Meeting Between Federal Reserve Board Staff and Representatives of Sallie Mae, Inc. (SLM) April 5, 2011

Participants: Michael Gibson, Diana Hancock, Joshua Gallin, Jose Berrospide, Mark Van Der Weide, Molly Mahar, Paige Pidano and Christine Graham (Federal Reserve Board)

John Remondi, Sarah Ducich, Timothy Morrison and Richard Hohlt (SLM)

Summary: Federal Reserve Board staff met with representatives of SLM to discuss systemic risk regulation in light of the new authority provided to the Financial Stability Oversight Council (FSOC) and the Federal Reserve Board under Title I of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The representatives of SLM presented an overview of SLM's business and discussed their views on applying the systemic risk criteria set forth in the FSOC's Notice of Proposed Rulemaking "Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies" to SLM. The SLM representatives provided the attached presentation, which guided the discussion.

NONBANK FINANCIAL COMPANIES

Dodd-Frank Wall Street Reform & Consumer Protection Act

Criteria for Systemically Important Designation

April 4, 2011

SLM SHOULD NOT BE DESIGNATED

- Dodd-Frank Act establishes criteria for designating non-bank financial companies as systemically important
- On most important criteria, interconnectedness and contagion, SLM has limited exposure
- With 81% of assets federally guaranteed at 97% or above, SLM poses little systemic risk
- 96% of assets are term-funded
- 85% of liabilities are non-recourse
- No off-balance sheet exposure exists
- Substitutes exist for SLM activities
- SLM bank regulated by FDIC; SLM student loan activity will be regulated by CFPB; SLM services to financial institutions examined regularly by the Federal Financial Institutions Examination Council (the “FFIEC”)

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Considerations for Determining Systemic Risk Posed by Non-Bank Financial Companies

(A) the extent of the leverage of the company;

(B) the extent and nature of the off-balance-sheet exposures of the company;

(C) the extent and nature of the transactions and relationships of the company with other significant nonbank financial companies and significant bank holding companies;

(D) the importance of the company as a source of credit for households, businesses, and State and local governments and as a source of liquidity for the United States financial system;

(E) the importance of the company as a source of credit for low-income, minority, or underserved communities, and the impact that the failure of such company would have on the availability of credit in such communities;

(F) the extent to which assets are managed rather than owned by the company, and the extent to which ownership of assets under management is diffuse;

(G) the nature, scope, size, scale, concentration, interconnectedness, and mix of the activities of the company;

(H) the degree to which the company is already regulated by 1 or more primary financial regulatory agencies;

(I) the amount and nature of the financial assets of the company;

(J) the amount and types of the liabilities of the company, including the degree of reliance on short-term funding; and

(K) any other risk-related factors that the Council deems appropriate.

FSOC Has Grouped Considerations into Categories for Analyzing Systemic Importance

- Impact of a Firm's Financial Distress on the Broader Financial System
  - Size
  - Substitutability
  - Interconnectedness

- Likelihood of a Firm's Financial Distress
  - Leverage and Capital Adequacy
  - Liquidity and Maturity Mismatch
  - Existing Regulatory Scrutiny

