

SLM CORP  
Form 10-Q  
August 03, 2012  
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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 June 30, 2012

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**

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(Exact name of registrant as specified in its charter)

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>52-2013874</b> (I.R.S. Employer Identification No.)
<b>300 Continental Drive, Newark, Delaware</b> (Address of principal executive offices)	<b>19713</b> (Zip Code)
<b>(302) 283-8000</b> (Registrant's telephone number, including area code)	
<b>(Former name, former address and former fiscal year, if changed since last report)</b>	

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

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  (Do not check if a smaller reporting company) 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 June 30, 2012
Common stock, \$.20 par value	469,402,199 shares

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**SLM CORPORATION**

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SLM CORPORATION****CONSOLIDATED BALANCE SHEETS****(In millions, except share and per share amounts)****(Unaudited)**

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Assets</b>		
FFELP Loans (net of allowance for losses of \$173 and \$187, respectively)	\$ 132,833	\$ 138,130
Private Education Loans (net of allowance for losses of \$2,186 and \$2,171, respectively)	36,454	36,290
Investments		
Available-for-sale	59	70
Other	1,044	1,052
Total investments	1,103	1,122
Cash and cash equivalents	3,020	2,794
Restricted cash and investments	6,717	5,873
Goodwill and acquired intangible assets, net	467	478
Other assets	8,485	8,658
Total assets	\$ 189,079	\$ 193,345
<b>Liabilities</b>		
Short-term borrowings	\$ 24,493	\$ 29,573
Long-term borrowings	155,476	154,393
Other liabilities	4,172	4,128
Total liabilities	184,141	188,094
<b>Commitments and contingencies</b>		
<b>Equity</b>		
Preferred stock, par value \$.20 per share, 20 million shares authorized		
Series A: 3.3 million and 3.3 million shares issued, respectively, at stated value of \$50 per share	165	165
Series B: 4 million and 4 million shares issued, respectively, at stated value of \$100 per share	400	400
Common stock, par value \$.20 per share, 1.125 billion shares authorized: 533 million and 529 million shares issued, respectively	107	106
Additional paid-in capital	4,196	4,136
Accumulated other comprehensive loss (net of tax benefit of \$6 and \$8, respectively)	(10)	(14)
Retained earnings	1,040	770
Total SLM Corporation stockholders' equity before treasury stock	5,898	5,563
Less: Common stock held in treasury at cost: 63 million and 20 million shares, respectively	(967)	(320)
Total SLM Corporation stockholders' equity	4,931	5,243
Noncontrolling interest	7	8
Total equity	4,938	5,251

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Total liabilities and equity \$ 189,079 \$ 193,345

**Supplemental information assets and liabilities of consolidated variable interest entities:**

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
FFELP Loans	\$ 129,314	\$ 135,536
Private Education Loans	25,895	24,962
Restricted cash and investments	6,580	5,609
Other assets	2,085	2,638
Short-term borrowings	15,903	21,313
Long-term borrowings	135,154	134,533
Net assets of consolidated variable interest entities	\$ 12,817	\$ 12,899

See accompanying notes to consolidated financial statements.

**Table of Contents****SLM CORPORATION****CONSOLIDATED STATEMENTS OF INCOME**

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>Interest income:</b>				
FFELP Loans	\$ 777	\$ 850	\$ 1,619	\$ 1,727
Private Education Loans	616	600	1,241	1,204
Other loans	4	5	9	11
Cash and investments	6	5	10	10
Total interest income	1,403	1,460	2,879	2,952
Total interest expense	657	592	1,323	1,186
Net interest income	746	868	1,556	1,766
Less: provisions for loan losses	243	291	496	594
Net interest income after provisions for loan losses	503	577	1,060	1,172
<b>Other income (loss):</b>				
Gains (losses) on derivative and hedging activities, net	6	(510)	(366)	(752)
Servicing revenue	92	93	189	191
Contingency revenue	87	86	176	164
Gains on debt repurchases	20		58	38
Other	(2)	3	38	25
Total other income (loss)	203	(328)	95	(334)
<b>Expenses:</b>				
Salaries and benefits	120	125	247	261
Other operating expenses	119	143	254	311
Total operating expenses	239	268	501	572
Goodwill and acquired intangible assets impairment and amortization expense	5	6	9	12
Restructuring expenses	3	2	8	5
Total expenses	247	276	518	589
Income (loss) from continuing operations, before income tax expense (benefit)	459	(27)	637	249
Income tax expense (benefit)	168	(10)	235	90
Net income (loss) from continuing operations	291	(17)	402	159
Income from discontinued operations, net of tax expense		11		10
<b>Net income (loss)</b>	291	(6)	402	169
Less: net loss attributable to noncontrolling interest	(1)		(1)	
Net income (loss) attributable to SLM Corporation	292	(6)	403	169
Preferred stock dividends	5	4	10	8

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Net income (loss) attributable to SLM Corporation common stock	\$ 287	\$ (10)	\$ 393	\$ 161
<b>Basic earnings (loss) per common share attributable to SLM Corporation:</b>				
Continuing operations	\$ .59	\$ (.04)	\$ .80	\$ .29
Discontinued operations		.02		.02
<b>Total</b>	<b>\$ .59</b>	<b>\$ (.02)</b>	<b>\$ .80</b>	<b>\$ .31</b>
Average common shares outstanding	482	524	493	525
<b>Diluted earnings (loss) per common share attributable to SLM Corporation:</b>				
Continuing operations	\$ .59	\$ (.04)	\$ .79	\$ .28
Discontinued operations		.02		.02
<b>Total</b>	<b>\$ .59</b>	<b>\$ (.02)</b>	<b>\$ .79</b>	<b>\$ .30</b>
Average common and common equivalent shares outstanding	488	524	499	531
Dividends per common share attributable to SLM Corporation	\$ .125	\$ .10	\$ .25	\$ .10

See accompanying notes to consolidated financial statements.

**Table of Contents****SLM CORPORATION****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(In millions)****(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Net income (loss)	\$ 291	\$ (6)	\$ 402	\$ 169
Other comprehensive income (loss):				
Unrealized gains/(losses) on derivatives:				
Unrealized hedging losses on derivatives	(10)	(5)	(11)	(8)
Reclassification adjustments for derivative losses included in net income	8	13	17	30
Unrealized gains on investments		2		2
Income tax benefit (expense)	1	(4)	(2)	(9)
Other comprehensive income, net of tax	(1)	6	4	15
Comprehensive income	290		406	184
Less: comprehensive loss attributable to noncontrolling interest	(1)		(1)	
Total comprehensive income attributable to SLM Corporation	\$ 291	\$	\$ 407	\$ 184

See accompanying notes to consolidated financial statements.



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## SLM CORPORATION

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(In millions, except share and per share amounts)

(Unaudited)

	Common Stock Shares				Accumulated					Total			
	Preferred Stock Shares	Issued	Treasury	Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Stockholders Equity	Noncontrolling Interest	Total Equity
<b>Balance at March 31, 2011</b>	7,300,000	527,493,764		527,493,764	\$ 565	\$ 106	\$ 4,092	\$ (36)	\$ 480	\$	\$ 5,207	\$	\$ 5,207
Comprehensive income:													
Net loss									(6)		(6)		(6)
Other comprehensive income, net of tax							6				6		6
Total comprehensive income													
Cash dividends:													
Common stock (\$ .10 per share)									(52)		(52)		(52)
Preferred stock, series A (\$ .87 per share)									(3)		(3)		(3)
Preferred stock, series B (\$ .26 per share)									(1)		(1)		(1)
Issuance of common shares		1,129,399		1,129,399			12				12		12
Tax benefit related to employee stock-based compensation plans							(2)				(2)		(2)
Stock-based compensation expense							12				12		12
Common stock repurchased			(9,593,603)	(9,593,603)						(156)	(156)		(156)
Shares repurchased related to employee stock-based compensation plans			(880,731)	(880,731)						(14)	(14)		(14)
Acquisition of noncontrolling interest												9	9

