June 30, 2009				
	FFELP Stafford and Other[1]	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Off-Balance Sheet Portfolio
Beginning balance	$6,846	$15,343	$22,189	$12,772	$34,961
Consolidations to third parties	(72)	(17)	(89)	(5)	(94)
Acquisitions	36	50	86	127	213
Net acquisitions	(36)	33	(3)	122	119
Securitization-related[2]	(425)	—	(425)	—	(425)
Repayments/claims/resales/other	(215)	(206)	(421)	(273)	(694)
Ending balance	$6,170	$15,170	$21,340	$12,621	$33,961

	Managed Portfolio Three months ended June 30, 2009				
	FFELP Stafford and Other[1]	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	$64,690	$86,228	$150,918	$34,417	$185,335
Consolidations to third parties	(235)	(90)	(325)	(4)	(329)
Acquisitions	5,492	331	5,823	860	6,683
Net acquisitions	5,257	241	5,498	856	6,354
Securitization-related[2]	—	—	—	—	—
Repayments/claims/resales/other	(1,573)	(1,197)	(2,770)	(801)	(3,571)
Ending balance[3]	$68,374	$85,272	$153,646	$34,472	$188,118

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

(2) 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.

(3) As of June 30, 2009, the ending balance includes $23.9 billion of FFELP Stafford and other Loans and $2.6 billion of FFELP Consolidation Loans disbursed on or after October 1, 2007, which are affected by CCRAA legislation.

	On-Balance Sheet Six months ended June 30, 2010				
	FFELP Stafford and Other[1]	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total On-Balance Sheet Portfolio
Beginning balance	$52,675	$68,379	$121,054	$22,753	$143,807
Consolidations to third parties	(947)	(374)	(1,321)	(22)	(1,343)
Acquisitions	13,730	684	14,414	1,739	16,153
Net acquisitions	12,783	310	13,093	1,717	14,810
Securitization-related[2]	5,500	14,797	20,297	12,341	32,638
Sales	(166)	—	(166)	—	(166)
Repayments/claims/other	(3,335)	(2,451)	(5,786)	(1,660)	(7,446)
Ending balance	$67,457	$81,035	$148,492	$35,151	$183,643

	Off-Balance Sheet Six months ended June 30, 2010				
	FFELP Stafford and Other[1]	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Off-Balance Sheet Portfolio
Beginning balance	$ 5,500	$ 14,797	$ 20,297	$ 12,341	$ 32,638
Consolidations to third parties	—	—	—	—	—
Acquisitions	—	—	—	—	—
Net acquisitions	—	—	—	—	—
Securitization-related[2]	(5,500)	(14,797)	(20,297)	(12,341)	(32,638)
Sales	—	—	—	—	—
Repayments/claims/other	—	—	—	—	—
Ending balance	$ —	$ —	$ —	$ —	$ —

	On-Balance Sheet/Managed Portfolio Six months ended June 30, 2010				
	FFELP Stafford and Other[1]	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	$58,175	$83,176	$141,351	$35,094	$176,445
Consolidations to third parties	(947)	(374)	(1,321)	(22)	(1,343)
Acquisitions	13,730	684	14,414	1,739	16,153
Net acquisitions	12,783	310	13,093	1,717	14,810
Securitization-related[2]	—	—	—	—	—
Sales	(166)	—	(166)	—	(166)
Repayments/claims/other	(3,335)	(2,451)	(5,786)	(1,660)	(7,446)
Ending balance[3]	$67,457	$81,035	$148,492	$35,151	$183,643

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

(2) 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).

(3) As of June 30, 2010, the ending balance includes $26.6 billion of FFELP Stafford and other Loans and $2.5 billion of FFELP Consolidation Loans disbursed on or after October 1, 2007, which are affected by CCRAA legislation.