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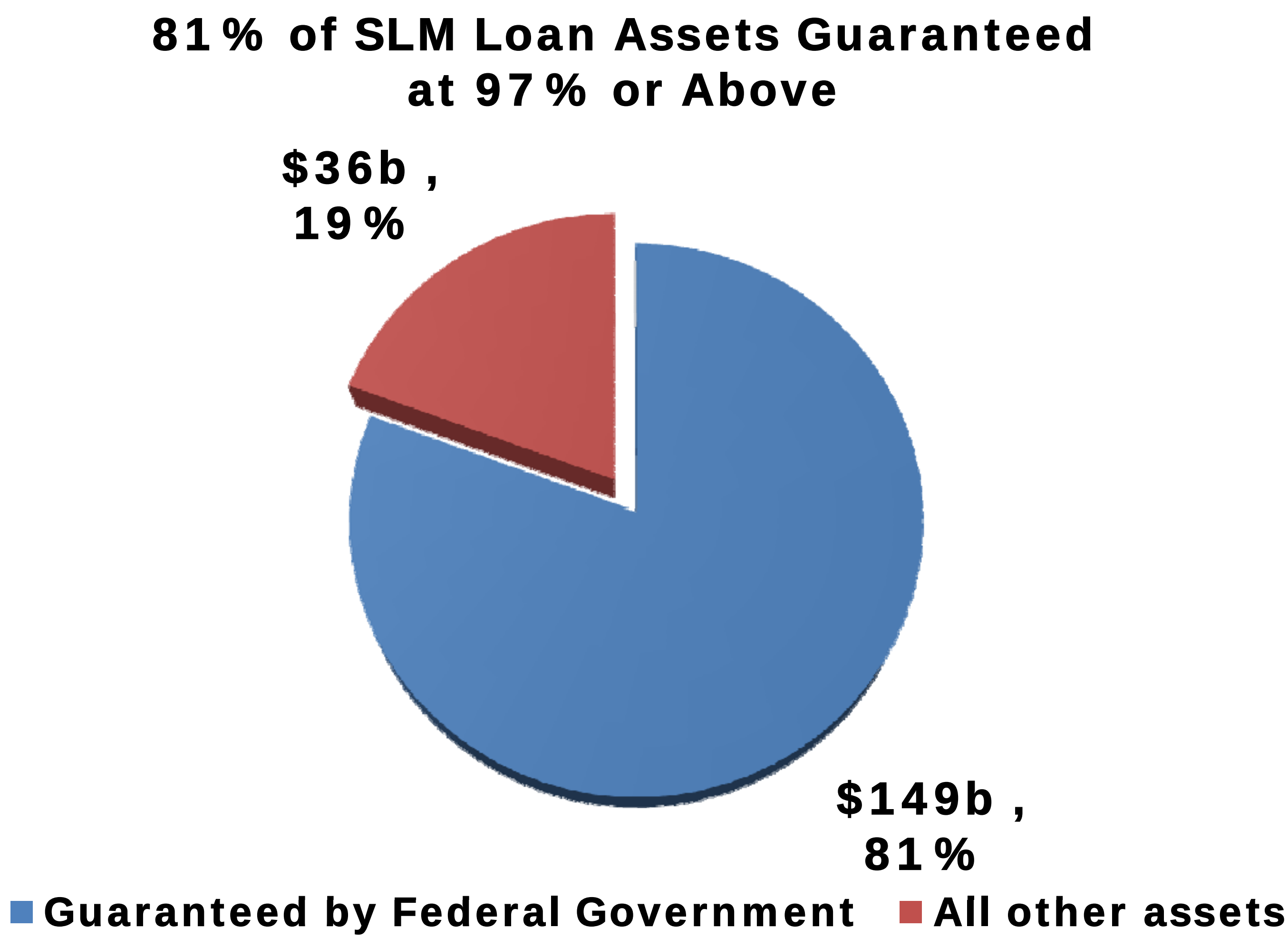
IMPACT OF A FIRM'S FINANCIAL DISTRESS ON THE BROADER FINANCIAL SYSTEM

- Size
- Substitutability
- Interconnectedness

MOST IMPORTANT CONSIDERATION: NATURE OF ASSETS



Size; Interconnectedness

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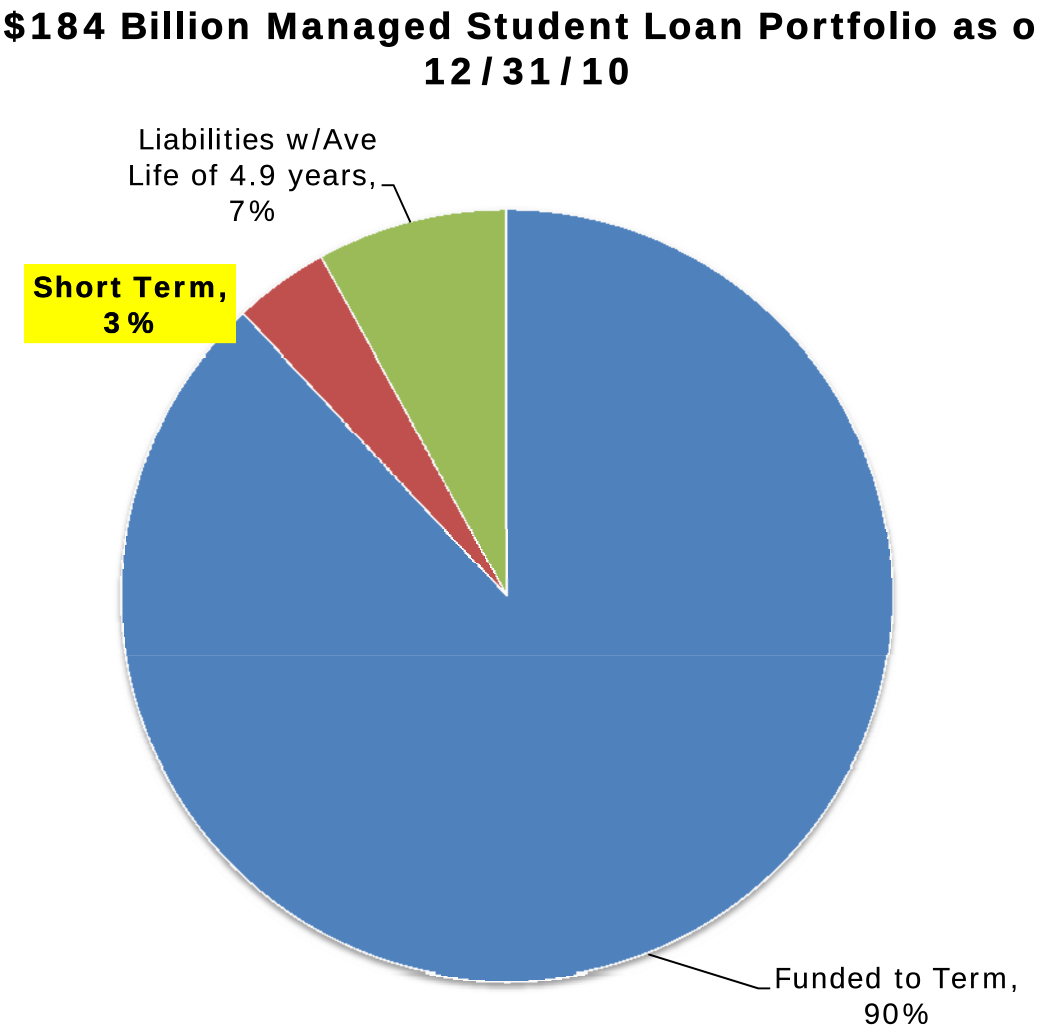
SLM LIMITS ITS RELIANCE ON SHORT-TERM FINANCING
97% OF ASSETS FUNDED WITH TERM LIABILITIES