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<b>Balance at June 30, 2011</b>	7,300,000	528,623,163	(10,474,334)	518,148,829	\$ 565	\$ 106	\$ 4,114	\$ (30)	\$ 418	\$ (170)	\$ 5,003	\$ 9	\$ 5,012
<b>Balance at March 31, 2012</b>	7,300,000	532,246,806	(39,084,156)	493,162,650	\$ 565	\$ 106	\$ 4,182	\$ (9)	\$ 814	\$ (620)	\$ 5,038	\$ 8	\$ 5,046
Comprehensive income:													
Net income (loss)									292		292	(1)	291
Other comprehensive income, net of tax							(1)			(1)			(1)
Total comprehensive income											291	(1)	290
Cash dividends:													
Common stock (\$ .125 per share)									(61)		(61)		(61)
Preferred stock, series A (\$.87 per share)									(3)		(3)		(3)
Preferred stock, series B (\$.56 per share)									(2)		(2)		(2)
Issuance of common shares		426,168		426,168		1	4				5		5
Stock-based compensation expense							10				10		10
Common stock repurchased			(23,836,964)	(23,836,964)						(341)	(341)		(341)
Shares repurchased related to employee stock-based compensation plans			(349,655)	(349,655)						(6)	(6)		(6)
<b>Balance at June 30, 2012</b>	7,300,000	532,672,974	(63,270,775)	469,402,199	\$ 565	\$ 107	\$ 4,196	\$ (10)	\$ 1,040	\$ (967)	\$ 4,931	\$ 7	\$ 4,938

See accompanying notes to consolidated financial statements.

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## SLM CORPORATION

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(In millions, except share and per share amounts)

(Unaudited)

	Common Stock Shares				Accumulated					Total			
	Preferred Stock Shares	Issued	Treasury	Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Stockholders Equity	Noncontrolling Interest	Total Equity
<b>Balance at December 31, 2010</b>	7,300,000	595,263,474	(68,319,589)	526,943,885	\$ 565	\$ 119	\$ 5,940	\$ (45)	\$ 309	\$ (1,876)	\$ 5,012	\$	\$ 5,012
Comprehensive income:													
Net income									169		169		169
Other comprehensive income, net of tax							15				15		15
Total comprehensive income											184		184
Cash dividends:													
Common stock (\$ .10 per share)									(52)		(52)		(52)
Preferred stock, series A (\$1.74 per share)									(6)		(6)		(6)
Preferred stock, series B (\$.57 per share)									(2)		(2)		(2)
Issuance of common shares		3,434,058		3,434,058		1	34				35		35
Retirement of common stock in treasury		(70,074,369)	70,074,369			(14)	(1,890)			1,904			
Tax benefit related to employee stock-based compensation plans							(7)				(7)		(7)
Stock-based compensation expense							37				37		37
Common stock repurchased			(9,593,603)	(9,593,603)						(156)	(156)		(156)
Shares repurchased related to employee stock-based compensation plans			(2,635,511)	(2,635,511)						(42)	(42)		(42)

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Acquisition of  
noncontrolling  
interest

9 9

<b>Balance at June 30, 2011</b>	7,300,000	528,623,163	(10,474,334)	518,148,829	\$ 565	\$ 106	\$ 4,114	\$ (30)	\$ 418	\$ (170)	\$ 5,003	\$ 9	\$ 5,012
<b>Balance at December 31, 2011</b>	7,300,000	529,075,322	(20,323,997)	508,751,325	\$ 565	\$ 106	\$ 4,136	\$ (14)	\$ 770	\$ (320)	\$ 5,243	\$ 8	\$ 5,251
Comprehensive income:													
Net income (loss)									403		403	(1)	402
Other comprehensive income, net of tax								4			4		4
Total comprehensive income											407	(1)	406
Cash dividends:													
Common stock (\$ .25 per share)									(123)		(123)		(123)
Preferred stock, series A (\$1.74 per share)									(6)		(6)		(6)
Preferred stock, series B (\$1.13 per share)									(4)		(4)		(4)
Issuance of common shares		3,597,652		3,597,652		1	31				32		32
Tax benefit related to employee stock-based compensation plans							(3)				(3)		(3)
Stock-based compensation expense							32				32		32
Common stock repurchased			(40,540,146)	(40,540,146)							(609)	(609)	(609)
Shares repurchased related to employee stock-based compensation plans			(2,406,632)	(2,406,632)							(38)	(38)	(38)
<b>Balance at June 30, 2012</b>	7,300,000	532,672,974	(63,270,775)	469,402,199	\$ 565	\$ 107	\$ 4,196	\$ (10)	\$ 1,040	\$ (967)	\$ 4,931	\$ 7	\$ 4,938

See accompanying notes to consolidated financial statements.

**Table of Contents****SLM CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In millions)****(Unaudited)**

	<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating activities</b>		
Net income	\$ 402	\$ 169
Adjustments to reconcile net income to net cash provided by operating activities:		
Gains on debt repurchases	(58)	(38)
Goodwill and acquired intangible assets impairment and amortization expense	9	12
Stock-based compensation expense	32	37
Unrealized (gains) losses on derivative and hedging activities	(1)	396
Provisions for loan losses	496	594
Decrease in restricted cash - other	34	53
Decrease in accrued interest receivable	104	93
Increase in accrued interest payable	29	70
(Increase) decrease in other assets	(81)	206
Increase (decrease) in other liabilities	59	(225)
Total adjustments	623	1,198
Total net cash provided by operating activities	1,025	1,367
<b>Investing activities</b>		
Student loans acquired and originated	(3,826)	(1,818)
Reduction of student loans:		
Installment payments, claims and other	8,479	6,707
Proceeds from sales of student loans	284	381
Other investing activities, net		(172)
Purchases of available-for-sale securities	(22)	(110)
Proceeds from maturities of available-for-sale securities	44	133
Purchases of held-to-maturity and other securities	(148)	(131)
Proceeds from maturities of held-to-maturity and other securities	128	128
(Increase) decrease in restricted cash - variable interest entities	(881)	137
Cash provided by investing activities - continuing operations	4,058	5,255
Cash provided by investing activities - discontinued operations		51
Total net cash provided by investing activities	4,058	5,306
<b>Financing activities</b>		
Borrowings collateralized by loans in trust - issued	6,894	3,038
Borrowings collateralized by loans in trust - repaid	(6,849)	(5,725)
Asset-backed commercial paper conduits, net	1,233	(445)
ED Conduit Program facility, net	(5,835)	(1,729)
Other short-term borrowings issued	23	
Other short-term borrowings repaid	(64)	
Other long-term borrowings issued	1,927	1,967
Other long-term borrowings repaid	(1,782)	(4,133)
Other financing activities, net	94	255
Retail and other deposits, net	244	117
Common stock repurchased	(609)	(156)

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Common stock dividends paid		(123)	(52)
Preferred stock dividends paid		(10)	(8)
Net cash used in financing activities		(4,857)	(6,871)
Net increase (decrease) in cash and cash equivalents		226	(198)
Cash and cash equivalents at beginning of period		2,794	4,343
<b>Cash and cash equivalents at end of period</b>		<b>\$ 3,020</b>	<b>\$ 4,145</b>
Cash disbursements made (refunds received) for:			
Interest		\$ 1,276	\$ 1,225
Income taxes paid		\$ 310	\$ 364
Income taxes received		\$ (5)	\$ (22)
Noncash activity:			
Investing activity	Student loans and other assets acquired	\$ 402	\$
Operating activity	Other assets acquired and other liabilities assumed, net	\$ 23	\$
Financing activity	Borrowings assumed in acquisition of student loans and other assets	\$ 425	\$

See accompanying notes to consolidated financial statements.

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**SLM CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Information at June 30, 2012 and for the three and six months ended**

**June 30, 2012 and 2011 is unaudited)**

**1. Significant Accounting Policies**

***Basis of Presentation***

The accompanying unaudited, consolidated financial statements of SLM Corporation ( we, us, our, or the Company ) 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. The consolidated financial statements include the accounts of SLM Corporation and its majority-owned and controlled subsidiaries and those Variable Interest Entities ( VIEs ) for which we are the primary beneficiary, after eliminating the effects of intercompany accounts and transactions. 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 and six months ended June 30, 2012 are not necessarily indicative of the results for the year ending December 31, 2012 or for any other period. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2011 (the 2011 Form 10-K ).

***Reclassifications***

Certain reclassifications have been made to the balances as of and for the three and six months ended June 30, 2011 to be consistent with classifications adopted for 2012, and had no effect on net income, total assets, or total liabilities.