	On-Balance Sheet Six months ended June 30, 2009				
	FFELP Stafford and Other[1]	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total On-Balance Sheet Portfolio
Beginning balance	$52,476	$71,744	$124,220	$20,582	$144,802
Consolidations to third parties	(406)	(194)	(600)	(3)	(603)
Acquisitions	13,046	555	13,601	2,327	15,928
Net acquisitions	12,640	361	13,001	2,324	15,325
Securitization-related[2]	425	—	425	—	425
Repayments/claims/resales/other	(3,337)	(2,003)	(5,340)	(1,055)	(6,395)
Ending balance	$62,204	$70,102	$132,306	$21,851	$154,157

	Off-Balance Sheet Six months ended June 30, 2009				
	FFELP Stafford and Other[1]	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Off-Balance Sheet Portfolio
Beginning balance	$7,143	$15,531	$22,674	$12,917	$35,591
Consolidations to third parties	(182)	(43)	(225)	(8)	(233)
Acquisitions	77	98	175	244	419
Net acquisitions	(105)	55	(50)	236	186
Securitization-related[2]	(425)	—	(425)	—	(425)
Repayments/claims/resales/other	(443)	(416)	(859)	(532)	(1,391)
Ending balance	$6,170	$15,170	$21,340	$12,621	$33,961

	Managed Portfolio Six months ended June 30, 2009				
	FFELP Stafford and Other[1]	FFELP Consolidation Loans	Total FFELP	Total Private Education Loans	Total Managed Basis Portfolio
Beginning balance	$59,619	$87,275	$146,894	$33,499	$180,393
Consolidations to third parties	(588)	(237)	(825)	(11)	(836)
Acquisitions	13,123	653	13,776	2,571	16,347
Net acquisitions	12,535	416	12,951	2,560	15,511
Securitization-related[2]	—	—	—	—	—
Repayments/claims/resales/other	(3,780)	(2,419)	(6,199)	(1,587)	(7,786)
Ending balance[3]	$68,374	$85,272	$153,646	$34,472	$188,118

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

(2) 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.

(3) As of June 30, 2009, the ending balance includes $23.9 billion of FFELP Stafford and Other Loans and $2.6 billion of FFELP Consolidation Loans disbursed on or after October 1, 2007, which are affected by CCRAA legislation.

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

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

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

	Three months ended June 30, 2010				
	FFELP Stafford and Other[(1)]	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
Total On-Balance Sheet/Managed	$66,488	$81,613	$148,101	$36,470	$184,571
% of On-Balance Sheet/Managed FFELP	45%	55%	100%		
% of Total	36%	44%	80%	20%	100%

	Three months ended March 31, 2010				
	FFELP Stafford and Other[(1)]	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
Total On-Balance Sheet/Managed	$62,167	$82,687	$144,854	$36,679	$181,533
% of On-Balance Sheet/Managed FFELP	43%	57%	100%		
% of Total	34%	46%	80%	20%	100%

	Three months ended June 30, 2009				
	FFELP Stafford and Other[(1)]	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
On-Balance sheet	$60,120	$70,456	$130,576	$23,012	$153,588
Off-Balance sheet	6,661	15,245	21,906	12,996	34,902
Total Managed	$66,781	$85,701	$152,482	$36,008	$188,490
% of On-Balance Sheet FFELP	46%	54%	100%		
% of Managed FFELP	44%	56%	100%		
% of Total	35%	46%	81%	19%	100%

	Six months ended June 30, 2010				
	FFELP Stafford and Other[(1)]	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
Total On-Balance Sheet/Managed	$64,339	$82,147	$146,486	$36,574	$183,060
% of On-Balance Sheet/Managed FFELP	44%	56%	100%		
% of Total	35%	45%	80%	20%	100%

