SLM CORP
Form 10-Q
November 08, 2010

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

Form 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2010

or

o **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	**52-2013874**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
12061 Bluemont Way, Reston, Virginia	**20190**
(Address of principal executive offices)	*(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 þ No o

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 þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
(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 þ No o

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

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 October 31, 2010**
Voting common stock, $.20 par value	485,590,403 shares

SLM CORPORATION

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September 30, 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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2010	December 31, 2009
Assets		
FFELP Stafford and Other Student Loans (net of allowance for losses of $120,386 and $104,219, respectively)	$ 46,026,138	$ 42,978,874
FFELP Stafford Loans Held-for-Sale	20,655,561	9,695,714
FFELP Consolidation Loans (net of allowance for losses of $68,880 and $56,949, respectively)	79,911,599	68,378,560
Private Education Loans (net of allowance for losses of $2,035,034 and $1,443,440, respectively)	35,541,640	22,753,462
Investments:		
Available-for-sale	203,125	1,273,275
Other	913,986	740,553
Total investments	1,117,111	2,013,828
Cash and cash equivalents	5,875,510	6,070,013
Restricted cash and investments	5,837,546	5,168,871
Retained Interest in off-balance sheet securitized loans		1,828,075
Goodwill and acquired intangible assets, net	488,220	1,177,310
Other assets	10,653,449	9,920,591
Total assets	$ 206,106,774	$ 169,985,298
Liabilities		
Short-term borrowings	$ 45,388,432	$ 30,896,811
Long-term borrowings	153,003,935	130,546,272
Other liabilities	3,140,330	3,263,593
Total liabilities	201,532,697	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
	400,000	400,000

Series B: 4,000 and 4,000 shares, respectively, issued at stated value of $100 per share		
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: 553,787 and 552,220 shares issued, respectively	110,758	110,444
Additional paid-in capital	5,127,313	5,090,891
Accumulated other comprehensive loss (net of tax benefit of $25,386 and $23,448, respectively)	(44,159)	(40,825)
Retained earnings (loss)	(122,565)	604,467
Total SLM Corporation stockholders equity before treasury stock	6,446,717	7,140,347
Common stock held in treasury at cost: 68,011 and 67,222 shares, respectively	1,872,640	1,861,738
Total SLM Corporation stockholders equity	4,574,077	5,278,609
Noncontrolling interest		13
Total equity	4,574,077	5,278,622
Total liabilities and equity	$ 206,106,774	$ 169,985,298

Supplemental information assets and liabilities of consolidated variable interest entities:

	September 30, 2010	December 31, 2009
FFELP Stafford and Other Student Loans, net	$ 65,557,473	$ 51,067,680
FFELP Consolidation Loans, net	78,396,367	67,664,019
Private Education Loans, net	24,511,699	10,107,298
Restricted cash and investments	5,522,584	4,596,147
Other assets	4,373,606	3,639,918
Short-term borrowings	36,806,456	23,384,051
Long-term borrowings	128,473,542	101,012,628
Net assets of consolidated variable interest entities	$ 13,081,731	$ 12,678,383

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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Interest income:				
FFELP Stafford and Other Student Loans	$ 320,234	$ 303,192	$ 928,713	$ 969,947
FFELP Consolidation Loans	564,586	481,592	1,638,831	1,431,644
Private Education Loans	610,893	396,339	1,751,387	1,176,399
Other loans	7,190	11,042	23,440	45,930
Cash and investments	7,630	6,881	18,878	19,896
Total interest income	1,510,533	1,199,046	4,361,249	3,643,816
Total interest expense	638,599	673,870	1,738,916	2,519,876
Net interest income	871,934	525,176	2,622,333	1,123,940
Less: provisions for loan losses	358,110	321,127	1,099,469	849,518
Net interest income after provisions for loan losses	513,824	204,049	1,522,864	274,422
Other income (loss):				
Securitization servicing and Residual Interest revenue		155,065		147,248
Gains on sales of loans and securities, net	1,607	12,452	6,745	12,752
Gains (losses) on derivative and hedging activities, net	(344,458)	(111,556)	(331,552)	(569,326)
Contingency fee revenue	83,746	82,200	252,238	230,383
Collections revenue	13,097	21,241	52,282	88,830
Guarantor servicing fees	15,996	48,087	74,543	106,867
Other	90,502	150,006	445,811	741,229
Total other income (loss)	(139,510)	357,495	500,067	757,983
Expenses:				
Salaries and benefits	139,099	140,888	429,716	413,813
Other operating expenses	180,120	162,242	544,621	473,195
Goodwill and acquired intangible assets impairment and amortization expense	669,668	9,774	689,090	29,176
Restructuring expenses	11,082	2,492	55,030	9,598
Total expenses	999,969	315,396	1,718,457	925,782
	(625,655)	246,148	304,474	106,623