***Recently Adopted Accounting Standards***

***Presentation of Comprehensive Income***

On January 1, 2012, we adopted Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220), Presentation of Comprehensive Income. The objective of this new guidance is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. The new guidance requires all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Upon adoption we present comprehensive income and its components in a separate consolidated statement of comprehensive income on a retrospective basis for all periods presented. There was no impact on our results of operations.

***Fair Value Measurement and Disclosure Requirements***

On January 1, 2012, we adopted ASU No. 2011-04, Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. These amendments (1) clarify the FASB's intent about the application of existing fair value measurement and disclosure requirements; and (2) change particular principles or requirements for measuring fair value or for disclosing information about fair value measurements. This new guidance did not have a material impact on our fair value measurements in the three and six months ended June 30, 2012.

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**SLM CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2. Allowance for Loan Losses**

Our provisions for loan losses represent the periodic expense of maintaining an allowance sufficient to absorb incurred probable losses, net of expected 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. We believe that the allowance for loan losses is appropriate to cover probable losses incurred in the loan portfolios. We segregate our Private Education Loan portfolio into two classes of loans – traditional and non-traditional. Non-traditional loans are loans to (i) borrowers attending for-profit schools with an original Fair Isaac and Company ( FICO ) score of less than 670 and (ii) borrowers attending not-for-profit schools with an original FICO score of less than 640. The FICO score used in determining whether a loan is non-traditional is the greater of the borrower or cosigner FICO score at origination. Traditional loans are defined as all other Private Education Loans that are not classified as non-traditional.



**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Allowance for Loan Losses (Continued)***Allowance for Loan Losses Metrics*

(Dollars in millions)	Allowance for Loan Losses Three Months Ended June 30, 2012			
	FFELP Loans	Education Loans	Other Loans	Total
Beginning balance	\$ 180	\$ 2,190	\$ 64	\$ 2,434
Total provision	18	225		243
Charge-offs <sup>(1)</sup>	(23)	(235)	(5)	(263)
Student loan sales	(2)			(2)
Reclassification of interest reserve <sup>(2)</sup>		6		6
Ending balance	\$ 173	\$ 2,186	\$ 59	\$ 2,418
<i>Allowance:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 921	\$ 45	\$ 966
Ending balance: collectively evaluated for impairment	\$ 173	\$ 1,265	\$ 14	\$ 1,452
<i>Loans:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 6,569	\$ 84	\$ 6,653
Ending balance: collectively evaluated for impairment	\$ 131,512	\$ 32,905	\$ 152	\$ 164,569
Charge-offs as a percentage of average loans in repayment (annualized)	.10%	3.09%	9.80%	
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.08%	2.96%	9.80%	
Allowance as a percentage of ending total loans	.13%	5.54%	24.85%	
Allowance as a percentage of ending loans in repayment	.19%	7.11%	24.85%	
Allowance coverage of charge-offs (annualized)	1.8	2.3	2.5	
Ending total loans <sup>(3)</sup>	\$ 131,512	\$ 39,474	\$ 236	
Average loans in repayment	\$ 92,436	\$ 30,533	\$ 241	
Ending loans in repayment	\$ 91,998	\$ 30,731	\$ 236	

(1) Charge-offs are reported net of expected recoveries. For Private Education Loans, the expected recovery amount is transferred to the receivable for partially charged-off loan balance. Charge-offs include charge-offs against the receivable for partially charged-off loans which represents the difference between what was expected to be collected and what was actually collected in the period. See [Receivable for Partially Charged-Off Private Education Loans](#) for further discussion.

(2) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan's principal balance.

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<sup>(3)</sup> Ending total loans for Private Education Loans includes the receivable for partially charged-off loans.

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Allowance for Loan Losses (Continued)**

(Dollars in millions)	Allowance for Loan Losses Three Months Ended June 30, 2011			
	FFELP Loans	Private Education Loans	Other Loans	Total
Beginning balance	\$ 190	\$ 2,034	\$ 74	\$ 2,298
Total provision	23	265	3	291
Charge-offs <sup>(1)</sup>	(21)	(263)	(14)	(298)
Student loan sales	(3)			(3)
Reclassification of interest reserve <sup>(2)</sup>		7		7
Ending balance	\$ 189	\$ 2,043	\$ 63	\$ 2,295
<i>Allowance:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 134	\$ 52	\$ 186
Ending balance: collectively evaluated for impairment	\$ 189	\$ 1,909	\$ 11	\$ 2,109
<i>Loans:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 564	\$ 102	\$ 666
Ending balance: collectively evaluated for impairment	\$ 141,048	\$ 38,093	\$ 194	\$ 179,335
Charge-offs as a percentage of average loans in repayment (annualized)	.09%	3.71%	17.59%	
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.07%	3.54%	17.59%	
Allowance as a percentage of ending total loans	.13%	5.28%	21.46%	
Allowance as a percentage of ending loans in repayment	.20%	7.07%	21.46%	
Allowance coverage of charge-offs (annualized)	2.3	1.9	1.2	
Ending total loans <sup>(3)</sup>	\$ 141,048	\$ 38,657	\$ 296	
Average loans in repayment	\$ 94,318	\$ 28,489	\$ 312	
Ending loans in repayment	\$ 94,282	\$ 28,871	\$ 296	

(1) Charge-offs are reported net of expected recoveries. For Private Education Loans, the expected recovery amount is transferred to the receivable for partially charged-off loan balance. Charge-offs include charge-offs against the receivable for partially charged-off loans which represents the difference between what was expected to be collected and what was actually collected in the period. See *Receivable for Partially Charged-Off Private Education Loans* for further discussion.

(2) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan's principal balance.

(3) Ending total loans for Private Education Loans includes the receivable for partially charged-off loans.

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Allowance for Loan Losses (Continued)**

(Dollars in millions)	Allowance for Loan Losses Six Months Ended June 30, 2012			
	FFELP Loans	Private Education Loans	Other Loans	Total
Beginning balance	\$ 187	\$ 2,171	\$ 69	\$ 2,427
Total provision	36	460		496
Charge-offs <sup>(1)</sup>	(46)	(459)	(10)	(515)
Student loan sales	(4)			(4)
Reclassification of interest reserve <sup>(2)</sup>		14		14
Ending balance	\$ 173	\$ 2,186	\$ 59	\$ 2,418
<i>Allowance:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 921	\$ 45	\$ 966
Ending balance: collectively evaluated for impairment	\$ 173	\$ 1,265	\$ 14	\$ 1,452
<i>Loans:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 6,569	\$ 84	\$ 6,653
Ending balance: collectively evaluated for impairment	\$ 131,512	\$ 32,905	\$ 152	\$ 164,569
Charge-offs as a percentage of average loans in repayment (annualized)	.10%	3.03%	8.41%	
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.08%	2.90%	8.41%	
Allowance as a percentage of ending total loans	.13%	5.54%	24.85%	
Allowance as a percentage of ending loans in repayment	.19%	7.11%	24.85%	
Allowance coverage of charge-offs (annualized)	1.9	2.4	2.8	
Ending total loans <sup>(3)</sup>	\$ 131,512	\$ 39,474	\$ 236	
Average loans in repayment	\$ 92,793	\$ 30,456	\$ 248	
Ending loans in repayment	\$ 91,998	\$ 30,731	\$ 236	

(1) Charge-offs are reported net of expected recoveries. For Private Education Loans, the expected recovery amount is transferred to the receivable for partially charged-off loan balance. Charge-offs include charge-offs against the receivable for partially charged-off loans which represents the difference between what was expected to be collected and what was actually collected in the period. See *Receivable for Partially Charged-Off Private Education Loans* for further discussion.

(2) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan's principal balance.

(3) Ending total loans for Private Education Loans includes the receivable for partially charged-off loans.

