

SLM CORP
Form 10-Q
May 06, 2010

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended **March 31, 2010**
- or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 001-13251

SLM Corporation

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

52-2013874

*(I.R.S. Employer
Identification No.)*

12061 Bluemont Way, Reston, Virginia

(Address of principal executive offices)

20190

(Zip Code)

(703) 810-3000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at March 31, 2010
Voting common stock, \$.20 par value	485,753,600 shares

SLM CORPORATION

**FORM 10-Q
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March 31, 2010**

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(1) Definitions for capitalized terms used in this document can be found in the Glossary at the end of this document.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

SLM CORPORATION
CONSOLIDATED BALANCE SHEETS
(Dollars and shares in thousands, except per share amounts)
(Unaudited)

	March 31, 2010	December 31, 2009
Assets		
FFELP Stafford and Other Student Loans (net of allowance for losses of \$119,522 and \$104,219, respectively)	\$ 47,928,753	\$ 42,978,874
FFELP Stafford Loans Held-for-Sale	16,418,101	9,695,714
FFELP Consolidation Loans (net of allowance for losses of \$66,693 and \$56,949, respectively)	82,177,664	68,378,560
Private Education Loans (net of allowance for losses of \$2,018,676 and \$1,443,440, respectively)	35,361,689	22,753,462
Other loans (net of allowance for losses of \$77,159 and \$73,985, respectively)	334,879	420,233
Investments:		
Available-for-sale	746,556	1,273,275
Other	654,503	740,553
Total investments	1,401,059	2,013,828
Cash and cash equivalents	6,840,902	6,070,013
Restricted cash and investments	6,115,399	5,168,871
Retained Interest in off-balance sheet securitized loans		1,828,075
Goodwill and acquired intangible assets, net	1,167,599	1,177,310
Other assets	9,767,040	9,500,358
Total assets	\$ 207,513,085	\$ 169,985,298
Liabilities		
Short-term borrowings	\$ 41,102,389	\$ 30,896,811
Long-term borrowings	157,983,266	130,546,272
Other liabilities	3,671,734	3,263,593
Total liabilities	202,757,389	164,706,676
Commitments and contingencies		
Equity		
Preferred stock, par value \$.20 per share, 20,000 shares authorized:		
Series A: 3,300 and 3,300 shares, respectively, issued at stated value of \$50 per share	165,000	165,000

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Series B: 4,000 and 4,000 shares, respectively, issued at stated value of \$100 per share	400,000	400,000
Series C: 7.25% mandatory convertible preferred stock; 810 and 810 shares, respectively, issued at liquidation preference of \$1,000 per share	810,370	810,370
Common stock, par value \$.20 per share, 1,125,000 shares authorized: 553,408 and 552,220 shares issued, respectively	110,682	110,444
Additional paid-in capital	5,106,094	5,090,891
Accumulated other comprehensive loss (net of tax benefit of \$24,535 and \$23,448, respectively)	(42,511)	(40,825)
Retained earnings	72,062	604,467
Total SLM Corporation stockholders' equity before treasury stock	6,621,697	7,140,347
Common stock held in treasury at cost: 67,564 and 67,222 shares, respectively	1,866,020	1,861,738
Total SLM Corporation stockholders' equity	4,755,677	5,278,609
Noncontrolling interest	19	13
Total equity	4,755,696	5,278,622
Total liabilities and equity	\$ 207,513,085	\$ 169,985,298

Supplemental information – significant assets and liabilities of variable interest entities:

	March 31, 2010	December 31, 2009
FFELP Stafford and Other Student Loans	\$ 62,163,939	\$ 51,067,680
FFELP Consolidation Loans	81,460,381	67,664,019
Private Education Loans	23,860,189	10,107,298
Restricted cash and investments	5,724,454	4,596,147
Other assets	4,323,164	3,639,918
Short-term borrowings	33,766,308	23,384,051
Long-term borrowings	130,114,526	101,012,628

See accompanying notes to consolidated financial statements.