	Six months ended June 30, 2009				
	FFELP Stafford and Other[(1)]	FFELP Consolidation Loans	Total FFELP	Private Education Loans	Total
On-Balance Sheet	$57,913	$70,881	$128,794	$22,842	$151,636
Off-Balance Sheet	6,828	15,338	22,166	13,071	35,237
Total Managed	$64,741	$86,219	$150,960	$35,913	$186,873
% of On-Balance Sheet FFELP	45%	55%	100%		
% of Managed FFELP	43%	57%	100%		
% of Total	35%	46%	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 June 30, 2010		
	Purchased Paper — Non-Mortgage	Contingency & Other	Total APG
Contingency fee income	$ —	$88	$ 88
Collections revenue	17	—	17
Total income	17	88	105
Direct operating expenses	27	48	75
Overhead expenses	—	11	11
Operating expenses	27	59	86
Restructuring expenses	—	—	—
Total expenses	27	59	86
Net interest expense	—	—	—
Income (loss) from continuing operations before income tax expense (benefit)	(10)	29	19
Income tax expense (benefit)	(3)	10	7
Net income (loss) from continuing operations	(7)	19	12
Loss from discontinued operations, net of tax	—	—	—
Net income (loss)	(7)	19	12
Less: net income attributable to noncontrolling interest	—	—	—
"Core Earnings" net income (loss) attributable to SLM Corporation	$ (7)	$19	$ 12

	Quarter ended March 31, 2010		
	Purchased Paper — Non-Mortgage	Contingency & Other	Total APG
Contingency fee income	$ —	$80	$ 80
Collections revenue	22	—	22
Total income	22	80	102
Direct operating expenses	31	44	75
Overhead expenses	—	11	11
Operating expenses	31	55	86
Restructuring expenses	2	—	2
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

	Quarter ended June 30, 2009			
	Purchased Paper — Non-Mortgage	Purchased Paper — Mortgage/ Properties	Contingency & Other	Total APG
Contingency fee income	$ —	$—	$73	$73
Collections revenue	24	—	—	24
Total income	24	—	73	97
Direct operating expenses	34	—	43	77
Overhead expenses	2	—	9	11
Operating expenses	36	—	52	88
Restructuring expenses	(1)	—	—	(1)
Total expenses	35	—	52	87
Net interest expense	—	—	—	—
Income (loss) from continuing operations before income tax expense (benefit)	(11)	—	21	10
Income tax expense (benefit)	(4)	—	8	4
Net income (loss) from continuing operations	(7)	—	13	6
Loss from discontinued operations, net of tax	—	(6)	—	(6)
Net income (loss)	(7)	(6)	13	—
Less: net income attributable to noncontrolling interest	—	—	—	—
"Core Earnings" net income (loss) attributable to SLM Corporation	$ (7)	$ (6)	$13	$—
"Core Earnings" net income (loss) attributable to SLM Corporation:				
Continuing operations, net of tax	$ (7)	$—	$13	$ 6
Discontinued operations, net of tax	—	(6)	—	(6)
"Core Earnings" net income (loss) attributable to SLM Corporation	$ (7)	$ (6)	$13	$—

	Six months ended June 30, 2010		
	Purchased Paper — Non-Mortgage	Contingency & Other	Total APG
Contingency fee income	$ —	$168	$168
Collections revenue	39	—	39
Total income	39	168	207
Direct operating expenses	58	92	150
Overhead expenses	1	21	22
Operating expenses	59	113	172
Restructuring expenses	2	—	2
Total expenses	61	113	174
Net interest expense	—	—	—
Income (loss) from continuing operations before income tax expense (benefit)	(22)	55	33
Income tax expense (benefit)	(8)	20	12
Net income (loss) from continuing operations	(14)	35	21
Loss from discontinued operations, net of tax	—	—	—
Net income (loss)	(14)	35	21
Less: net income attributable to noncontrolling interest	—	—	—
"Core Earnings" net income (loss) attributable to SLM Corporation	$(14)	$ 35	$ 21