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Allowance for Loan Losses (Continued)**

(Dollars in millions)	Allowance for Loan Losses Six Months Ended June 30, 2011			
	FFELP Loans	Private Education Loans	Other Loans	Total
Beginning balance	\$ 189	\$ 2,022	\$ 72	\$ 2,283
Total provision	46	540	8	594
Charge-offs <sup>(1)</sup>	(41)	(537)	(17)	(595)
Student loan sales	(5)			(5)
Reclassification of interest reserve <sup>(2)</sup>		18		18
Ending balance	\$ 189	\$ 2,043	\$ 63	\$ 2,295
<i>Allowance:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 134	\$ 52	\$ 186
Ending balance: collectively evaluated for impairment	\$ 189	\$ 1,909	\$ 11	\$ 2,109
<i>Loans:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 564	\$ 102	\$ 666
Ending balance: collectively evaluated for impairment	\$ 141,048	\$ 38,093	\$ 194	\$ 179,335
Charge-offs as a percentage of average loans in repayment (annualized)	.09%	3.82%	11.02%	
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.07%	3.65%	11.02%	
Allowance as a percentage of ending total loans	.13%	5.28%	21.46%	
Allowance as a percentage of ending loans in repayment	.20%	7.07%	21.46%	
Allowance coverage of charge-offs (annualized)	2.3	1.9	1.8	
Ending total loans <sup>(3)</sup>	\$ 141,048	\$ 38,657	\$ 296	
Average loans in repayment	\$ 94,908	\$ 28,309	\$ 322	
Ending loans in repayment	\$ 94,282	\$ 28,871	\$ 296	

(1) Charge-offs are reported net of expected recoveries. For Private Education Loans, the expected recovery amount is transferred to the receivable for partially charged-off loan balance. Charge-offs include charge-offs against the receivable for partially charged-off loans which represents the difference between what was expected to be collected and what was actually collected in the period. See *Receivable for Partially Charged-Off Private Education Loans* for further discussion.

(2) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan's principal balance.

(3) Ending total loans for Private Education Loans includes the receivable for partially charged-off loans.

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Allowance for Loan Losses (Continued)***Key Credit Quality Indicators*

FFELP Loans are substantially insured and guaranteed as to their principal and accrued interest in the event of default; therefore, the key credit quality indicator for this portfolio is loan status. The impact of changes in loan status is incorporated quarterly into the allowance for loan losses calculation. For Private Education Loans, the key credit quality indicators are school type, FICO scores, the existence of a cosigner, the loan status and loan seasoning. The school type/FICO score are assessed at origination and maintained through the traditional/non-traditional loan designation. The other Private Education Loan key quality indicators can change and are incorporated quarterly into the allowance for loan losses calculation. The following table highlights the principal balance (excluding the receivable for partially charged-off loans) of our Private Education Loan portfolio stratified by the key credit quality indicators.

(Dollars in millions)	Private Education Loans Credit Quality Indicators			
	June 30, 2012		December 31, 2011	
	Balance <sup>(3)</sup>	% of Balance	Balance <sup>(3)</sup>	% of Balance
<b>Credit Quality Indicators:</b>				
School Type/FICO Scores:				
Traditional	\$ 34,790	91%	\$ 34,528	91%
Non-Traditional <sup>(1)</sup>	3,407	9	3,565	9
<b>Total</b>	<b>\$ 38,197</b>	<b>100%</b>	<b>\$ 38,093</b>	<b>100%</b>
Cosigners:				
With cosigner	\$ 24,035	63%	\$ 23,507	62%
Without cosigner	14,162	37	14,586	38
<b>Total</b>	<b>\$ 38,197</b>	<b>100%</b>	<b>\$ 38,093</b>	<b>100%</b>
Seasoning <sup>(2)</sup> :				
1-12 payments	\$ 8,749	23%	\$ 9,246	24%
13-24 payments	6,656	17	6,837	18
25-36 payments	5,723	15	5,677	15
37-48 payments	3,924	10	3,778	10
More than 48 payments	7,047	19	6,033	16
Not yet in repayment	6,098	16	6,522	17
<b>Total</b>	<b>\$ 38,197</b>	<b>100%</b>	<b>\$ 38,093</b>	<b>100%</b>

<sup>(1)</sup> Defined as loans to borrowers attending for-profit schools (with a FICO score of less than 670 at origination) and borrowers attending not-for-profit schools (with a FICO score of less than 640 at origination).

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- (2) Number of months in active repayment for which a scheduled payment was due.
- (3) Balance represents gross Private Education Loans.

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Allowance for Loan Losses (Continued)**

The following tables provide information regarding the loan status and aging of past due loans.

(Dollars in millions)	FFELP Loan Delinquencies			
	June 30, 2012		December 31, 2011	
	Balance	%	Balance	%
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 21,157		\$ 22,887	
Loans in forbearance <sup>(2)</sup>	18,357		19,575	
Loans in repayment and percentage of each status:				
Loans current	76,258	82.9%	77,093	81.9%
Loans delinquent 31-60 days <sup>(3)</sup>	5,239	5.7	5,419	5.8
Loans delinquent 61-90 days <sup>(3)</sup>	2,816	3.1	3,438	3.7
Loans delinquent greater than 90 days <sup>(3)</sup>	7,685	8.3	8,231	8.6
Total FFELP Loans in repayment	91,998	100%	94,181	100%
Total FFELP Loans, gross	131,512		136,643	
FFELP Loan unamortized premium	1,494		1,674	
Total FFELP Loans	133,006		138,317	
FFELP Loan allowance for losses	(173)		(187)	
FFELP Loans, net	\$ 132,833		\$ 138,130	
Percentage of FFELP Loans in repayment		70.0%		68.9%
Delinquencies as a percentage of FFELP Loans in repayment		17.1%		18.1%
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		16.6%		17.2%

(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 their loans, e.g., residency periods for medical students or a grace period for bar exam preparation, as well as loans for borrowers who have requested and qualify for other permitted program deferments such as military, unemployment, or economic hardships.

(2) Loans for borrowers who have used their allowable deferment time or do not qualify for deferment, that need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors.



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

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Allowance for Loan Losses (Continued)**

	Private Education Traditional Loan Delinquencies			
	June 30, 2012		December 31, 2011	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 5,529		\$ 5,866	
Loans in forbearance <sup>(2)</sup>	1,186		1,195	
Loans in repayment and percentage of each status:				
Loans current	25,669	91.4%	25,110	91.4%
Loans delinquent 31-60 days <sup>(3)</sup>	862	3.1	868	3.2
Loans delinquent 61-90 days <sup>(3)</sup>	498	1.8	393	1.4
Loans delinquent greater than 90 days <sup>(3)</sup>	1,046	3.7	1,096	4.0
Total traditional loans in repayment	28,075	100%	27,467	100%
Total traditional loans, gross	34,790		34,528	
Traditional loans unamortized discount	(760)		(792)	
Total traditional loans	34,030		33,736	
Traditional loans receivable for partially charged-off loans	739		705	
Traditional loans allowance for losses	(1,589)		(1,542)	
Traditional loans, net	\$ 33,180		\$ 32,899	
Percentage of traditional loans in repayment		80.7%		80.0%
Delinquencies as a percentage of traditional loans in repayment		8.6%		8.6%
Loans in forbearance as a percentage of loans in repayment and forbearance		4.1%		4.2%
Loans in repayment greater than 12 months as a percentage of loans in repayment		75.0%		73.4%

<sup>(1)</sup> Deferment includes borrowers who have returned to school or are engaged 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.

<sup>(2)</sup> 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.

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



**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Allowance for Loan Losses (Continued)**

	<b>Private Education Non-Traditional Loan Delinquencies</b>			
	<b>June 30, 2012</b>		<b>December 31, 2011</b>	
<b>(Dollars in millions)</b>	<b>Balance</b>	<b>%</b>	<b>Balance</b>	<b>%</b>
Loans in-school/grace/deferment <sup>(1)</sup>	\$ 569		\$ 656	
Loans in forbearance <sup>(2)</sup>	182		191	
Loans in repayment and percentage of each status:				
Loans current	1,981	74.5%	2,012	74.0%
Loans delinquent 31-60 days <sup>(3)</sup>	196	7.4	208	7.7
Loans delinquent 61-90 days <sup>(3)</sup>	145	5.5	127	4.7
Loans delinquent greater than 90 days <sup>(3)</sup>	334	12.6	371	13.6
Total non-traditional loans in repayment	2,656	100%	2,718	100%
Total non-traditional loans, gross	3,407		3,565	
Non-traditional loans unamortized discount	(74)		(81)	
Total non-traditional loans	3,333		3,484	
Non-traditional loans receivable for partially charged-off loans	538		536	
Non-traditional loans allowance for losses	(597)		(629)	
Non-traditional loans, net	\$ 3,274		\$ 3,391	
Percentage of non-traditional loans in repayment		78.0%		76.2%
Delinquencies as a percentage of non-traditional loans in repayment		25.5%		26.0%
Loans in forbearance as a percentage of loans in repayment and forbearance		6.4%		6.6%
Loans in repayment greater than 12 months as a percentage of loans in repayment		66.6%		63.0%

(1) Deferment includes borrowers who have returned to school or are engaged 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.  
*Receivable for Partially Charged-Off Private Education Loans*

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At the end of each month, for loans that are 212 days past due, we charge 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 immediately charged off through the allowance for loan losses with an offsetting reduction in the receivable for partially charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered.