Size; Liquidity Risk & Maturity Mismatch; Interconnectedness

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SLM Has No Off-Balance Sheet Exposure

Historical Off-Balance Sheet Exposure

$'s in millions	12/31/2007	12/31/2008	12/31/2009	12/31/2010
Trusts Assets (less derivatives)	$ 43,542	$ 38,085	$ 34,203	$0
Derivatives Notional Value	$ 17,971	$ 16,964	$ 15,858	$0
Derivatives MV	$ 995	$ 959	$ 818	$0

Following the company's adoption of FAS 166/167, SLM no longer carries any exposures off balance sheet. All securitization and derivative activity is reflected on the current GAAP financial statements.

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ASSET MANAGEMENT
SLM'S ASSETS ARE ALL ON BALANCE SHEET

All SLM assets reside on balance sheet.

Servicing of third-party-owned assets on contractual basis: While SLM actively services assets for third parties, it does not maintain an ownership interest in these assets.

UPromise: SLM runs a business which markets and administers 529 college savings plans with 12 million members enrolled representing $35 billion in assets. SLM does not maintain an ownership interest in these assets. SLM generally provides record keeping or administrative services and does not manage the financial assets.

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[redacted]

Privileged & Confidential Business Information

[redacted]

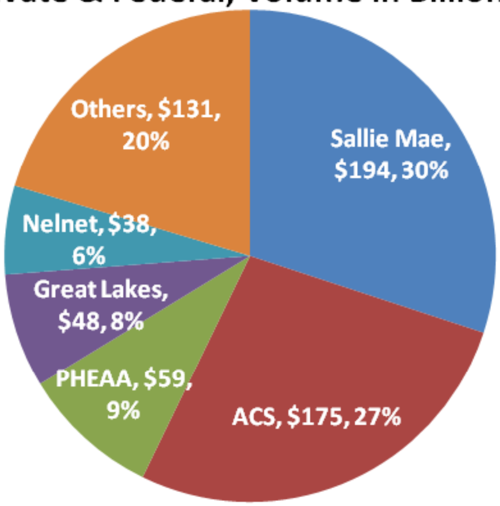
Size; Substitutability

SUBSTITUTES AVAILABLE FOR SLM ACTIVITIES

Servicing: SLM services both Federal and Private student loans. As of 12/31/10, the servicing portfolio totaled $206 billion, including $156 billion from SLM's own portfolio and $50 billion serviced for third parties including the US Department of Education. Several other organizations are actively involved in servicing student loans including ACS, Nelnet, PHEAA, & Great Lakes. For AY 10-11, the Department of Education is allocating SLM 22% of new federal student loans for servicing.

Student Loan Servicing

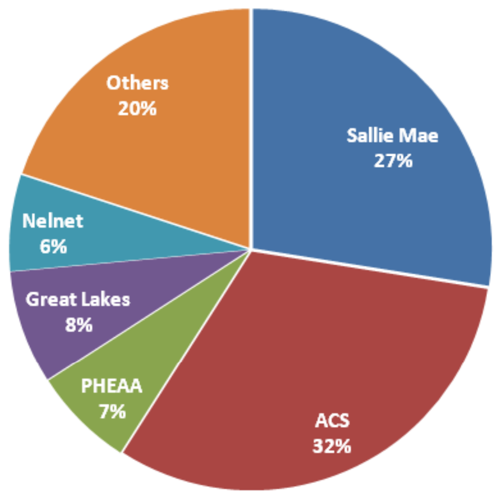
Private & Federal, Volume in Billions



Source: 2009 SLSA Survey; inverstor disclosure documents for Citi Student Loans and ACS