Income (loss) from continuing operations, before income tax expense (benefit)								
Income tax expense (benefit)		(127,558)		80,423		224,340		31,796
Net income (loss) from continuing operations		(498,097)		165,725		80,134		74,827
Income (loss) from discontinued operations, net of tax		3,211		(6,417)		3,211		(59,133)
Net income (loss)		(494,886)		159,308		83,345		15,694
Less: net income attributable to noncontrolling interest		61		198		334		690
Net income (loss) attributable to SLM Corporation		(494,947)		159,110		83,011		15,004
Preferred stock dividends		18,787		42,627		56,176		94,822
Net income (loss) attributable to SLM Corporation common stock	$	(513,734)	$	116,483	$	26,835	$	(79,818)
Net income (loss) attributable to SLM Corporation:								
Continuing operations, net of tax	$	(498,158)	$	165,527	$	79,800	$	74,137
Discontinued operations, net of tax		3,211		(6,417)		3,211		(59,133)
Net income (loss) attributable to SLM Corporation	$	(494,947)	$	159,110	$	83,011	$	15,004
Basic earnings (loss) per common share attributable to SLM Corporation common shareholders:								
Continuing operations	$	(1.07)	$	.26	$	.05	$	(.04)
Discontinued operations		.01		(.01)		.01		(.13)
Total	$	(1.06).	$	.25	$	.06	$	(.17)
Average common shares outstanding		484,936		470,280		484,678		467,960
Diluted earnings (loss) per common share attributable to SLM Corporation common shareholders:								
Continuing operations	$	(1.07)	$	.26	$	.05	$	(.04)
Discontinued operations		.01		(.01)		.01		(.13)
Total	$	(1.06)	$	.25	$	.06	$	(.17)
Average common and common equivalent shares outstanding		484,936		471,058		486,209		467,960
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)

Common Stock Shares			Preferred	Common	Additional Paid-In	Accumulated Other Comprehensive Income	Retained	Treasury
ssued	Treasury	Outstanding	Stock	Stock	Capital	(Loss)	Earnings	Stock
4,841,879	(67,128,199)	467,713,680	$ 1,714,770	$ 106,969	$ 4,709,053	$ (48,683)	$ 229,865	$ (1,860,4
							159,110	
						1,420		
						3,346		
						(226)		
							(2,875)	
							(1,299)	
							(17,906)	
							(1)	
15,048		15,048		(5)	279			
					164		(164)	
6,992,368		6,992,368	(137,400)	1,398	146,423		(20,383)	
					(2,843)			

					8,995			
	(30,876)	(30,876)						(5
1,849,295	(67,159,075)	474,690,220	$ 1,577,370	$ 108,362	$ 4,862,071	$ (44,143)	$ 346,347	$ (1,860,9
3,571,384	(67,774,802)	485,796,582	$ 1,375,370	$ 110,715	$ 5,122,583	$ (43,333)	$ 391,169	$ (1,869,7
							(494,947)	
						(71)		
						(732)		
						(23)		
							(2,875)	
							(1,224)	
							(14,688)	
215,962		215,962		43	2,417			
					(2,883)			
					5,196			
	(236,005)	(236,005)						(2,8
3,787,346	(68,010,807)	485,776,539	$ 1,375,370	$ 110,758	$ 5,127,313	$ (44,159)	$ (122,565)	$ (1,872,6

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

Common Stock Shares			Preferred	Common	Additional Paid-In	Accumulated Other Comprehensive Income	Retained	Treasury
ssued	Treasury	Outstanding	Stock	Stock	Capital	(Loss)	Earnings	Stock
4,411,271	(66,958,400)	467,452,871	$ 1,714,770	$ 106,883	$ 4,684,112	$ (76,476)	$ 426,175	$ (1,856,39
							15,004	
						3,689		
						29,361		
						(717)		
							(8,625)	
							(5,742)	
							(59,586)	
							(10)	
445,656	98	445,754		81	2,505			
					486		(486)	
6,992,368		6,992,368	(137,400)	1,398	146,423		(20,383)	
					(8,662)			

					37,207			
	(200,773)	(200,773)						(4,60
1,849,295	(67,159,075)	474,690,220	$ 1,577,370	$ 108,362	$ 4,862,071	$ (44,143)	$ 346,347	$ (1,860,98
2,219,576	(67,221,942)	484,997,634	$ 1,375,370	$ 110,444	$ 5,090,891	$ (40,825)	$ 604,467	$ (1,861,73
							83,011	
						1,607		
						(4,883)		
						(58)		
							(8,625)	
							(3,193)	
							(44,064)	
							(11)	
1,567,770		1,567,770		314	12,583			
					294		(294)	
					(7,688)			
					31,233			
							(753,856)	