	Six months ended June 30, 2009			
	Purchased Paper — Non-Mortgage	Purchased Paper — Mortgage/ Properties	Contingency & Other	Total APG
Contingency fee income	$ 2	$ —	$146	$148
Collections revenue	67	—	—	67
Total income	69	—	146	215
Direct operating expenses	75	—	85	160
Overhead expenses	3	—	18	21
Operating expenses	78	—	103	181
Restructuring expenses	—	—	—	—
Total expenses	78	—	103	181
Net interest expense	—	—	—	—
Income (loss) from continuing operations before income tax expense (benefit)	(9)	—	43	34
Income tax expense (benefit)	(3)	—	15	12
Net income (loss) from continuing operations	(6)	—	28	22
Loss from discontinued operations, net of tax	—	(53)	—	(53)
Net income (loss)	(6)	(53)	28	(31)
Less: net income attributable to noncontrolling interest	—	—	—	—
"Core Earnings" net income (loss) attributable to SLM Corporation	$ (6)	$(53)	$ 28	$ (31)
"Core Earnings" net income (loss) attributable to SLM Corporation:				
Continuing operations, net of tax	$ (6)	$ —	$ 28	$ 22
Discontinued operations, net of tax	—	(53)	—	(53)
"Core Earnings" net income (loss) attributable to SLM Corporation	$ (6)	$(53)	$ 28	$ (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; however, the criteria for this business to be classified as held-for-sale have not been met.

There was no net loss attributable to SLM Corporation from discontinued operations for the second and first quarters of 2010 compared with $7 million for the second quarter of 2009. The Company sold all of the assets in its Purchased Paper — Mortgage/Properties business in the fourth quarter of 2009 for $280 million. Because of the sale, the Purchased Paper — Mortgage/Properties business is required to be presented separately as discontinued operations for all periods presented. The year-ago quarter included $8 million of after-tax asset impairments.

The Company's domestic Purchased Paper — Non-Mortgage business has certain forward purchase obligations under which the Company was committed to buy purchased paper through April 2009. The Company has not bought any additional purchased paper in excess of these obligations. The Company recognized impairments of $3 million, $0 and $13 million in the second quarter of 2010, the first quarter of

2010 and the second 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 above, when the Purchased Paper — Non-Mortgage business either sells all of its remaining assets (or qualifies as held-for-sale) or completely winds down its operations, its results will be shown as discontinued operations.

Purchased Paper — Non-Mortgage

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Gross Cash Collections ("GCC")	$ 58	$ 63	$ 87	$122	$243
Collections revenue	17	22	24	39	67
Collections revenue as a percentage of GCC	30%	34%	28%	32%	28%
Carrying value of purchased paper	$207	$245	$418	$207	$418

Contingency Inventory

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

	June 30, 2010	March 31, 2010	June 30, 2009
Contingency:			
Student loans	$ 9,926	$ 9,846	$ 9,182
Other	2,358	1,573	1,140
Total	$12,284	$11,419	$10,322

Operating Expenses — APG Business Segment

For the quarters ended June 30, 2010, March 31, 2010, and June 30, 2009, operating expenses for the APG business segment totaled $86 million, $86 million and $88 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.

OTHER BUSINESS SEGMENT

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

	Quarters ended			Six months ended	
	June 30, 2010	March 31, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Net interest income after provisions for losses	$ 4	$ 5	$ 4	$ 8	$ 9
Guarantor servicing fees	22	36	25	59	59
Loan servicing fees	17	19	9	36	19
Upromise	30	28	26	58	51
Other	6	10	11	15	26
Total other income	75	93	71	168	155
Direct operating expenses	53	62	52	115	98
Overhead expenses	3	4	4	7	7
Operating expenses	56	66	56	122	105
Restructuring expenses	2	3	—	5	1
Total expenses	58	69	56	127	106
Income from continuing operations, before income tax expense	21	29	19	49	58
Income tax expense	8	11	7	18	22
Net income	13	18	12	31	36
Less: net income attributable to noncontrolling interest	—	—	—	—	—
"Core Earnings" net income attributable to SLM Corporation	$13	$18	$12	$ 31	$ 36

The decrease 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 current 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 June 30, 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 both the second and first quarters of 2010 included $10 million of servicing revenue related to the loans the Company is servicing under the ED Servicing Contract. The increase in the loan servicing fees versus the year-ago quarter was primarily due to this additional revenue.