Servicing of Federal Student Loans

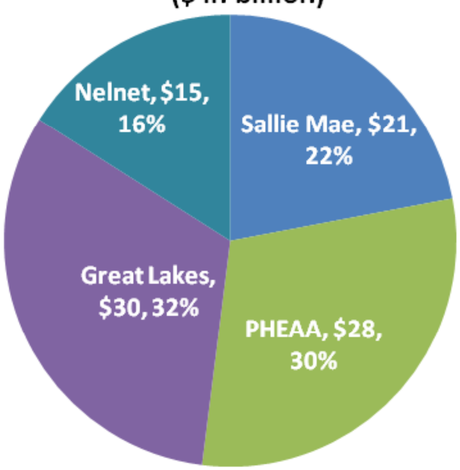
Share of Volume December 2009



Source: 2009 SLSA Survey; inverstor disclosure documents for Citi Student Loans and ACS

Forecast of Direct Loan Servicing Allotments

($ in billion)



Source: Department of Education, FSA Servicing Results; Volume forecast based on AY 2009-10 disbursements, inflated by 6%

Note that the SLSA for 2010 is not yet available

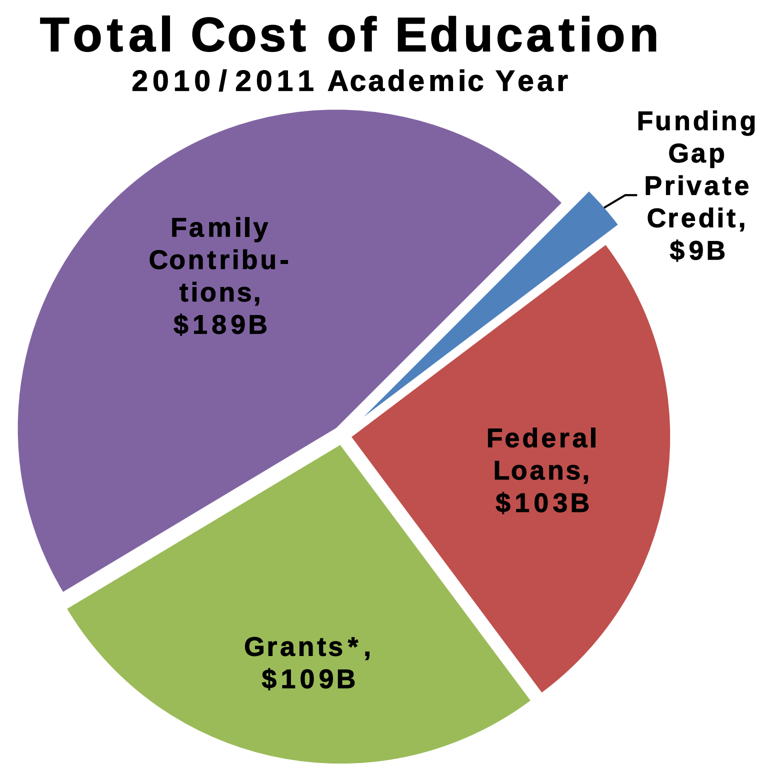
SUBSTITUTES AVAILABLE FOR SLM ACTIVITIES

Private Education Loans

SLM is a lender to Parents and Students of Private Credit (non-government guaranteed) student loans.

SLM originations for AY 2010-11 will be less than $3 billion of the over $400 billion spent on higher education annually.

Other large private education lenders include: Wells Fargo, JP Morgan Chase, PNC, and Discover. SLM share of the market is approximately 25%



*Grants include federal, state, institutional, private/employer, education tax benefits and work study

Source: College Board, U.S. Department of Education & Company analysis

Substitutability

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SLM Poses Little Interconnectedness Risk

One of the most important criteria for designation as systemically risky is related to the nature, scope, size, scale, concentration, interconnectedness, and mix of the activities of the company. SLM poses little risk under this criteria.

- Asset mix: 99% of assets are loan assets, of which 81% are federally guaranteed (principal & interest) at 97% or above
- Funding: 97% of loan assets term-funded
  - $134 billion in term ABS, which are non-recourse and bankruptcy remote
  - SLM is not required to, and did not provided, explicit support to outstanding ABS during credit crisis
  - Risk of interconnectedness for $120 billion of FFELP securitizations is mitigated by the facts that:
    - ABS are widely held
    - Underlying collateral reflects high level of government guarantee
    - Back-up servicing arrangements are well-defined.
- Credit and market risk policies manage credit concentrations