	(788,865)	(788,865)							(10,90
,787,346	(68,010,807)	485,776,539	$ 1,375,370	$ 110,758	$ 5,127,313	$ (44,159)	$ (122,565)	$ (1,872,64	

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Operating activities		
Net income	$ 83,345	$ 15,694
Adjustments to reconcile net income to net cash used in operating activities:		
(Income) loss from discontinued operations, net of tax	(3,211)	59,133
Gains on sales of loans and securities, net	(6,745)	(12,752)
Goodwill and acquired intangible assets impairment and amortization expense	689,090	29,176
Stock-based compensation cost	31,392	40,073
Unrealized (gains)/losses on derivative and hedging activities	(305,683)	491,644
Provisions for loan losses	1,099,469	849,518
Student loans originated for sale, net	(10,959,847)	(15,846,043)
Decrease in restricted cash other	48,003	44,201
(Increase) decrease in accrued interest receivable	(327,782)	241,377
Increase (decrease) in accrued interest payable	16,724	(439,920)
Adjustment for non-cash loss related to Retained Interest		333,951
Decrease in other assets	1,057,515	3,096
(Decrease) increase in other liabilities	(74,842)	40,870
Cash used in operating activities continuing operations	(8,735,917)	(14,165,676)
Cash provided by operating activities discontinued operations		233,130
Total net cash used in operating activities	(8,652,572)	(13,916,852)
Investing activities		
Student loans acquired	(6,762,110)	(7,211,675)
Loans purchased from securitized trusts		(5,030)
Reduction of student loans:		
Installment payments, claims and other	10,486,310	7,997,484
Proceeds from sales of student loans	359,955	515,140
Other loans originated		(2,818)
Other loans repaid	117,630	237,980
Other investing activities, net	(172,218)	(676,612)
Purchases of available-for-sale securities	(31,801,767)	(104,663,811)
Proceeds from sales of available-for-sale securities		100,056
Proceeds from maturities of available-for-sale securities	32,834,424	104,417,273
Purchases of other securities	(101,008)	
Proceeds from maturities of held-to-maturity securities and other securities	111,200	68,991
Return of investment from Retained Interest		16,361
Decrease (increase) in restricted cash on-balance sheet trusts	147,195	(1,318,410)

Net cash provided by (used in) investing activities	5,219,611	(525,071)
Financing activities		
Borrowings collateralized by loans in trust issued	5,918,441	11,572,592
Borrowings collateralized by loans in trust repaid	(8,245,191)	(4,196,889)
Asset-backed commercial paper conduits, net	(2,308,644)	(15,504,025)
ED Participation Program, net	11,219,632	15,499,015
ED Conduit Program facility, net	1,112,730	14,189,923
Other short-term borrowings issued		298,294
Other short-term borrowings repaid	(176,551)	(1,198,661)
Other long-term borrowings issued	1,463,542	4,333,173
Other long-term borrowings repaid	(7,227,300)	(8,335,181)
Other financing activities, net	1,537,754	(1,006,261)
Excess tax benefit from the exercise of stock-based awards	367	
Common stock issued	194	6
Preferred dividends paid	(55,882)	(83,915)
Noncontrolling interest, net	(634)	(9,152)
Net cash provided by financing activities	3,238,458	15,558,919
Net (decrease) increase in cash and cash equivalents	(194,503)	1,116,996
Cash and cash equivalents at beginning of period	6,070,013	4,070,002
Cash and cash equivalents at end of period	$ 5,875,510	$ 5,186,998
Cash disbursements made (refunds received) for:		
Interest	$ 1,762,789	$ 3,070,349
Income taxes, net	$ (451,099)	$ 292,115

See accompanying notes to consolidated financial statements.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2010 and for the three and nine months ended September 30, 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 and nine months ended September 30, 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 and nine months ended September 30, 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

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

1. Significant Accounting Policies (Continued)

economic performance and (2) the obligation to absorb losses or receive benefits of the entity that could 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 were previously 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 had 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 prospective adoption of topic updates to ASC 810, the Company removed the $1.8 billion of Residual Interests (associated with its previously 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.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

1. Significant Accounting Policies (Continued)

The following table summarizes the change in the consolidated balance sheet resulting from the consolidation of the off-balance sheet securitization trusts following the adoption of topic updates to ASC 810.

(Dollars in millions)	At January 1, 2010
FFELP Stafford Loans (net of allowance of $15)	$ 5,500
FFELP Consolidation Loans (net of allowance of $10)	14,797
Private Education Loans (net of allowance of $524)	12,341
Total student loans	32,638
Restricted cash and investments	1,041
Other assets	1,370
Total assets consolidated	35,049
Long-term borrowings	34,403
Other liabilities	6
Total liabilities consolidated	34,409
Net assets consolidated on-balance sheet	640
Less: Residual Interest removed from balance sheet	1,828
Cumulative effect of accounting change before taxes	(1,188)
Tax effect	434
Cumulative effect of accounting change after taxes	$ (754)

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

ASC 810. The ongoing net revenue covenant will not be affected by ASC 810 s impact on the Company s securitization trusts as the net revenue covenant treated all off-balance sheet trusts as on-balance sheet for purposes of calculating net revenue.