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SLM CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Dollars and shares in thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	March 31,	
	2010	2009
Interest income:		
FFELP Stafford and Other Student Loans	\$ 283,437	\$ 342,816
FFELP Consolidation Loans	523,325	489,362
Private Education Loans	565,154	387,041
Other loans	8,996	16,420
Cash and investments	4,949	5,971
Total interest income	1,385,861	1,241,610
Total interest expense	531,384	1,026,547
Net interest income	854,477	215,063
Less: provisions for loan losses	359,120	250,279
Net interest income (loss) after provisions for loan losses	495,357	(35,216)
Other income (loss):		
Securitization servicing and Residual Interest revenue (loss)		(95,305)
Gains on sales of loans and securities, net	8,653	
Gains (losses) on derivative and hedging activities, net	(82,410)	104,025
Contingency fee revenue	80,311	74,815
Collections revenue	21,966	43,656
Guarantor servicing fees	36,090	34,008
Other	190,410	192,458
Total other income	255,020	353,657
Expenses:		
Salaries and benefits	150,385	135,142
Other operating expenses	177,635	159,974
Restructuring expenses	26,282	3,773
Total expenses	354,302	298,889
Income (loss) from continuing operations, before income tax expense (benefit)	396,075	19,552
Income tax expense (benefit)	155,795	(5,517)
Net income from continuing operations	240,280	25,069
Loss from discontinued operations, net of tax benefit		(46,174)

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Net income (loss)	240,280	(21,105)
Less: net income attributable to noncontrolling interest	140	281
Net income (loss) attributable to SLM Corporation	240,140	(21,386)
Preferred stock dividends	18,678	26,395
Net income (loss) attributable to SLM Corporation common stock	\$ 221,462	\$ (47,781)
Net income (loss) attributable to SLM Corporation:		
Continuing operations, net of tax	\$ 240,140	\$ 24,788
Discontinued operations, net of tax		(46,174)
Net income (loss) attributable to SLM Corporation	\$ 240,140	\$ (21,386)
Basic earnings (loss) per common share attributable to SLM Corporation common shareholders:		
Continuing operations	\$.46	\$
Discontinued operations	\$	\$ (.10)
Total	\$.46	\$ (.10)
Average common shares outstanding	484,259	466,761
Diluted earnings (loss) per common share attributable to SLM Corporation common shareholders:		
Continuing operations	\$.45	\$
Discontinued operations	\$	\$ (.10)
Total	\$.45	\$ (.10)
Average common and common equivalent shares outstanding	526,631	466,761
Dividends per common share attributable to SLM Corporation common shareholders	\$	\$

See accompanying notes to consolidated financial statements.

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SLM CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except share and per share amounts)
(Unaudited)

Issued	Common Stock Shares		Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock
	Treasury	Outstanding						
4,411,271	(66,958,400)	467,452,871	\$ 1,714,770	\$ 106,883	\$ 4,684,112	\$ (76,476)	\$ 426,175	\$ (1,856,39
							(21,386)	
						950		
						5,409		
						(333)		
							(2,875)	
							(2,520)	
							(20,840)	
							(7)	
286,846	98	286,944		57	2,045			
					160		(160)	
					(4,495)			
					12,333			

	(147,058)	(147,058)							(3,56)
4,698,117	(67,105,360)	467,592,757	\$ 1,714,770	\$ 106,940	\$ 4,694,155	\$ (70,450)	\$ 378,387	\$ (1,859,95	
2,219,576	(67,221,942)	484,997,634	\$ 1,375,370	\$ 110,444	\$ 5,090,891	\$ (40,825)	\$ 604,467	\$ (1,861,73	
							240,140		
							63		
							(1,712)		
							(37)		
								(2,875)	
								(955)	
								(14,688)	
								(11)	
1,188,209		1,188,209		238	6,401				
					160			(160)	
					(3,593)				
					12,235				
								(753,856)	
	(341,846)	(341,846)							(4,28

3,407,785 (67,563,788) 485,843,997 \$ 1,375,370 \$ 110,682 \$ 5,106,094 \$ (42,511) \$ 72,062 \$ (1,866,02

See accompanying notes to consolidated financial statements.