United Student Aid Funds, Inc. ("USA Funds"), the nation's largest guarantee agency, accounted for 88 percent, 89 percent and 84 percent, respectively, of guarantor servicing fees and 1 percent, 1 percent and 1 percent, respectively, of revenues associated with other products and services for the quarters ended June 30, 2010, March 31, 2010 and June 30, 2009.

Operating Expenses — Other Business Segment

Operating expenses for our Other business segment include direct costs incurred to service loans for unrelated third parties, including the ED Servicing Contract, perform guarantor servicing on behalf of guarantor agencies and operate our Upromise subsidiary, as well as information technology expenses related to

these functions. For the quarters ended June 30, 2010, March 31, 2010, and June 30, 2009, operating expenses for the Other business segment totaled $56 million, $66 million and $56 million, respectively. The decrease in operating expenses for the second quarter of 2010 versus the prior quarter was primarily due to higher prior-quarter technology and other expenses related to preparation for higher volumes for the ED Servicing Contract. In addition, there were lower marketing expenses related to our Upromise subsidiary.

LIQUIDITY AND CAPITAL RESOURCES

The following "LIQUIDITY AND CAPITAL RESOURCES" discussion concentrates on our Lending business segment. Our APG contingency collections 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 Loans disbursed through September 30, 2010 (see "RECENT DEVELOPMENTS — Legislative and Regulatory Developments" for a further discussion regarding the end of new FFELP originations as of July 1, 2010) and to use deposits at Sallie Mae Bank and term asset-backed securities to fund Private Education Loan originations. We plan to use term asset-backed securities, asset-backed financing facilities, cash flows provided by earnings and repayment of principal on our unencumbered student loan assets and distributions from our securitization trusts, 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 for settlement in the fourth quarter of 2010. 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 June 30, 2010, the Company had $19.9 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 accepted eligible loans through July 1, 2010. The ED Conduit Program expires on January 19, 2014. Funding for the ED Conduit Program is provided by the capital markets at a cost based on market rates, with the Company being advanced 97 percent of the student loan face amount. If the conduit does not have sufficient funds to make the required payments on the notes issued by the conduit, then the notes will be repaid with funds from the Federal Financing Bank ("FFB"). The FFB will hold the notes for a short period of time and, if at the end of that time the notes still cannot be paid off, the underlying FFELP loans that serve as collateral to the ED Conduit will be sold to ED through the Put Agreement at a price of 97 percent of the face amount of the loans. As of June 30, 2010, approximately $16.0 billion face amount of our Stafford and PLUS Loans were funded through the ED Conduit Program. For the second quarter of 2010, the average interest rate paid on this facility was approximately 0.72 percent.

Additional Funding Sources for General Corporate Purposes

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

Secured borrowings, including securitizations, asset-backed commercial paper ("ABCP") borrowings, ED financing facilities and indentured trusts, comprised 84 percent of our Managed debt outstanding at June 30, 2010 versus 80 percent at June 30, 2009.

Sallie Mae Bank

During the fourth quarter of 2008, Sallie Mae Bank, our Utah industrial bank subsidiary, began expanding its deposit base to fund new Private Education Loan originations. Sallie Mae Bank raises deposits primarily through intermediaries in the retail brokered Certificate of Deposit ("CD") market and through retail deposit channels. As of June 30, 2010, total term bank deposits were $5.0 billion and cash and liquid investments totaled $2.6 billion. In addition to its deposit base, Sallie Mae Bank has borrowing capacity with the Federal Reserve Bank ("FRB") through a collateralized lending facility. Borrowing capacity is limited by the availability of acceptable collateral. As of June 30, 2010, borrowing capacity was approximately $0.6 billion and there were no outstanding borrowings.