SLM Poses Little Interconnectedness Risk

- SLM does not provide any material credit to institutional, government or corporate entities. The vast majority of all lending activity is directed toward individual consumers through our student lending activities. 99% of SLM loan assets are consumer loans.
- Borrowing/Financing: SLM utilizes credit from various counterparties to finance assets and support the general business activities of the firm. Major exposures to SLM in this category include a $1.2 billion acquisition financing term loan (CitiBank) and Liquidity provided to a $7.5 billion ABCP program financing government guaranteed assets (a bank syndicate group). SLM has outstanding $23 billion of senior unsecured debt into the global capital markets. These securities are held by a globally diverse institutional investor base.
- Standard use of derivatives to hedge interest rate risk: SLM is active in the derivatives market and is currently required to post collateral to cover other institutions' (counterparties') exposure on its agreements. Derivatives are structured with collateral posting and netting features that limit systemic impact in the even of SLM and/or counterparty deterioration

LIKELIHOOD OF A FIRM'S FINANCIAL DISTRESS

- Leverage and Capital Adequacy
- Liquidity and Maturity Mismatch
- Existing Regulatory Scrutiny

SLM Leverage Reflects Federally Guaranteed Assets

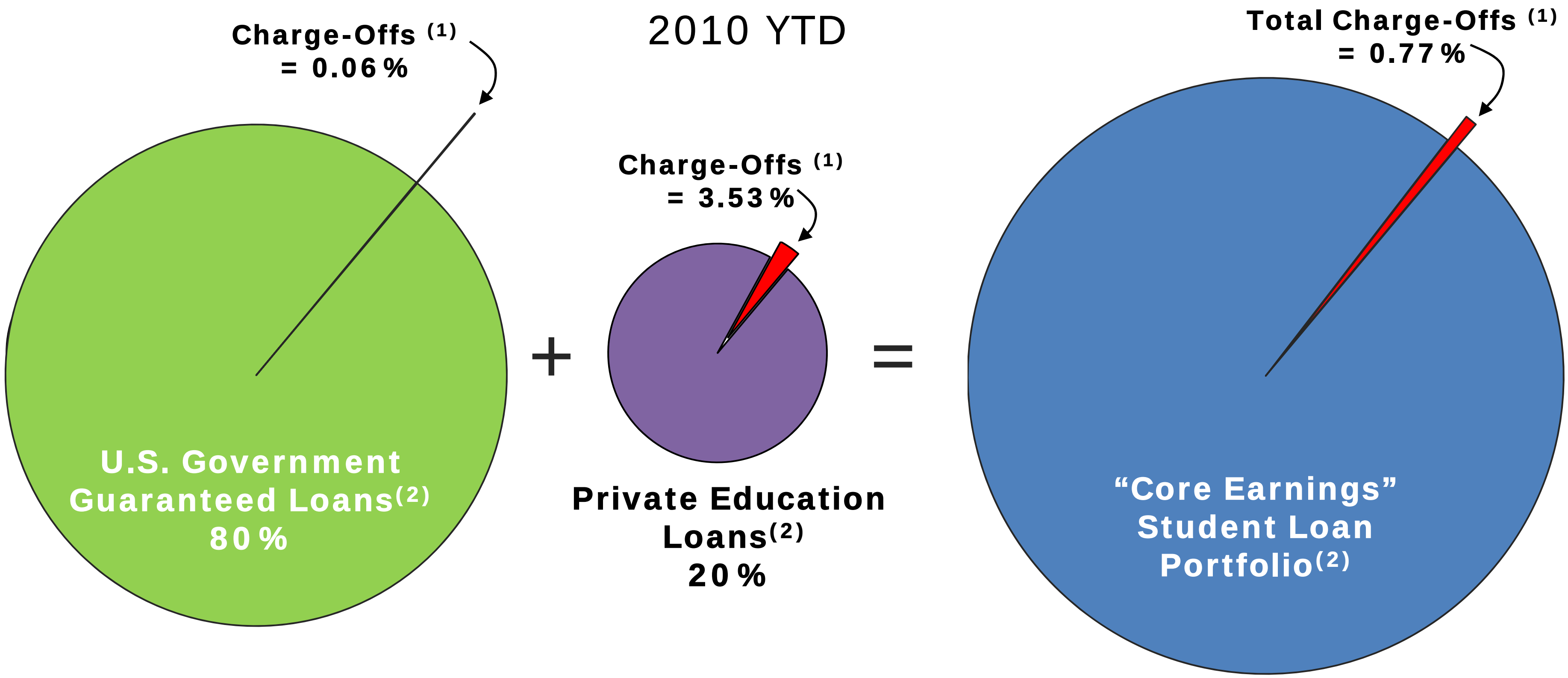
SLM leverage reflects that the vast majority of its assets are federally guaranteed and funded with term liabilities. The federal guarantee is set in statute and is at 97% or above.

Managed capital levels will rise considerably over the next several years as a result of the elimination of the FFELP. Thus the existing $149 billion in government guaranteed student loans will amortize and the balance sheet shrinks rapidly over the next several years which reduces leverage and materially increases capital levels.