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SLM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Three Months Ended	
	March 31,	
	2010	2009
Operating activities		
Net income (loss)	\$ 240,280	\$ (21,105)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Loss from discontinued operations, net of tax benefit		46,174
Gains on sales of loans and securities, net	(8,653)	
Stock-based compensation cost	12,278	13,243
Unrealized (gains)/losses on derivative and hedging activities	(122,044)	(15,273)
Provisions for loan losses	359,120	250,279
Student loans originated for sale, net	(6,722,387)	(6,411,932)
Decrease in restricted cash other	25,755	35,270
(Increase) decrease in accrued interest receivable	(158,066)	458,024
Increase (decrease) in accrued interest payable	79,833	(284,223)
Adjustment for non-cash loss related to Retained Interest		249,833
Decrease in other assets, goodwill and acquired intangible assets, net	747,834	192,020
Decrease in other liabilities	(3,366)	(60,767)
Cash used in operating activities continuing operations	(5,789,696)	(5,527,352)
Cash provided by operating activities discontinued operations		80,299
Total net cash used in operating activities	(5,549,416)	(5,468,158)
Investing activities		
Student loans acquired	(2,638,358)	(2,589,083)
Loans purchased from securitized trusts		(2,194)
Reduction of student loans:		
Installment payments, claims and other	3,484,121	2,708,857
Proceeds from sales of student loans	75,493	462,311
Other loans originated		(37,017)
Other loans repaid	82,688	67,186
Other investing activities, net	80,089	22,718
Purchases of available-for-sale securities	(18,688,583)	(20,521,734)
Proceeds from sales of available-for-sale securities		100,056
Proceeds from maturities of available-for-sale securities	19,182,117	20,726,497
Purchases of held-to-maturity and other securities	(10,458)	
Proceeds from maturities of held-to-maturity securities and other securities	39,007	43,994
Increase in restricted cash on-balance sheet trusts	(52,489)	(344,780)

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Net cash provided by investing activities	1,553,627	636,811
Financing activities		
Borrowings collateralized by loans in trust issued	1,544,073	1,330,930
Borrowings collateralized by loans in trust repaid	(2,099,724)	(1,432,135)
Asset-backed commercial paper conduits, net	(441,723)	682,937
ED Participation Program, net	6,740,199	6,164,514
ED Conduit Program facility, net	368,537	
Other short-term borrowings issued		100,002
Other short-term borrowings repaid		(212,720)
Other long-term borrowings issued	1,463,534	1,156,263
Other long-term borrowings repaid	(2,541,703)	(3,024,590)
Other financing activities, net	(247,746)	(905,832)
Excess tax benefit from the exercise of stock-based awards	100	
Common stock issued	11	
Preferred dividends paid	(18,517)	(26,235)
Noncontrolling interest, net	(363)	(7,988)
Net cash provided by financing activities	4,766,678	3,825,146
Net increase (decrease) in cash and cash equivalents	770,889	(1,006,201)
Cash and cash equivalents at beginning of period	6,070,013	4,070,002
Cash and cash equivalents at end of period	\$ 6,840,902	\$ 3,063,801
Cash disbursements made (refunds received) for:		
Interest	\$ 549,075	\$ 1,403,858
Income taxes, net	\$ (493,132)	\$ 12,965

See accompanying notes to consolidated financial statements.

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SLM CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2010 and for the three months ended
March 31, 2010 and 2009 is unaudited)**

(Dollars in thousands, except per share amounts, unless otherwise noted)

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, consolidated financial statements of SLM Corporation (the Company or Sallie Mae) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three months ended March 31, 2010 are not necessarily indicative of the results for the year ending December 31, 2010. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009 (the 2009 Form 10-K).

Reclassifications

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

Recently Issued Accounting Standards

Transfers of Financial Assets and the Variable Interest Entity (VIE) Consolidation Model

In June 2009, the Financial Accounting Standards Board (FASB) issued topic updates to Accounting Standards Codification (ASC) 860, Transfers and Servicing, and to ASC 810, Consolidation.

The topic update to ASC 860, among other things, (1) eliminates the concept of a qualifying special purpose entity (QSPE), (2) changes the requirements for derecognizing financial assets, (3) changes the amount of the recognized gain/loss on a transfer accounted for as a sale when beneficial interests are received by the transferor, and (4) requires additional disclosure. The topic update to ASC 860 is effective for transactions which occur after December 31, 2009. The impact of ASC 860 to future transactions will depend on how such transactions are structured. ASC 860 relates primarily to the Company s secured borrowing facilities. All of the Company s secured borrowing facilities entered into in 2008 and 2009, including securitization trusts, have been accounted for as on-balance sheet financing facilities. These transactions would have been accounted for in the same manner if ASC 860 had been effective during these years.