ABS Transactions

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

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

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

Although we have demonstrated our access to the ABS market in 2009 and the first half 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 June 30, 2010, there was approximately $6.2 billion outstanding in this facility. The book basis of the assets securing this facility at June 30, 2010 was $6.8 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 June 30, 2010, subject to available collateral, is approximately $11 billion. As of June 30, 2010 borrowing under the facility totaled $575 million, of which $300 million matures on July 26, 2010 and $275 million matures on August 24, 2010. The Company has provided a guarantee to the FHLB-DM for the performance and payment of HICA's obligations.

Auction Rate Securities

At June 30, 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, $3.5 billion of the Company's auction rate securities as of June 30, 2010 bore interest at the maximum rate allowable under their terms. The maximum allowable interest rate on our taxable auction rate securities is generally LIBOR plus 1.50 percent. The maximum allowable interest rate on many of the Company's tax-exempt auction rate securities is a formula driven rate, which produced various maximum rates up to 0.84 percent during the second quarter of 2010. As of June 30, 2010, $0.9 billion of auction rate securities with shorter weighted average terms to maturity have had successful auctions, resulting in an average rate of 1.12 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 June 30, 2010, $3.4 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 June 30, 2010, the Company had $4.3 billion and $2.0 billion of reset rate notes due to be remarketed in 2010 and 2011, respectively, and an additional $6.5 billion to be remarketed thereafter.

Senior Unsecured Debt

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

On May 4, 2010, the Company announced that it repurchased $1.1 billion U.S. dollar equivalent face amount of its $27 billion senior unsecured notes outstanding, through a tender offer which settled on May 11, 2010. This transaction resulted in gains of approximately $73 million. Total repurchases in the second quarter including the tender offer totaled $1.4 billion and resulted in gains of $91 million. Repurchases in the first quarter totaled $1.3 billion and resulted in gains of $90 million. Total repurchases for the six months ended June 30, 2010 were $2.7 billion and resulted in gains of $181 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, $8.0 billion face amount of our senior unsecured notes in the aggregate, with maturity dates ranging from 2008 to 2016.

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 $2.9 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 $1.6 billion in an unsecured revolving credit facility as of June 30, 2010. This facility matures in October 2011. The principal financial covenants in this unsecured revolving credit facility require the Company to maintain consolidated tangible net worth of at least $1.38 billion at all times. Consolidated tangible net worth as calculated for purposes of this covenant was $3.2 billion as of June 30, 2010. The covenants also require the Company to meet either a minimum interest coverage ratio or a minimum net adjusted revenue test based on the four preceding quarters' adjusted "Core Earnings" financial performance. The Company was compliant with both of the minimum interest coverage ratio and the minimum net adjusted revenue tests as of the quarter ended June 30, 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 June 30, 2010, March 31, 2010 and December 31, 2009.

	June 30, 2010 Available Capacity	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*[1]	*Unlimited*[1]	*Unlimited*[1]
Sources of primary liquidity for general corporate purposes:			
Unrestricted cash and liquid investments:			
Cash and cash equivalents	$ 6,267	$ 6,841	$ 6,070
Commercial paper and asset-backed commercial paper	—	650	1,150
Certificates of deposit	300	—	—
Other[2]	101	98	131
Total unrestricted cash and liquid investments[3][4][5]	6,668	7,589	7,351
Unused commercial paper and bank lines of credit[6]	1,590	3,485	3,485
FFELP ABCP Facilities[7]	3,539	1,431	1,703
Total sources of primary liquidity for general corporate purposes[8]	$ 11,797	$ 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. Loans must be first disbursed on or after May 1, 2008 and prior to July 1, 2010 and fully disbursed prior to September 30, 2010.

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

(3) At June 30, 2010, March 31, 2010 and December 31, 2009, excludes $0, $0 and $25 million, respectively, of investments pledged as collateral related to certain derivative positions and $1.0 billion, $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 June 30, 2010, March 31, 2010 and December 31, 2009, includes $797 million, $553 million and $821 million, respectively, of cash collateral pledged by derivative counterparties and held by the Company in unrestricted cash.