Fair Value Measurements

In January 2010, the FASB issued a topic update to ASC 820, Fair Value Measurements and Disclosures. The update requires 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

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

1. Significant Accounting Policies (Continued)

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.

Disclosures Regarding Credit Quality of Receivables

In July 2010, the FASB issued an update to the accounting guidance for receivables. This update requires companies to provide additional disclosures about the credit quality of receivables as well as additional information related to the allowance for loan losses. These new rules are effective for the Company s annual reporting period ending December 31, 2010. Other than requiring additional disclosures regarding the credit quality of its loan portfolio, this standard will not have an impact on the Company s financial statements.

2. Allowance for Loan Losses

The Company s provisions for loan losses represent the periodic expense of maintaining an allowance sufficient to absorb probable incurred 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 are susceptible to significant changes. The Company believes that the allowance for loan losses is appropriate to cover probable losses incurred in the loan portfolios as of the respective balance sheet date.

The following table summarizes the total loan loss provisions for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Private Education Loans	$ 329,981	$ 287,315	$ 1,004,214	$ 732,619
FFELP Stafford and Other Student Loans	24,582	20,918	76,191	80,911
Mortgage and consumer loans	3,547	12,894	19,064	35,988
Total provisions for loan losses	$ 358,110	$ 321,127	$ 1,099,469	$ 849,518

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2. Allowance for Loan Losses (Continued)

Allowance for Private Education Loan Losses

The following table summarizes changes in the allowance for loan losses for Private Education Loans for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Allowance at beginning of period	$ 2,042,413	$ 1,396,707	$ 1,443,440	$ 1,308,043
Provision for Private Education Loan losses	329,981	287,315	1,004,214	732,619
Charge-offs	(348,511)	(292,845)	(968,755)	(670,603)
Reclassification of interest reserve	11,151	10,319	32,085	31,437
Consolidation of off-balance sheet trusts[1]			524,050	
Allowance at end of period	$ 2,035,034	$ 1,401,496	$ 2,035,034	$ 1,401,496
Charge-offs as a percentage of average loans in repayment (annualized)	5.4%	9.6%	5.1%	7.7%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	5.1%	8.9%	4.9%	7.1%
Allowance as a percentage of the ending total loan balance	5.3%	5.7%	5.3%	5.7%
Allowance as a percentage of ending loans in repayment	7.9%	11.4%	7.9%	11.4%
Allowance coverage of charge-offs (annualized)	1.5	1.2	1.6	1.6
Ending total loans[2]	$ 38,449,556	$ 24,439,749	$ 38,449,556	$ 24,439,749
Average loans in repayment	$ 25,616,442	$ 12,082,965	$ 25,150,567	$ 11,633,640
Ending loans in repayment	$ 25,784,202	$ 12,254,212	$ 25,784,202	$ 12,254,212

[1] Upon the adoption of topic updates to ASC 810 on January 1, 2010, the Company consolidated all of its previously 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.

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2. Allowance for Loan Losses (Continued)

Private Education Loan Delinquencies

The table below presents the Company s Private Education Loan delinquency trends as of September 30, 2010, December 31, 2009, and September 30, 2009.

	Private Education Loan Delinquencies					
	September 30, 2010		December 31, 2009		September 30, 2009	
(Dollars in millions)	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 10,517		$ 8,910		$ 10,899	
Loans in forbearance[2]	1,170		967		851	
Loans in repayment and percentage of each status:						
Loans current	22,926	88.9%	12,421	86.4%	10,458	85.3%
Loans delinquent 31-60 days[3]	907	3.5	647	4.5	551	4.5
Loans delinquent 61-90 days[3]	489	1.9	340	2.4	353	2.9
Loans delinquent greater than 90 days[3]	1,462	5.7	971	6.7	892	7.3
Total Private Education Loans in repayment	25,784	100.0%	14,379	100.0%	12,254	100.0%
Total Private Education Loans, gross	37,471		24,256		24,004	
Private Education Loan unamortized discount	(873)		(559)		(543)	
Total Private Education Loans	36,598		23,697		23,461	
Private Education Loan receivable for partially charged-off loans	979		499		435	
Private Education Loan allowance for losses	(2,035)		(1,443)		(1,401)	
Private Education Loans, net	$ 35,542		$ 22,753		$ 22,495	
Percentage of Private Education Loans in repayment		68.8%		59.3%		51.1%
		11.1%		13.6%		14.7%