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Allowance for Loan Losses (Continued)**

The following table summarizes the activity in the receivable for partially charged-off loans.

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Receivable at beginning of period	\$ 1,250	\$ 1,090	\$ 1,241	\$ 1,040
Expected future recoveries of current period defaults <sup>(1)</sup>	82	94	151	191
Recoveries <sup>(2)</sup>	(44)	(37)	(94)	(77)
Charge-offs <sup>(3)</sup>	(11)	(7)	(21)	(14)
Receivable at end of period	\$ 1,277	\$ 1,140	\$ 1,277	\$ 1,140

<sup>(1)</sup> Represents the difference between the loan balance and our estimate of the amount to be collected in the future.

<sup>(2)</sup> Current period cash collections.

<sup>(3)</sup> Represents the current period recovery shortfall – the difference between what was expected to be collected and what was actually collected. These amounts are included in the Private Education Loan total charge-offs as reported in the Allowance for Loan Losses Metrics tables.

***Troubled Debt Restructurings***

We modify the terms of loans for certain borrowers when we believe such modifications may increase the ability and willingness of a borrower to make payments and thus increase the ultimate overall amount collected on a loan. These modifications generally take the form of a forbearance, a temporary interest rate reduction or an extended repayment plan. For borrowers experiencing financial difficulty, certain Private Education Loans for which we have granted a forbearance of greater than three months, an interest rate reduction or an extended repayment plan are classified as troubled debt restructurings. Forbearance provides borrowers the ability to defer payments for a period of time, but does not result in the forgiveness of any principal or interest. While in forbearance status, interest continues to accrue and is capitalized to principal when the loan re-enters repayment status. The recorded investment of loans granted a forbearance that was classified as a troubled debt restructuring was \$5.7 billion and \$4.5 billion at June 30, 2012 and December 31, 2011, respectively. The recorded investment for troubled debt restructurings from loans granted interest rate reductions or extended repayment plans was \$0.7 billion and \$0.7 billion at June 30, 2012 and December 31, 2011, respectively.

At June 30, 2012 and December 31, 2011, all of our troubled debt restructuring loans had a related allowance recorded. The following table provides the recorded investment, unpaid principal balance and related allowance for our troubled debt restructuring loans.

(Dollars in millions)	Troubled Debt Restructuring Loans		
	Recorded Investment <sup>(1)</sup>	Unpaid	Related Allowance

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		<b>Principal Balance</b>		
<b>June 30, 2012</b>				
Private Education Loans	Traditional	\$ 5,198	\$ 5,263	\$ 669
Private Education Loans	Non-Traditional	1,215	1,222	252
Total		\$ 6,413	\$ 6,485	\$ 921
<b>December 31, 2011</b>				
Private Education Loans	Traditional	\$ 4,201	\$ 4,259	\$ 546
Private Education Loans	Non-Traditional	1,048	1,054	216
Total		\$ 5,249	\$ 5,313	\$ 762

(1) The recorded investment is equal to the unpaid principal balance and accrued interest receivable net of unamortized deferred fees and costs.

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Allowance for Loan Losses (Continued)**

The following table provides the average recorded investment and interest income recognized for our troubled debt restructuring loans.

		Three Months Ended June 30,			
		2012		2011	
(Dollars in millions)		Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Private Education Loans	Traditional	\$ 5,036	\$ 81	\$ 313	\$ 4
Private Education Loans	Non-Traditional	1,206	26	192	3
<b>Total</b>		<b>\$ 6,242</b>	<b>\$ 107</b>	<b>\$ 505</b>	<b>\$ 7</b>

		Six Months Ended June 30,			
		2012		2011	
(Dollars in millions)		Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Private Education Loans	Traditional	\$ 4,772	\$ 154	\$ 295	\$ 7
Private Education Loans	Non-Traditional	1,158	51	185	6
<b>Total</b>		<b>\$ 5,930</b>	<b>\$ 205</b>	<b>\$ 480</b>	<b>\$ 13</b>

The following table provides the amount of modified loans that resulted in a troubled debt restructuring, as well as charge-offs occurring in the troubled debt restructuring portfolio. The majority of our loans that are considered troubled debt restructurings involve a temporary forbearance of payments and do not change the contractual interest rate of the loan.

		Three Months Ended June 30,			
		2012		2011	
(Dollars in millions)		Modified Loans <sup>(1)</sup>	Charge- offs <sup>(2)</sup>	Modified Loans <sup>(1)</sup>	Charge- offs <sup>(2)</sup>
Private Education Loans	Traditional	\$ 554	\$ 82	\$ 69	\$ 7
Private Education Loans	Non-Traditional	104	33	29	6
<b>Total</b>		<b>\$ 658</b>	<b>\$ 115</b>	<b>\$ 98</b>	<b>\$ 13</b>

		Six Months Ended June 30,			
		2012		2011	
(Dollars in millions)		Modified Loans <sup>(1)</sup>	Charge- offs <sup>(2)</sup>	Modified Loans <sup>(1)</sup>	Charge- offs <sup>(2)</sup>



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		<b>Modified Loans<sup>(1)</sup></b>	<b>Charge- offs<sup>(2)</sup></b>	<b>Modified Loans<sup>(1)</sup></b>	<b>Charge- offs<sup>(2)</sup></b>
Private Education Loans	Traditional	\$ 1,210	\$ 148	\$ 99	\$ 13
Private Education Loans	Non-Traditional	245	62	45	14
<b>Total</b>		<b>\$ 1,455</b>	<b>\$ 210</b>	<b>\$ 144</b>	<b>\$ 27</b>

(1) Represents period ending balance of loans that have been modified during the period.

(2) Represents loans that charge off during the period that are classified as troubled debt restructurings.

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Allowance for Loan Losses (Continued)***Accrued Interest Receivable*

The following table provides information regarding accrued interest receivable on our Private Education Loans. The table also discloses the amount of accrued interest on loans greater than 90 days past due as compared to our allowance for uncollectible interest. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due portfolio for all periods presented.

(Dollars in millions)		Total	Accrued Interest Receivable	
			Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
<b>June 30, 2012</b>				
Private Education Loans	Traditional	\$ 846	\$ 36	\$ 46
Private Education Loans	Non-Traditional	127	16	25
Total		\$ 973	\$ 52	\$ 71
<b>December 31, 2011</b>				
Private Education Loans	Traditional	\$ 870	\$ 36	\$ 44
Private Education Loans	Non-Traditional	148	18	28
Total		\$ 1,018	\$ 54	\$ 72

**3. Borrowings**

The following table summarizes our borrowings.

(Dollars in millions)	June 30, 2012			December 31, 2011		
	Short Term	Long Term	Total	Short Term	Long Term	Total
<i>Unsecured borrowings:</i>						
Senior unsecured debt	\$ 2,359	\$ 16,131	\$ 18,490	\$ 1,801	\$ 15,199	\$ 17,000
Brokered deposits	765	1,550	2,315	1,733	1,956	3,689
Retail and other deposits	2,367		2,367	2,123		2,123
Other <sup>(1)</sup>	1,422		1,422	1,329		1,329
Total unsecured borrowings	6,913	17,681	24,594	6,986	17,155	24,141
<i>Secured borrowings:</i>						
FFELP Loan securitizations		107,545	107,545		107,905	107,905
Private Education Loan securitizations		19,803	19,803		19,297	19,297
ED Conduit Program Facility	15,903		15,903	21,313		21,313

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FFELP ABCP Facility	5,435	5,435	4,445	4,445
Private Education Loan ABCP Facility	1,764	1,764	1,992	1,992
Acquisition financing <sup>(2)</sup>	813	813	916	916
FHLB-DM Facility	1,680	1,680	1,210	1,210
<b>Total secured borrowings</b>	<b>17,583</b>	<b>135,360</b>	<b>152,943</b>	<b>22,523</b>
<b>Total before hedge accounting adjustments</b>	<b>24,496</b>	<b>153,041</b>	<b>177,537</b>	<b>29,509</b>
<b>Hedge accounting adjustments</b>	<b>(3)</b>	<b>2,435</b>	<b>2,432</b>	<b>64</b>
<b>Total</b>	<b>\$ 24,493</b>	<b>\$ 155,476</b>	<b>\$ 179,969</b>	<b>\$ 29,573</b>
			<b>\$ 154,393</b>	<b>\$ 183,966</b>

(1) Other primarily consists of the obligation to return cash collateral held related to derivative exposures.