(5) At June 30, 2010, March 31, 2010 and December 31, 2009, includes $2.6 billion, $3.0 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) On May 5, 2010 our bank line of credit was reduced by $1.9 billion.

(7) Borrowing capacity is subject to availability of collateral. As of June 30, 2010, March 31, 2010 and December 31, 2009, the Company had $1.8 billion, $2.6 billion and $2.1 billion, respectively, of outstanding unencumbered FFELP loans, net.

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

In addition to the assets listed in the table above, we hold a number of other unencumbered assets, consisting primarily of Private Education Loans and other assets. At June 30, 2010, we had a total of $26.7 billion of unencumbered assets, including goodwill and acquired intangibles. Total student loans, net, comprised $13.3 billion of this unencumbered asset total of which $11.5 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)	June 30, 2010	March 31, 2010	December 31, 2009
Net assets in secured financing facilities	$ 13.1	$ 13.7	$ 12.7
Unencumbered assets	26.7	28.7	31.3
Unsecured debt	(31.7)	(33.6)	(35.1)
ASC 815 mark-to-market on unsecured hedged debt[(1)]	(1.5)	(1.6)	(1.9)
Other liabilities, net	(1.5)	(2.4)	(1.7)
Total GAAP equity	$ 5.1	$ 4.8	$ 5.3

(1) At June 30, 2010, March 31, 2010 and December 31, 2009, there were $1.3 billion, $1.5 billion and $1.9 billion, respectively, of net gains on derivatives hedging this debt in unencumbered assets, which partially offsets these losses.

Counterparty Exposure

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

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

The Company has liquidity exposure related to collateral movements between SLM Corporation and its derivative counterparties. The collateral movements can increase or decrease our primary liquidity depending on the nature of the collateral (whether cash or securities), the Company’s and counterparties’ credit ratings and on movements in the value of the derivatives, which are primarily affected by changes in interest rate and foreign exchange rates. These movements may require the Company to return cash collateral held or may require the Company to access primary liquidity to post collateral to counterparties. As of June 30, 2010, the Company held $797 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 June 30, 2010.

	SLM Corporation and Sallie Mae Bank Contracts	Securitization Trust Contracts
Exposure, net of collateral	$186	$623
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody’s Aa3	66%	30%
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 June 30, 2010, March 31, 2010 and June 30, 2009.

	June 30, 2010			March 31, 2010			June 30, 2009		
	Short Term	Long Term	Total Managed Basis	Short Term	Long Term	Total Managed Basis	Short Term	Long Term	Total Managed Basis
Unsecured borrowings	$ 5,544	$ 19,681	$ 25,225	$ 4,831	$ 22,214	$ 27,045	$ 4,249	$ 28,416	$ 32,665
Unsecured term bank deposits	1,687	3,291	4,978	1,208	4,202	5,410	901	5,199	6,100
Indentured trusts (on-balance sheet)	48	1,414	1,462	60	1,505	1,565	8	1,761	1,769
ED Participation Program facility (on-balance sheet)[1]	19,856	—	19,856	15,746	—	15,746	17,236	—	17,236
ED Conduit Program facility (on-balance sheet)	15,873	—	15,873	14,682	—	14,682	11,095	—	11,095
ABCP borrowings (on-balance sheet)	1,238	5,000	6,238	3,278	5,000	8,278	12,476	—	12,476
FHLB-DM facility	575	—	575	90	—	90	—	—	—
Securitizations (on-balance sheet)	—	121,373	121,373	—	122,277	122,277	—	87,386	87,386
Securitizations (off-balance sheet)	—	—	—	—	—	—	—	35,211	35,211
Other	1,527	—	1,527	1,069	—	1,069	1,358	—	1,358
Total	$46,348	$150,759	$197,107	$40,964	$155,198	$196,162	$47,323	$157,973	$205,296

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

The following table presents the senior unsecured credit ratings assigned by major rating agencies as of July 19, 2010.

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