The topic update to ASC 810, significantly changes the consolidation model for variable interest entities (VIEs). The topic update amends ASC 810 and, among other things, (1) eliminates the exemption for QSPEs, (2) provides a new approach for determining which entity should consolidate a VIE that is more focused on control rather than economic interest, (3) changes when it is necessary to reassess who should consolidate a VIE and (4) requires additional

disclosure. The topic update to ASC 810 is effective as of January 1, 2010.

Under ASC 810, if an entity has a variable interest in a VIE and that entity is determined to be the primary beneficiary of the VIE then that entity will consolidate the VIE. The primary beneficiary is the entity which has both: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses or receive benefits of the entity that could

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2010 and for the three months ended
March 31, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

1. Significant Accounting Policies (Continued)

potentially be significant to the VIE. As it relates to the Company's securitized assets, the Company is the servicer of the securitized assets and owns the Residual Interest of the securitization trusts. As a result, the Company is the primary beneficiary of its securitization trusts and consolidated those trusts that are off-balance sheet at their historical cost basis on January 1, 2010. The historical cost basis is the basis that would exist if these securitization trusts had remained on-balance sheet since they settled. ASC 810 did not change the accounting of any other VIEs the Company has a variable interest in as of January 1, 2010. These new accounting rules will also apply to new transactions entered into from January 1, 2010 forward.

Upon 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 an approximate \$550 million allowance for loan loss) and \$34.4 billion of liabilities (primarily trust debt), which resulted in an approximate \$750 million after-tax reduction of stockholders' equity (recorded as a cumulative effect adjustment to retained earnings). After the adoption of topic updates to ASC 810, the Company's results of operations no longer reflect 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, effective January 1, 2010, the Company's Managed and on-balance sheet (GAAP) student loan portfolios are the same.

Fair Value Measurements

In January 2010, the FASB issued a topic update to ASC 820, Fair Value Measurements and Disclosures. The update improves reporting by requiring separate disclosures of the amounts of significant transfers in and out of Level 1 and 2 of fair value measurements and a description of the reasons for the transfers. In addition, a reporting unit should report separately information about purchases, sales, issuances, and settlements within the reconciliation of activity in Level 3 fair value measurements. Finally, the update clarifies existing disclosure requirements regarding the level of disaggregation in reporting classes of assets and liabilities and discussion of the inputs and valuation techniques used for Level 2 and 3 fair values. This topic update is effective for annual and interim periods beginning January 1, 2010, except for disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for annual and interim periods beginning January 1, 2011.

2. Allowance for Loan Losses

The Company's provisions for loan losses represent the periodic expense of maintaining an allowance sufficient to absorb incurred losses, net of recoveries, in the held-for-investment loan portfolios. The evaluation of the provisions for loan losses is inherently subjective as it requires material estimates that may be susceptible to significant changes. The Company believes that the allowance for loan losses is appropriate to cover probable losses incurred in the loan portfolios.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2010 and for the three months ended
March 31, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

2. Allowance for Loan Losses (Continued)

The following table summarizes the total loan provisions for the three months ended March 31, 2010 and 2009.

	Three Months Ended	
	March 31,	
	2010	2009
Private Education Loans	\$ 325,022	\$ 203,545
FFELP Stafford and Other Student Loans	22,996	34,398
Mortgage and consumer loans	11,102	12,336
Total provisions for loan losses	\$ 359,120	\$ 250,279

Allowance for Private Education Loan Losses

The following table summarizes changes in the allowance for loan losses for Private Education Loans for the three months ended March 31, 2010 and 2009.

	Three Months Ended March 31,	
	2010	2009
Allowance at beginning of period	\$ 1,443,440	\$ 1,308,043
Provision for Private Education Loan losses	325,022	203,545
Charge-offs	(284,478)	(138,815)
Reclassification of interest reserve	10,642	11,681
Consolidation of off-balance sheet trusts ⁽¹⁾	524,050	
Allowance at end of period	\$ 2,018,676	\$ 1,384,454
Charge-offs as a percentage of average loans in repayment (annualized)	4.7%	5.1%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	4.4%	4.7%
Allowance as a percentage of the ending total loan balance	5.3%	5.9%
Allowance as a percentage of ending loans in repayment	8.2%	12.3%
Allowance coverage of charge-offs (annualized)	1.7	2.5
Ending total loans ⁽²⁾	\$ 38,292,920	\$ 23,564,123
Average loans in repayment	\$ 24,645,633	\$ 11,107,102
Ending loans in repayment	\$ 24,705,990	\$ 11,233,368

- (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 Note 1, Significant Accounting Policies *Recently Issued Accounting Standards* - Transfers of Financial Assets and the VIE Consolidation Model for further discussion.)
- (2) Ending total loans represents gross Private Education Loans, plus the receivable for partially charged-off loans.