Delinquencies as a percentage of Private Education Loans in repayment			
Loans in forbearance as a percentage of loans in repayment and forbearance	4.3%	6.3%	6.5%

(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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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 and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Allowance at beginning of period	$ 188,685	$ 153,038	$ 161,168	$ 137,543
Provision for FFELP loan losses	24,582	20,918	76,191	80,911
Charge-offs	(21,273)	(16,977)	(66,912)	(60,708)
Decrease for student loan sales and other	(2,728)	(1,252)	(6,330)	(2,019)
Consolidation of off-balance sheet trusts[1]			25,149	
Allowance at end of period	$ 189,266	$ 155,727	$ 189,266	$ 155,727
Charge-offs as a percentage of average loans in repayment (annualized)	.1%	.1%	.1%	.1%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.1%	.1%	.1%	.1%
Allowance as a percentage of the ending total loan balance	.1%	.1%	.1%	.1%
Allowance as a percentage of ending loans in repayment	.2%	.2%	.2%	.2%
Allowance coverage of charge-offs (annualized)	2.2	2.3	2.1	1.9
Ending total loans, gross	$ 144,090,015	$ 134,087,420	$ 144,090,015	$ 134,087,420
Average loans in repayment	$ 82,202,512	$ 69,679,688	$ 82,362,216	$ 69,195,627
Ending loans in repayment	$ 81,787,661	$ 69,832,792	$ 81,787,661	$ 69,832,792

(1)

Upon the adoption of topic updates to ASC 810 on January 1, 2010, the Company consolidated all of its previously 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 September 30, 2010, 49 percent of the FFELP loan portfolio was subject to 3 percent Risk Sharing, 50 percent was subject to 2 percent Risk Sharing and the remaining 1 percent was not subject to any Risk Sharing.

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2. Allowance for Loan Losses (Continued)

FFELP Loan Delinquencies

The table below shows the Company s FFELP loan delinquency trends as of September 30, 2010, December 31, 2009 and September 30, 2009.

	FFELP Loan Delinquencies					
	September 30, 2010		December 31, 2009		September 30, 2009	
(Dollars in millions)	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 42,852		$ 35,079		$ 50,795	
Loans in forbearance[2]	19,450		14,121		13,459	
Loans in repayment and percentage of each status:						
Loans current	67,867	83.0%	57,528	82.4%	57,934	83.0%
Loans delinquent 31-60 days[3]	5,054	6.2	4,250	6.1	4,225	6.0
Loans delinquent 61-90 days[3]	2,241	2.7	2,205	3.1	2,041	2.9
Loans delinquent greater than 90 days[3]	6,626	8.1	5,844	8.4	5,633	8.1
Total FFELP loans in repayment	81,788	100.0%	69,827	100.0%	69,833	100.0%
Total FFELP loans, gross	144,090		119,027		134,087	
FFELP loan unamortized premium	2,692		2,187		2,419	
Total FFELP loans	146,782		121,214		136,506	
FFELP loan allowance for losses	(189)		(161)		(156)	
FFELP loans, net	$ 146,593		$ 121,053		$ 136,350	
Percentage of FFELP loans in repayment		56.8%		58.7%		52.1%
Delinquencies as a percentage of FFELP loans in repayment		17.0%		17.6%		17.0%
FFELP loans in forbearance as a percentage of loans in repayment and forbearance		19.2%		16.8%		16.2%

(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 the 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 extension of grace period during employment transition or who have temporarily ceased making full payments due to hardship or other factors.

(2) Loans for borrowers who have used their allowable deferment time or do not qualify for deferment, and need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors, consistent with the 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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3. Investments

A summary of investments and restricted investments as of September 30, 2010 and December 31, 2009 follows:

	September 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investments				
Available-for-sale:				
U.S. Treasury securities	$ 1,014	$	$	$ 1,014
Other securities:				
Asset-backed securities	74,846	2,112		76,958
Commercial paper and asset-backed commercial paper	111,661			111,661
Municipal bonds	9,558	2,440		11,998
Other	1,568		(74)	1,494
Total investment securities available-for-sale	$ 198,647	$ 4,552	$ (74)	$ 203,125
Restricted Investments				
Available-for sale:				
U.S. Treasury securities	$ 38,113	$	$	$ 38,113
Guaranteed investment contracts	29,456			29,456
Total restricted investments available-for-sale	$ 67,569	$	$	$ 67,569
Held-to-maturity:				
Guaranteed investment contracts	$ 3,175	$	$	$ 3,175
Total restricted investments held-to-maturity	$ 3,175	$	$	$ 3,175

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3. Investments (Continued)