(2) Relates to the acquisition of \$25 billion of student loans at the end of 2010.

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. Borrowings (Continued)****Secured Borrowings**

We currently consolidate all of our financing entities that are VIEs as a result of being the entities' primary beneficiary. As a result, these financing VIEs are accounted for as secured borrowings. We consolidate the following financing VIEs:

(Dollars in millions)	June 30, 2012						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
<b>Secured Borrowings VIEs:</b>							
ED Conduit Program Facility	\$ 15,903	\$	\$ 15,903	\$ 15,700	\$ 835	\$ 308	\$ 16,843
FFELP ABCP Facility		5,435	5,435	5,737	130	104	5,971
Private Education Loan ABCP Facility		1,764	1,764	2,356	394	60	2,810
Securitizations FFELP Loans		107,545	107,545	107,876	4,645	517	113,038
Securitizations Private Education Loans		19,803	19,803	23,540	576	470	24,586
Total before hedge accounting adjustments	15,903	134,547	150,450	155,209	6,580	1,459	163,248
Hedge accounting adjustments		607	607			626	626
<b>Total</b>	<b>\$ 15,903</b>	<b>\$ 135,154</b>	<b>\$ 151,057</b>	<b>\$ 155,209</b>	<b>\$ 6,580</b>	<b>\$ 2,085</b>	<b>\$ 163,874</b>

(Dollars in millions)	December 31, 2011						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
<b>Secured Borrowings VIEs:</b>							
ED Conduit Program Facility	\$ 21,313	\$	\$ 21,313	\$ 21,445	\$ 621	\$ 442	\$ 22,508
FFELP ABCP Facility		4,445	4,445	4,834	86	54	4,974
Private Education Loan ABCP Facility		1,992	1,992	2,595	401	76	3,072
Securitizations FFELP Loans		107,905	107,905	109,257	3,783	529	113,569
Securitizations Private Education Loans		19,297	19,297	22,367	718	582	23,667
Total before hedge accounting adjustments	21,313	133,639	154,952	160,498	5,609	1,683	167,790
Hedge accounting adjustments		894	894			955	955
<b>Total</b>	<b>\$ 21,313</b>	<b>\$ 134,533</b>	<b>\$ 155,846</b>	<b>\$ 160,498</b>	<b>\$ 5,609</b>	<b>\$ 2,638</b>	<b>\$ 168,745</b>

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. Borrowings (Continued)***Securizations*

The following table summarizes the securitization transactions that occurred during the year ended December 31, 2011 and the six months ended June 30, 2012.

Issue	Date Issued	Total Issued	AAA-rated bonds	
			Weighted Average Interest Rate	Weighted Average Life
<b>FFELP:</b>				
2011-1	March 2011	\$ 812	1 month LIBOR plus 0.89%	5.5 years
2011-2	May 2011	821	1 month LIBOR plus 0.94%	5.5 years
2011-3	November 2011	812	1 month LIBOR plus 1.28%	7.8 years
Total bonds issued in 2011		\$ 2,445		
Total loan amount securitized in 2011		\$ 2,344		
2012-1	January 2012	\$ 765	1 month LIBOR plus 0.96%	4.6 years
2012-2	March 2012	824	1 month LIBOR plus 0.75%	4.7 years
2012-3	May 2012	1,252	1 month LIBOR plus 0.70%	4.6 years
2012-4	June 2012	1,491	1 month LIBOR plus 1.13%	8.2 years
Total bonds issued in six months ended June 30, 2012		\$ 4,332		
Total loan amount securitized in six months ended June 30, 2012		\$ 4,328		
<b>Private Education:</b>				
2011-A	April 2011	\$ 562	1 month LIBOR plus 1.99%	3.8 years
2011-B	June 2011	825	1 month LIBOR plus 1.89%	4.0 years
2011-C	November 2011	721	1 month LIBOR plus 2.99%	3.4 years
Total bonds issued in 2011		\$ 2,108		
Total loan amount securitized in 2011		\$ 2,674		
2012-A	February 2012	\$ 547	1 month LIBOR plus 2.17%	3.0 years
2012-B	April 2012	891	1 month LIBOR plus 2.25%	2.9 years
2012-C	May 2012	1,135	1 month LIBOR plus 1.90%	2.6 years
Total bonds issued in six months ended June 30, 2012		\$ 2,573		

Total loan amount securitized in six months ended June 30, 2012	\$ 3,460
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***Additional, Recent Borrowing-Related Transactions***

***FFELP ABCP Facility***

On January 13, 2012, we amended the FFELP ABCP Facility increasing the amount available and extending the step-down dates on the amount available for borrowing and the final maturity date of the facility. The facility amount is now \$7.5 billion, reflecting an increase of \$2.5 billion. The scheduled maturity date of the facility is

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**SLM CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**3. Borrowings (Continued)**

January 9, 2015. The usage fee for the facility remains unchanged at 0.50 percent over the applicable funding rate. The amended facility features two contractual step-down reductions on the amount available for borrowing. The first reduction is on January 11, 2013, to \$6.5 billion. The second reduction is on January 10, 2014, to \$5.5 billion.

*Senior Unsecured Debt*

On January 27, 2012, we issued an aggregate of \$1.5 billion bonds, composed of five-year and 10-year unsecured bonds. The 6.00 percent fixed rate five-year bond was issued for \$750 million to yield 6.25 percent. The rate on the bond was swapped from a fixed rate to a floating rate equal to an all-in cost of one-month LIBOR plus 5.2 percent. The 7.25 percent fixed rate 10-year bond was issued for \$750 million to yield 7.50 percent. The rate on the bond was swapped from a fixed rate to a floating rate equal to an all-in cost of one-month LIBOR plus 5.4 percent. The proceeds of these bonds were designated for general corporate purposes.

On June 18, 2012, we issued \$350 million in unsecured debt scheduled to mature in January 2017. The 6.00 percent fixed rate bond was issued to yield 6.375 percent. The rate was swapped from a fixed rate to a floating rate equal to an all-in cost of one-month LIBOR plus 5.6 percent. The proceeds of this bond were designated for general corporate purposes.

**4. Derivative Financial Instruments**

Our risk management strategy and use of and accounting for derivatives have not materially changed from that discussed in our 2011 Form 10-K. Please refer to Note 7 Derivative Financial Instruments in our 2011 Form 10-K for a full discussion.

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Derivative Financial Instruments (Continued)***Summary of Derivative Financial Statement Impact*

The following tables summarize the fair values and notional amounts of all derivative instruments at June 30, 2012 and December 31, 2011, and their impact on other comprehensive income and earnings for the three and six months ended June 30, 2012 and 2011.

**Impact of Derivatives on Consolidated Balance Sheet**

(Dollars in millions)	Hedged Risk Exposure	Cash Flow		Fair Value		Trading		Total	
		June 30, 2012	Dec. 31, 2011	June 30, 2012	Dec. 31, 2011	June 30, 2012	Dec. 31, 2011	June 30, 2012	Dec. 31, 2011
<b>Fair Values<sup>(1)</sup></b>									
<i>Derivative Assets:</i>									
Interest rate swaps	Interest rate	\$	\$	\$ 1,516	\$ 1,471	\$ 181	\$ 262	\$ 1,697	\$ 1,733
Cross-currency interest rate swaps	Foreign currency & interest rate			792	1,229	106	130	898	1,359
Other <sup>(2)</sup>	Interest rate					5	1	5	1
Total derivative assets <sup>(3)</sup>				2,308	2,700	292	393	2,600	3,093
<i>Derivative Liabilities:</i>									
Interest rate swaps	Interest rate	(22)	(26)			(211)	(244)	(233)	(270)
Floor Income Contracts	Interest rate					(2,369)	(2,544)	(2,369)	(2,544)
Cross-currency interest rate swaps	Foreign currency & interest rate			(268)	(243)			(268)	(243)
Total derivative liabilities <sup>(3)</sup>		(22)	(26)	(268)	(243)	(2,580)	(2,788)	(2,870)	(3,057)
Net total derivatives		\$ (22)	\$ (26)	\$ 2,040	\$ 2,457	\$ (2,288)	\$ (2,395)	\$ (270)	\$ 36

(1) Fair values reported are exclusive of collateral held and pledged and accrued interest. Assets and liabilities are presented without consideration of master netting agreements. Derivatives are carried on the balance sheet based on net position by counterparty under master netting agreements, and classified in other assets or other liabilities depending on whether in a net positive or negative position.