- **SLM holds capital for non-government guaranteed assets**, in excess of regulatory risk-based requirements.
- Leverage for government guaranteed assets is appropriate given minimal credit exposure and existing liability structure. Capital held against FFELP loans is more than 8 times annual charge-offs. Charge-offs for FFELP loans were 0.06% in 2010.
- The assets are government guaranteed and funded with term liabilities with limited basis and repricing risk.

LOAN LOSSES

2010 YTD

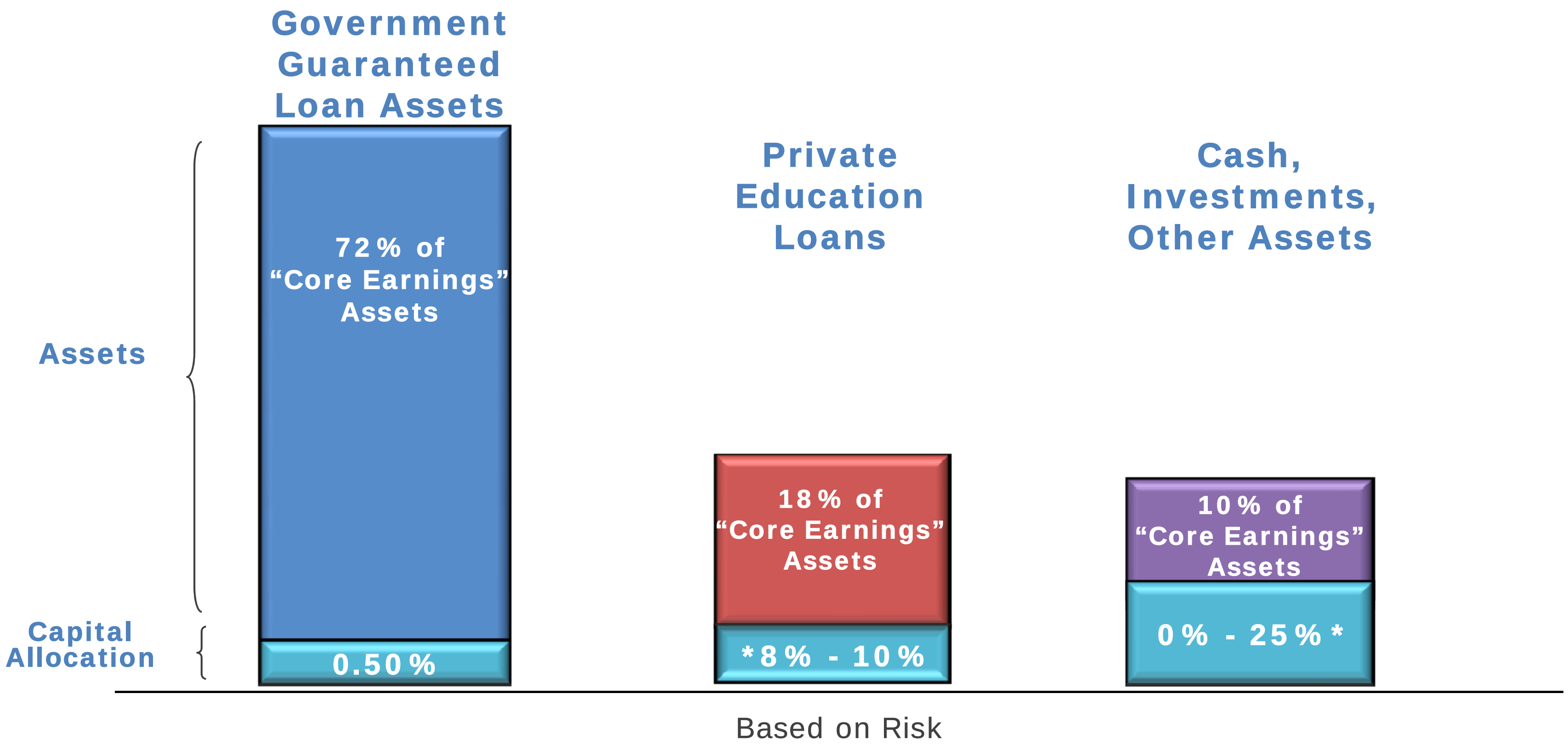


(1) All data YTD as of December 31, 2010. "Core Earnings" FFELP charge-offs as a percentage of average "Core Earnings" FFELP assets. "Core Earnings" Private Education Loan charge-offs as a percentage of average "Core Earnings" Private Education Loan assets. Total charge-offs as a percentage of average "Core Earnings" FFELP and Private Education Loan assets.

(2) Percentages of Total "Core Earnings" student loan portfolio based upon average portfolio balances .