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investments				
Available-for-sale:				
U.S. Treasury securities	$ 272	$	$	$ 272
Other securities:				
Asset-backed securities	110,336	306	(893)	109,749
Commercial paper and asset-backed commercial paper	1,149,981			1,149,981
Municipal bonds	9,935	1,942		11,877
Other	1,550		(154)	1,396
Total investment securities available-for-sale	$ 1,272,074	$ 2,248	$ (1,047)	$ 1,273,275
Restricted Investments				
Available-for sale:				
U.S. Treasury securities	$ 25,026	$	$	$ 25,026
Guaranteed investment contracts	26,951			26,951
Total restricted investments available-for-sale	$ 51,977	$	$	$ 51,977
Held-to-maturity:				
Guaranteed investment contracts	$ 3,550	$	$	$ 3,550
Other	215			215
Total restricted investments held-to-maturity	$ 3,765	$	$	$ 3,765

In addition to the restricted investments detailed above, at September 30, 2010 and December 31, 2009, the Company had restricted cash and cash equivalents of $5.7 billion and $5.1 billion, respectively. As of September 30, 2010 and December 31, 2009, $38 million (all of which is in restricted cash and investments on the balance sheet) and $50 million ($25 million of which is in restricted cash and investments on the balance sheet), respectively, of available-for-sale investment securities were pledged as collateral.

There were no sales of investments, including available-for-sale securities, during the three and nine months ended September 30, 2010 and the three months ended September 30, 2009. In the nine months ended September 30, 2009,

the Company sold available-for-sale securities with a fair value of $100 million, resulting in no realized gain or loss. The cost basis for the security sale was determined through specific identification of the securities sold.

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3. Investments (Continued)

As of September 30, 2010, the stated maturities for the investments (including restricted investments) are as follows:

	September 30, 2010		
	Held-to-Maturity	Available-for-Sale[1]	Other
Year of Maturity			
2010	$	$ 152,281	$ 874,497
2011			4,878
2012			
2013		528	
2014			
2015-2019		11,998	57,974
After 2019	3,175	105,887	869
Total	$ 3,175	$ 270,694	$ 938,218

[1] Available-for-sale securities are stated at fair value.

At September 30, 2010 and December 31, 2009, the Company also had other investments of $938 million and $741 million, respectively. At September 30, 2010 and December 31, 2009, other investments included $850 million and $636 million, respectively, of receivables for cash collateral posted with derivative counterparties. Other investments also included leveraged leases which at September 30, 2010 and December 31, 2009, totaled $58 million and $66 million, respectively, that are general obligations of American Airlines and Federal Express Corporation.

4. Goodwill and Acquired Intangible Assets

Goodwill

All acquisitions must be assigned to a reporting unit or units. A reporting unit is the same as, or one level below, an operating segment. The following table summarizes the Company s historical allocation of goodwill to its reporting units, accumulated impairments and net goodwill for each reporting unit.

	As of September 30, 2010		
(Dollars in millions)	**Gross**	**Accumulated Impairments**	**Net**

Lending	$ 411	$ (24)	$ 387
Asset Performance Group (APG)	402	(402)	
Guarantor Servicing	62	(62)	
Upromise	140	(140)	
Other	1	(1)	
Total	$ 1,016	$ (629)	$ 387

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4. Goodwill and Acquired Intangible Assets (Continued)

	December 31, 2009		
(Dollars in millions)	Gross	Accumulated Impairments	Net
Lending	$ 411	$ (24)	$ 387
APG	402		402
Guarantor Servicing	62		62
Upromise	140		140
Other	1	(1)	
Total	$ 1,016	$ (25)	$ 991

Impairment Testing

The Company performs its goodwill impairment testing annually in the fourth quarter or more frequently if an event occurs or circumstances change such that it is more likely than not that the fair value of a reporting unit or reporting units may be below their respective carrying values.

On March 30, 2010, President Obama signed into law H.R. 4872, the Health Care and Education Reconciliation Act of 2010 (HCERA), which included the SAFRA Act. Effective July 1, 2010, the legislation eliminated the authority to provide new loans under FFELP and requires that all new federal loans are to be made through the Direct Student Loan Program (DSLP). The new law does not alter or affect the terms and conditions of existing FFELP loans. This restructuring will result in both a significant amount of restructuring expenses incurred as well as a significant reduction of on-going operating costs once the restructuring is complete. See Note 13, Restructuring Activities for further details.

In connection with HCERA becoming law on March 30, 2010, a triggering event occurred for the Lending, APG and Guarantor Servicing reporting units which required the Company to assess potential goodwill impairment as of March 31, 2010. As part of the impairment assessment, the Company considered the implications of the HCERA legislation to these reporting units as well as continued uncertainty in the economy and the tight credit markets during the first quarter of 2010. The impairment assessment methodology utilized either a market approach and/or a discounted cash flow analysis for each reporting unit affected by the new HCERA legislation. This assessment resulted in estimated fair values of the Company s reporting units in excess of their carrying values at March 31, 2010. Accordingly, there was no indicated impairment for these reporting units in the first quarter of 2010.