(2) Other includes embedded derivatives bifurcated from securitization debt as well as derivatives related to our Total Return Swap Facility.

(3) The following table reconciles gross positions without the impact of master netting agreements to the balance sheet classification:



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(Dollar in millions)	Other Assets		Other Liabilities	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Gross position	\$ 2,600	\$ 3,093	\$ (2,870)	\$ (3,057)
Impact of master netting agreements	(755)	(891)	755	891
Derivative values with impact of master netting agreements (as carried on balance sheet)	1,845	2,202	(2,115)	(2,166)
Cash collateral (held) pledged	(1,421)	(1,326)	1,009	1,018
Net position	\$ 424	\$ 876	\$ (1,106)	\$ (1,148)

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Derivative Financial Instruments (Continued)**

The above fair values include adjustments for counterparty credit risk for both when we are exposed to the counterparty, net of collateral postings, and when the counterparty is exposed to us, net of collateral postings. The net adjustments decreased the overall net asset positions at June 30, 2012 and December 31, 2011 by \$135 million and \$190 million, respectively. In addition, the above fair values reflect adjustments for illiquid derivatives as indicated by a wide bid/ask spread in the interest rate indices to which the derivatives are indexed. These adjustments decreased the overall net asset positions at June 30, 2012 and December 31, 2011 by \$114 million and \$111 million, respectively.

	Cash Flow		Fair Value		Trading		Total	
	June 30, 2012	Dec. 31, 2011	June 30, 2012	Dec. 31, 2011	June 30, 2012	Dec. 31, 2011	June 30, 2012	Dec. 31, 2011
<b>(Dollars in billions)</b>								
<b>Notional Values:</b>								
Interest rate swaps	\$ 1.1	\$ 1.1	\$ 14.6	\$ 14.0	\$ 68.8	\$ 73.6	\$ 84.5	\$ 88.7
Floor Income Contracts					51.6	57.8	51.6	57.8
Cross-currency interest rate swaps			15.2	15.5	.3	.3	15.5	15.8
Other <sup>(1)</sup>					1.3	1.4	1.3	1.4
Total derivatives	\$ 1.1	\$ 1.1	\$ 29.8	\$ 29.5	\$ 122.0	\$ 133.1	\$ 152.9	\$ 163.7

<sup>(1)</sup> Other includes embedded derivatives bifurcated from securitization debt, as well as derivatives related to our Total Return Swap Facility.

**Impact of Derivatives on Consolidated Statements of Income**

	Unrealized Gain		Realized Gain		Unrealized Gain		Total Gain	
	(Loss) on Derivatives <sup>(1)(2)</sup>	(Loss) on Derivatives <sup>(1)(2)</sup>	(Loss) on Derivatives <sup>(3)</sup>	(Loss) on Derivatives <sup>(3)</sup>	(Loss) on Hedged Item <sup>(1)</sup>	(Loss) on Hedged Item <sup>(1)</sup>	(Loss)	(Loss)
	2012	2011	2012	2011	2012	2011	2012	2011
<b>(Dollars in millions)</b>								
<b>Fair Value Hedges:</b>								
Interest rate swaps	\$ 193	\$ 203	\$ 115	\$ 121	\$ (220)	\$ (230)	\$ 88	\$ 94
Cross-currency interest rate swaps	(654)	173	41	83	816	(299)	203	(43)
Total fair value derivatives	(461)	376	156	204	596	(529)	291	51
<b>Cash Flow Hedges:</b>								
Interest rate swaps			(8)	(9)			(8)	(9)
Total cash flow derivatives			(8)	(9)			(8)	(9)
<b>Trading:</b>								
Interest rate swaps	(10)	54	32	17			22	71
Floor Income Contracts	50	(277)	(222)	(202)			(172)	(479)

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Cross-currency interest rate swaps	10	16	2	2			12	18
Other	9	20		13			9	33
<b>Total trading derivatives</b>	<b>59</b>	<b>(187)</b>	<b>(188)</b>	<b>(170)</b>			<b>(129)</b>	<b>(357)</b>
Total	(402)	189	(40)	25	596	(529)	154	(315)
Less: realized gains (losses) recorded in interest expense			148	195			148	195
Gains (losses) on derivative and hedging activities, net	\$ (402)	\$ 189	\$ (188)	\$ (170)	\$ 596	\$ (529)	\$ 6	\$ (510)

(1) Recorded in Gains (losses) on derivative and hedging activities, net in the consolidated statements of income.

(2) Represents ineffectiveness related to cash flow hedges.

(3) For fair value and cash flow hedges, recorded in interest expense. For trading derivatives, recorded in Gains (losses) on derivative and hedging activities, net.

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Derivative Financial Instruments (Continued)**

(Dollars in millions)	Six Months Ended June 30,							
	Unrealized Gain		Realized Gain		Unrealized Gain		Total Gain	
	(Loss) on Derivatives <sup>(1)(2)</sup>		(Loss) on Derivatives <sup>(3)</sup>		(Loss) on Hedged Item <sup>(1)</sup>		(Loss)	
	2012	2011	2012	2011	2012	2011	2012	2011
<b>Fair Value Hedges:</b>								
Interest rate swaps	\$ 45	\$ 5	\$ 228	\$ 249	\$ (65)	\$ (25)	\$ 208	\$ 229
Cross-currency interest rate swaps	(462)	874	102	159	364	(1,177)	4	(144)
Total fair value derivatives	(417)	879	330	408	299	(1,202)	212	85
<b>Cash Flow Hedges:</b>								
Interest rate swaps		(2)	(15)	(23)			(15)	(25)
Total cash flow derivatives		(2)	(15)	(23)			(15)	(25)
<b>Trading:</b>								
Interest rate swaps	(49)	32	67	57			18	89
Floor Income Contracts	186	(126)	(437)	(428)			(251)	(554)
Cross-currency interest rate swaps	(23)	(1)	3	4			(20)	3
Other	5	23		12			5	35
Total trading derivatives	119	(72)	(367)	(355)			(248)	(427)
Total	(298)	805	(52)	30	299	(1,202)	(51)	(367)
Less: realized gains (losses) recorded in interest expense			315	385			315	385
Gains (losses) on derivative and hedging activities, net	\$ (298)	\$ 805	\$ (367)	\$ (355)	\$ 299	\$ (1,202)	\$ (366)	\$ (752)

(1) Recorded in Gains (losses) on derivative and hedging activities, net in the consolidated statements of income.

(2) Represents ineffectiveness related to cash flow hedges.

(3) For fair value and cash flow hedges, recorded in interest expense. For trading derivatives, recorded in Gains (losses) on derivative and hedging activities, net.

**Impact of Derivatives on Consolidated Statements of Changes in Stockholders' Equity (net of tax)**

(Dollars in millions)	Three Months		Six Months	
	Ended		Ended	
	2012	2011	2012	2011

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Total gains (losses) on cash flow hedges	\$ (6)	\$ (3)	\$ (7)	\$ (4)
Realized (gains) losses reclassified to interest expense <sup>(1)(2)(3)</sup>	5	8	11	18
Hedge ineffectiveness reclassified to earnings <sup>(1)(4)</sup>		1		1
 Total change in stockholders' equity for unrealized gains (losses) on derivatives	 \$ (1)	 \$ 6	 \$ 4	 \$ 15

<sup>(1)</sup> Amounts included in "Realized gains (losses) on derivatives" in the "Impact of Derivatives on Consolidated Statements of Income" table above.