Table of Contents**SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Information at March 31, 2010 and for the three months ended
March 31, 2010 and 2009 is unaudited)

(Dollars in thousands, except per share amounts, unless otherwise noted)

2. Allowance for Loan Losses (Continued)**Private Education Loan Delinquencies**

The table below presents the Company's Private Education Loan delinquency trends as of March 31, 2010, December 31, 2009, and March 31, 2009.

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

Delinquencies as a percentage of Private
Education Loans in repayment

Loans in forbearance as a percentage of loans in repayment and forbearance	5.1%	6.3%	7.1%
---	------	------	------

- (1) Loans for borrowers who may be attending school or engaging in other permitted educational activities and are not yet required to make payments on their 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at March 31, 2010 and for the three months ended
March 31, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

2. Allowance for Loan Losses (Continued)**Allowance for FFELP Loan Losses**

The following table summarizes changes in the allowance for loan losses for the FFELP loan portfolio for the three months ended March 31, 2010 and 2009.

	Three Months Ended	
	March 31,	
	2010	2009
Allowance at beginning of period	\$ 161,168	\$ 137,543
Provision for FFELP loan losses	22,996	34,398
Charge-offs	(21,404)	(18,880)
Decrease for student loan sales and other	(1,694)	(767)
Consolidation of off-balance sheet trusts ⁽¹⁾	25,149	
Allowance at end of period	\$ 186,215	\$ 152,294
Charge-offs as a percentage of average loans in repayment (annualized)	.1%	.1%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.1%	.1%
Allowance as a percentage of the ending total loan balance	.1%	.1%
Allowance as a percentage of ending loans in repayment	.2%	.2%
Allowance coverage of charge-offs (annualized)	2.1	2.0
Ending total loans, gross	\$ 143,914,476	\$ 126,453,600
Average loans in repayment	\$ 82,437,527	\$ 69,595,581
Ending loans in repayment	\$ 82,457,392	\$ 68,614,707

⁽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 Note 1, Significant Accounting Policies *Recently Issued Accounting Standards* - Transfers of Financial Assets and the VIE Consolidation Model for further discussion.)

The Company maintains an allowance for Risk Sharing loan losses on its FFELP loan portfolio. The level of Risk Sharing has varied over the past few years with legislative changes. As of March 31, 2010, 47 percent of the FFELP loan portfolio was subject to 3 percent Risk Sharing, 52 percent was subject to 2 percent Risk Sharing and the remaining 1 percent was not subject to any Risk Sharing.

Table of Contents**SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Information at March 31, 2010 and for the three months ended
March 31, 2010 and 2009 is unaudited)

(Dollars in thousands, except per share amounts, unless otherwise noted)

2. Allowance for Loan Losses (Continued)**FFELP Loan Delinquencies**

The table below shows the Company's FFELP loan delinquency trends as of March 31, 2010, December 31, 2009 and March 31, 2009.

(Dollars in millions)	FFELP Loan Delinquencies					
	March 31, 2010		December 31, 2009		March 31, 2009	
	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$ 43,719		\$ 35,079		\$ 44,679	
Loans in forbearance ⁽²⁾	17,738		14,121		13,160	
Loans in repayment and percentage of each status:						
Loans current	68,141	82.6%	57,528	82.4%	57,925	84.4%
Loans delinquent 31-60 days ⁽³⁾	4,817	5.9	4,250	6.1	3,710	5.4
Loans delinquent 61-90 days ⁽³⁾	2,962	3.6	2,205	3.1	2,017	3.0
Loans delinquent greater than 90 days ⁽³⁾	6,537	7.9	5,844	8.4	4,963	7.2
Total FFELP loans in repayment	82,457	100%	69,827	100%	68,615	100%
Total FFELP loans, gross	143,914		119,027		126,454	
FFELP loan unamortized premium	2,796		2,187		2,428	
Total FFELP loans	146,710		121,214		128,882	
FFELP loan allowance for losses	(186)		(161)		(152)	
FFELP loans, net	\$ 146,524		\$ 121,053		\$ 128,730	