When the Company performed its annual impairment assessment in the fourth quarter of 2009, the cash flow projections for the Lending, APG and Guarantor Servicing reporting units were valued assuming the proposed HCERA legislation was passed. There was no indicated impairment for any of the reporting units in the fourth quarter

of 2009.

During the second quarter of 2010, no triggering event occurred to warrant an interim impairment assessment.

During the third quarter of 2010, as part of a broad-based assessment of possible changes to the Company s business following the passage of HCERA the Company performed certain preliminary valuations which indicated there was possible impairment of goodwill and certain intangible assets in its Lending, APG, Upromise and Guarantor Servicing reporting units. The Company identified certain events that occurred during third quarter 2010 that it determined were triggering events because they either resulted in lower expected

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4. Goodwill and Acquired Intangible Assets (Continued)

future cash flows or because they provided indications that market participants would value the Company s reporting units below previous estimates of fair value. The triggering events that occurred in the third quarter included:

- FFELP asset pricing information indicating market participants assume a greater uncertainty related to future cash flows and require a higher return on investment;
- market bids related to the sale of a non-affiliated Guarantor business indicated a higher discount rate and greater uncertainty of future cash flows assumed;
- the acquisition of FFELP assets by the Company that indicated a higher discount rate applied to future cash flows than previously estimated;
- Upromise sale of a business line that provided an indication of how market participants view risks associated with future cash flows;
- pricing pressures associated with new and existing business at the Upromise reporting unit; and
- uncertainties related to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) legislation.

Because of the triggering events that occurred during the quarter and the preliminary assessment, the Company retained a third-party appraisal firm to perform Step 1 impairment testing as prescribed in ASC 350, Intangibles Goodwill and Other. The fair value of each reporting unit was determined by weighting different valuation approaches, as applicable, with the primary approach being the income approach.

The income approach measures the value of each reporting unit s future economic benefit determined by its discounted cash flows derived from the Company s projections plus an assumed terminal growth rate adjusted for what it believes a market participant would assume in an acquisition. These projections are generally five-year projections that reflect the inherent risk a willing buyer would consider when valuing these businesses. If a component of a reporting unit is winding down or is assumed to wind down, the projections extend through the anticipated wind down period. These estimates may differ from how the Company views the prospective cash flows associated with the individual reporting units. As previously discussed, during the third quarter, new information regarding how market participants view the risks and uncertainties associated with future cash flows resulted in the Company adjusting down its forecasted cash flows and increasing the discount rates associated with these cash flows for the APG and Guarantor Servicing operating segments, resulting in a decline in value associated with these reporting units. With regard to Upromise,the Company determined that pricing pressures and certain risks associated with growing the business as well as the likelihood that a market participant would demand a higher discount rate and assume lower future expected cash flows than the Company s own assumptions resulted in a decline in the fair value of this reporting unit.

Under the Company s guidance, the third-party appraisal firm developed both an asset rate of return and an equity rate of return (or discount rate) for each reporting unit incorporating such factors as the risk free rate, a market rate of return, a measure of volatility (Beta) and a company specific and capital markets risk premium, as appropriate, to adjust for volatility and uncertainty in the economy and to capture specific risk related to the respective reporting units. The Company considered whether an asset sale or an equity sale would be the most likely sale structure for each reporting unit and valued each reporting unit based on the

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4. Goodwill and Acquired Intangible Assets (Continued)

more likely hypothetical scenario. Resulting discount rates and growth rates used for the Lending, APG, Guarantor Servicing, and Upromise reporting units were:

	Third Quarter 2010		Fourth Quarter 2009	
	Discount Rate	Growth Rate	Discount Rate	Growth Rate
Lending[1]	13%	0.5%	11%	3%
APG[2]	14%	2.5%	10%	4%
Guarantor Servicing[2]	13%	0%	10%	0%
Upromise[2]	17%	2.5%	15%	4%

(1) Assumes an equity sale; therefore, the discount rate is used to value the entire reporting unit.

(2) Assumes an asset sale; therefore, the discount rate is used to value the assets of the reporting unit.