<sup>(2)</sup> Includes net settlement income/expense.

<sup>(3)</sup> We expect to reclassify \$16 thousand of after-tax net losses from accumulated other comprehensive income to earnings during the next 12 months related to amortization of cash flow hedges that were hedging debt instruments that are outstanding as of the reporting date.

<sup>(4)</sup> Recorded in "Gains (losses) on derivative and hedging activities, net" in the consolidated statements of income.

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Derivative Financial Instruments (Continued)***Collateral*

The following table details collateral held and pledged related to derivative exposure between us and our derivative counterparties.

(Dollars in millions)	June 30, 2012	December 31, 2011
<b>Collateral held:</b>		
Cash (obligation to return cash collateral is recorded in short-term borrowings) <sup>(1)</sup>	\$ 1,421	\$ 1,326
Securities at fair value on-balance sheet securitization derivatives (not recorded in financial statements) <sup>(3)</sup>	574	841
Total collateral held	\$ 1,995	\$ 2,167
Derivative asset at fair value, including accrued interest	\$ 2,232	\$ 2,607
<b>Collateral pledged to others:</b>		
Cash (right to receive return of cash collateral is recorded in investments)	\$ 1,009	\$ 1,018
Total collateral pledged	\$ 1,009	\$ 1,018
Derivative liability at fair value including accrued interest and premium receivable	\$ 1,227	\$ 1,223

<sup>(1)</sup> At June 30, 2012 and December 31, 2011, \$0 and \$26 million, respectively, were held in restricted cash accounts.

<sup>(2)</sup> The trusts do not have the ability to sell or re-pledge securities they hold as collateral. Our corporate derivatives contain credit contingent features. At our current unsecured credit rating as required, we have fully collateralized our corporate derivative liability position (including accrued interest and net of premiums receivable) of \$1.0 billion with our counterparties. Further downgrades would not result in any additional collateral requirements, except to increase the frequency of collateral calls. Two counterparties have the right to terminate the contracts with further downgrades. We currently have a liability position with these derivative counterparties (including accrued interest and net of premiums receivable) of \$260 million and have posted \$261 million of collateral to these counterparties. If the credit contingent feature was triggered for these two counterparties and the counterparties exercised their right to terminate, we would not be required to deliver additional assets to settle the contracts. Trust related derivatives do not contain credit contingent features related to our or the trusts' credit ratings.

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. Other Assets**

The following table provides detail on our other assets.

(Dollars in millions)	June 30, 2012		December 31, 2011	
	Ending Balance	% of Balance	Ending Balance	% of Balance
Accrued interest receivable	\$ 2,404	28%	\$ 2,484	29%
Derivatives at fair value	1,845	22	2,202	25
Income tax asset, net current and deferred	1,494	18	1,427	17
Accounts receivable	1,238	15	1,392	16
Benefit and insurance-related investments	470	6	466	5
Fixed assets, net	210	2	214	3
Other loans, net	176	1	193	2
Other	648	8	280	3
<b>Total</b>	<b>\$ 8,485</b>	<b>100%</b>	<b>\$ 8,658</b>	<b>100%</b>

The Derivatives at fair value line in the above table represents the fair value of our derivatives in a gain position by counterparty, exclusive of accrued interest and collateral. At June 30, 2012 and December 31, 2011, these balances included \$2.0 billion and \$2.5 billion, respectively, of cross-currency interest rate swaps and interest rate swaps designated as fair value hedges that were offset by an increase in interest-bearing liabilities related to the hedged debt. As of June 30, 2012 and December 31, 2011, the cumulative mark-to-market adjustment to the hedged debt was \$(2.4) billion and \$(2.7) billion, respectively.

**6. Stockholders Equity**

The following table summarizes our common share repurchases and issuances.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Common shares repurchased <sup>(1)</sup>	23,836,964	9,593,603	40,540,146	9,593,603
Average purchase price per share <sup>(2)</sup>	\$ 14.34	\$ 16.27	\$ 15.04	\$ 16.27
Shares repurchased related to employee stock-based compensation plans <sup>(3)</sup>	349,655	880,731	2,406,632	2,635,511
Average purchase price per share	\$ 14.83	\$ 16.34	\$ 15.26	\$ 15.86
Common shares issued <sup>(4)</sup>	426,168	1,129,399	3,597,652	3,434,058

(1) Common shares purchased under our share repurchase program, of which \$291 million remained available as of June 30, 2012.

(2) Average purchase price per share includes purchase commission costs.

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(3) Comprises shares withheld from stock option exercises and vesting of restricted stock for employees tax withholding obligations and shares tendered by employees to satisfy option exercise costs.

(4) Common shares issued under our various compensation and benefit plans.  
The closing price of our common stock on June 29, 2012 was \$15.71.



**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. Stockholders Equity (Continued)***Dividend and Share Repurchase Program*

We increased our regular quarterly common stock dividends to \$0.125 per share in the first and second quarters of 2012, up from \$0.10 per share for the last three quarters of 2011. During the second quarter of 2012, we authorized an additional \$400 million to be utilized in our ongoing share repurchase program; we previously authorized \$500 million in January 2012. During the first half of 2012, we repurchased 40.5 million shares of common stock at an aggregate price of \$609 million. At June 30, 2012, we had \$291 million of remaining share repurchase authorization.

**7. Earnings (Loss) per Common Share**

Basic earnings (loss) per common share ( EPS ) are calculated using the weighted average number of shares of common stock outstanding during each period. A reconciliation of the numerators and denominators of the basic and diluted EPS calculations follows.

(In millions, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>Numerator:</b>				
Net income (loss) attributable to SLM Corporation	\$ 292	\$ (6)	\$ 403	\$ 169
Preferred stock dividends	5	4	10	8
Net income (loss) attributable to SLM Corporation common stock	\$ 287	\$ (10)	\$ 393	\$ 161
<b>Denominator:</b>				
Weighted average shares used to compute basic EPS	482	524	493	525
Effect of dilutive securities:				
Dilutive effect of stock options, non-vested deferred compensation and restricted stock, restricted stock units and Employee Stock Purchase Plan ( ESPP <sup>(1)</sup> )	6		6	6
Dilutive potential common shares <sup>(2)</sup>	6		6	6
Weighted average shares used to compute diluted EPS	488	524	499	531
<b>Basic earnings (loss) per common share attributable to SLM Corporation:</b>				
Continuing operations	\$ .59	\$ (.04)	\$ .80	\$ .29
Discontinued operations		.02		.02
Total	\$ .59	\$ (.02)	\$ .80	\$ .31
<b>Diluted earnings (loss) per common share attributable to SLM Corporation:</b>				
Continuing operations	\$ .59	\$ (.04)	\$ .79	\$ .28
Discontinued operations		.02		.02
Total	\$ .59	\$ (.02)	\$ .79	\$ .30

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- (1) Includes the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options, non-vested deferred compensation and restricted stock, restricted stock units, and the outstanding commitment to issue shares under the ESPP, determined by the treasury stock method.
  
- (2) For the three months ended June 30, 2012 and 2011, stock options covering approximately 14 million and 33 million shares, respectively, and restricted stock/restricted stock units of 4 million and 2 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive. For the six months ended June 30, 2012 and 2011, stock options covering approximately 12 million and 13 million shares, respectively, and restricted stock/restricted stock units of 3 million and 0 shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

**Table of Contents****SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. Fair Value Measurements**

We use estimates of fair value in applying various accounting standards in our financial statements. We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. During the three and six months ended June 30, 2012, there were no significant transfers of financial instruments between levels, or changes in our methodology or assumptions used to value our financial instruments. Please refer to Note 13 Fair Value Measurements in our 2011 Form 10-K for a full discussion.

The following tables summarize the valuation of our financial instruments that are marked-to-market on a recurring basis.

(Dollars in millions)	Fair Value Measurements on a Recurring Basis as of June 30, 2012				Fair Value Measurements on a Recurring Basis as of December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets</b>								
Available-for-sale investments:								
Agency residential mortgage backed securities	\$	\$ 48	\$	\$ 48	\$	\$ 59	\$	\$ 59
Guaranteed investment contracts		10		10		20		20
Other		11		11		11		11
Total available-for-sale investments		69		69		90		90
Derivative instruments: <sup>(1)</sup>								