CAPITAL ALLOCATION

SLM allocates capital internally based on the risk of the assets it supports

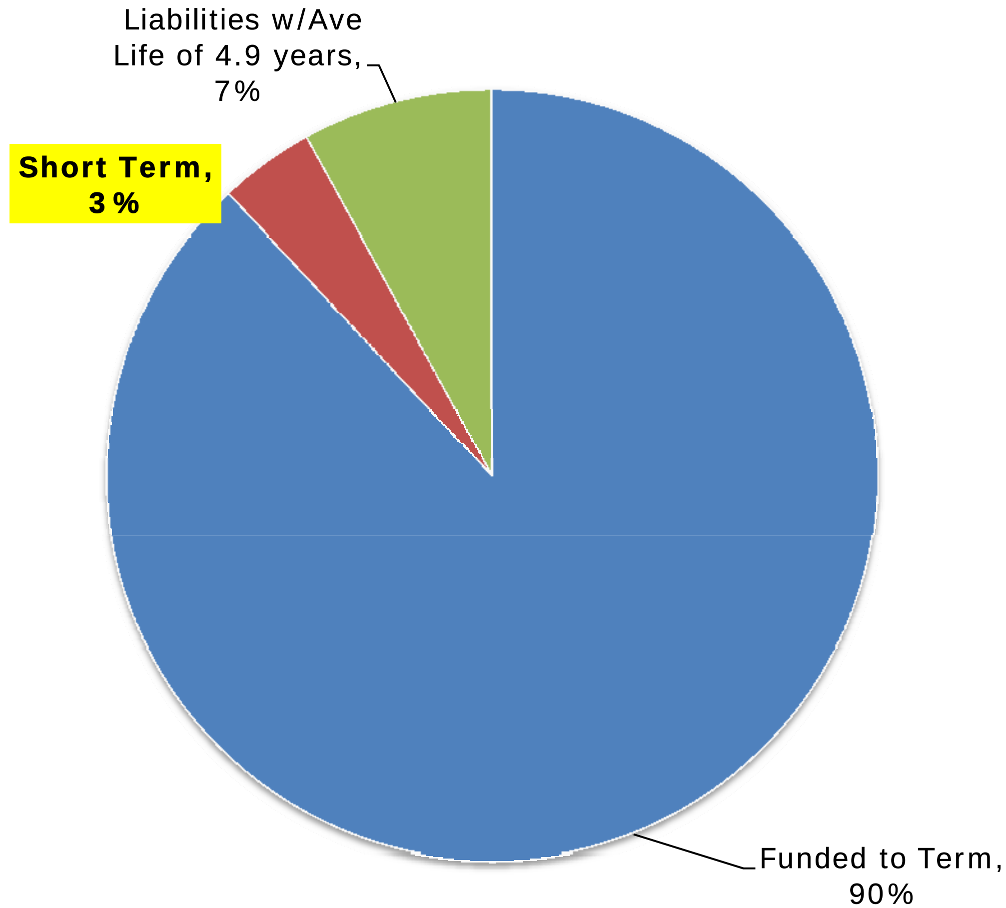


*Other Assets includes a small amount of goodwill & intangibles for which capital is allocated at 100%

As of Dec 31, 2010

SLM LIMITS ITS RELIANCE ON SHORT-TERM FINANCING
97% OF ASSETS FUNDED WITH TERM LIABILITIES

$184 Billion Managed Student Loan Portfolio as of 12/31/10



Size; Liquidity Risk & Maturity Mismatch

PROJECTED CASH FLOWS FROM FFELP PORTFOLIO

($ in Millions)

as of 1/19/2011		2011	2012	2013	2014	2015	2016	2017
Projected FFELP Average Balance		$139,081	$125,686	$112,463	$100,231	$89,393	$79,621	$70,336
Projected Excess Spread		$976	$923	$835	$742	$664	$729	$653
Projected Servicing Revenue		$758	$691	$620	$553	$491	$432	$376
Projected Total Revenue		$1,734	$1,614	$1,455	$1,295	$1,155	$1,161	$1,029

	2018	2019	2020	2021	2022	2023	2024	2025
Projected FFELP Average Balance	$61,753	$53,705	$46,289	$39,973	$34,973	$30,474	$26,148	$21,961
Projected Excess Spread	$581	$514	$441	$355	$294	$261	$235	$213
Projected Servicing Revenue	$324	$275	$230	$194	$168	$146	$125	$106
Projected Total Revenue	$905	$789	$671	$549	$462	$407	$360	$319

	2026	2027	2028	2029	2030	2031	2032	2033
Projected FFELP Average Balance	$17,928	$14,069	$10,637	$7,936	$5,854	$4,143	$2,634	$1,399
Projected Excess Spread	$183	$153	$125	$99	$78	$57	$40	$15
Projected Servicing Revenue	$87	$68	$52	$39	$29	$20	$13	$7
Projected Total Revenue	$270	$221	$177	$138	$107	$77	$53	$22

- Total Cash Flows from Projected Excess Spread = $9.2 Billion
- Total Cash Flows from Projected Servicing Revenues = $5.8 Billion

Assumptions
- CP/LIBOR = 10 basis points
- No Floor Income
- CPR/CDR = Stafford & Plus (7.0%), Consolidation (3.0%)

SLM REGULATED BY FDIC AND FFEIC

Sallie Mae Bank is currently regulated by the FDIC as well as the Utah Department of Financial Institutions. All consumers lending activity is conducted through this entity. Sallie Mae Bank maintains capital in excess of the "Well Capitalized" standards established by the FDIC.

Sallie Mae Bank
Regulatory Capital Ratios

Quarter / Year	Tier 1 Leverage Ration	Annual Average	Tier 1 Risk-Based Capital Ratio	Annual Average	Total Risk-Based Capital Ratio	Annual Average
3/31/2007	21.69%		26.14%		26.14%	
6/30/2007	21.12%		24.11%		24.12%	
9/30/2007	21.71%		23.15%		23.16%	
12/31/2007	23.21%	**21.93%**	24.41%	**24.45%**	24.43%	**24.46%**
3/31/2008	18.56%		18.66%		18.68%	
6/30/2008	17.30%		20.02%		20.04%	
9/30/2008	16.72%		17.93%		17.95%	
12/31/2008	40.67%	**23.31%**	45.88%	**25.62%**	46.28%	**25.74%**
3/31/2009	24.53%		29.57%		30.19%	
6/30/2009	17.93%		26.16%		26.92%	
9/30/2009	14.17%		24.20%		25.06%	
12/31/2009	15.04%	**17.92%**	24.61%	**26.14%**	25.43%	**26.90%**
3/31/2010	**16.16%**		**30.65%**		**31.57%**	
6/30/2010	**17.23%**		**30.38%**		**31.43%**	
9/30/2010	**16.71%**		**26.73%**		**27.69%**	
12/31/2010	**12.05%**	**15.54%**	**18.71%**	**26.62%**	**19.70%**	**27.60%**

Sallie Mae, Inc. and several other subsidiaries of SLM Corporation are service providers to insured financial institutions and, as such, are subject to regular examination by the Federal Financial Institutions Examination Council (the "FFIEC").

ADDITIONAL INFORMATION

SLM CORPORATION

Three Distinct Aspects of the Business Model

FFELP Loan Portfolio and Guarantor Collections & Servicing

- Existing portfolios generating substantial income and cash flow
- Servicing cash flows are super senior, residuals stable to minimal credit risk
- Cash flow enhances ability to service debt

Private Education Loan Originations and Portfolio

- Ongoing business with significant long term value
- Legacy portfolio quality vastly improved

Sallie Mae Services

- Attractive fee business with little capital required & high return on equity
- Diverse portfolio of customers and services
- Opportunities to expand services provided including industry consolidation
- Efficient structure and top performer

SLM CORPORATION

Average Balance Sheets
(Dollars in millions)
(Unaudited)

	Quarters Ended									
	Mar. 31, 2010		Jun. 30, 2010		Sep. 30, 2010		Dec. 31, 2010		Year-to-Date	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Average Assets										
FFELP Loans	$ 144,854	2.26 %	$ 148,101	2.37 %	$ 147,822	2.37 %	$ 127,522	2.42 %	$ 142,043	2.36
Private Education Loans	36,679	6.25	36,470	6.33	36,317	6.67	36,674	6.51	36,534	6.44
Other loans	391	9.32	322	9.05	300	9.52	280	8.87	323	9.20
Cash and investments	12,773	0.16	13,152	0.19	12,891	0.23	12,104	0.23	12,729	0.20
Total interest-earning assets	194,697	2.89 %	198,045	2.97 %	197,330	3.04 %	176,580	3.13 %	191,629	3.00
Non-interest-earning assets	6,736		6,503		5,944		4,564		5,931	
Total assets	$ 201,433		$ 204,548		$ 203,274		$ 181,144		$ 197,560	
Average Liabilities and Equity										
Short-term borrowings	$ 38,978	0.86 %	$ 42,813	0.78 %	$ 45,526	0.92 %	$ 27,273	0.89 %	$ 38,634	0.86
Long-term borrowings	154,268	1.18	153,303	1.27	149,646	1.41	145,956	1.29	150,768	1.29
Total interest-bearing liabilities	193,246	1.12 %	196,116	1.16 %	195,172	1.30 %	173,229	1.23 %	189,402	1.20
Non-interest-bearing liabilities	3,412		3,485		3,180		3,050		3,280	
Equity	4,775		4,947		4,922		4,865		4,878	
Total liabilities and equity	$ 201,433		$ 204,548		$ 203,274		$ 181,144		$ 197,560	
Net interest margin		1.78 %		1.81 %		1.75 %		1.93 %		1.82

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