The discount rates reflect market based estimates of capital costs and are adjusted for management s assessment of a market participant s view with respect to execution, concentration and other risks associated with the projected cash flows of individual reporting units. The discount rates are higher than the ones used in the 2009 annual impairment test primarily due to new information received in the third quarter of 2010 related to implied discount rates of similar transactions that priced or settled in the third quarter of 2010. In addition, the Dodd-Frank Act, which became law in the third quarter of 2010, creates uncertainty over particular parts of the business. In addition, the Upromise reporting unit had a significant reduction in future revenue expectations during the third quarter of 2010 related to contract negotiations. Management reviewed and approved the discount rates provided by the third-party appraiser including the factors incorporated to develop the discount rates for each reporting unit. For the valuation of the Lending reporting unit, which assumed an equity sale, the discount rate was applied to the reporting unit s projected net cash flows and the residual or terminal value yielding the fair value of equity for the reporting unit. For valuations assuming an asset sale, the discount rates applicable to the individual reporting units were applied to the respective reporting units projected asset cash flows and residual or terminal values, as applicable, yielding the fair value of the assets for the respective reporting units. The estimated proceeds from the hypothetical asset sale were then used to payoff any liabilities of the reporting unit with the remaining cash equaling the fair value of the reporting unit s equity.

The guideline company or market approach was also considered for the Company s Lending reporting unit. The market approach generally measures the value of a reporting unit as compared to recent sales or offerings of comparable companies. The secondary market approach indicates value based on multiples calculated using the market value of minority interests in publicly traded comparable companies or guideline companies. Whether analyzing comparable transactions or the market value of minority interests in publicly traded guideline companies, consideration is given to the line of business and the operating performance of the comparable companies versus the reporting unit being tested.

The following table illustrates the carrying value of equity for each reporting unit and the estimated fair value determined in conjunction with Step 1 impairment testing in the third quarter of 2010.

(Dollars in millions)	**Carrying Value of Equity**	**Fair Value of Equity**	**$ Difference**	**% Difference**
Lending	$ 3,530	$ 6,201	$ 2,671	76%
APG	641	405	(236)	(36)
Guarantor Servicing	97	91	(6)	(6)
Upromise	221	110	(111)	(50)

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4. Goodwill and Acquired Intangible Assets (Continued)

The following table illustrates the book basis of equity for each reporting unit and the estimated fair value determined in conjunction with Step 1 impairment testing in the fourth quarter of 2009.

(Dollars in millions)	Carrying Value of Equity	Fair Value of Equity	$ Difference	% Difference
Lending	$ 1,474	$ 3,270	$ 1,796	122%
APG	1,390	1,690	300	22
Guarantor Servicing	142	221	79	56
Upromise	297	430	133	45

The estimated fair value of the Company resulting from its third-quarter 2010 Step 1 impairment test was 29 percent higher than its market capitalization as of the valuation date. The Company views this as a reasonable control premium. Management reviewed and approved the valuation prepared by the appraisal firm for each reporting unit, including the valuation methods employed and the key assumptions used, such as the discount rates, growth rates and control premiums, as applicable, for each reporting unit. Management also performed stress tests of key assumptions using a range of discount rates and growth rates, as applicable. Based on the valuations performed in conjunction with Step 1 impairment testing and these stress tests, there was no indicated impairment for the Lending reporting unit and there was indicated impairment for the APG, Guarantor Services and Upromise reporting units in the third quarter testing.

Under the second step of the analysis, determining the implied fair value of goodwill requires valuation of a reporting unit s identifiable tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the carrying value of a reporting unit s goodwill exceeds its implied fair value, goodwill is deemed impaired and is written down to the extent of the difference. As a result, the Company impaired the value of its goodwill by $402 million in its APG reporting unit, $140 million in its Upromise reporting unit and $62 million in its Guarantor Servicing reporting unit, which has been recorded as a charge in the third quarter of 2010.

Management acknowledges that the economic slowdown could adversely affect the operating results of the Company s reporting units. If the forecasted performance of the Company s reporting units is not achieved, or if the Company s stock price declines to a depressed level resulting in deterioration in the Company s total market capitalization, the fair value of the Lending reporting unit (which is the only reporting unit that has goodwill as of September 30, 2010) could be significantly reduced, and the Company may be required to record a charge, which could be material, for an impairment of goodwill.

In connection with management s assessment of possible changes to the Company s business, the Company is planning to redefine its operating segments and revise its reportable segments presentation in the fourth quarter of 2010, once

certain decisions have been finalized with respect to how management will view the business on a going-forward basis.

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4. Goodwill and Acquired Intangible Assets (Continued)

Goodwill by Reportable Segments

A summary of the Company s goodwill by reportable segment is as follows:

(Dollars in millions)	September 30, 2010	December 31, 2009
Lending	$ 387	$ 387
APG		402
Other		202
Total	$ 387	$ 991

Acquired Intangible Assets

Acquired intangible assets include the following:

	As of September 30, 2010			
(Dollars in millions)	Average Amortization Period	Cost Basis[1]	Accumulated Impairment and Amortization[1]	Net
Intangible assets subject to amortization:				
Customer, services and lending relationships	13 years	$ 307	$ (232)	$ 75
Software and technology	7 years	93	(90)	3
Non-compete agreements		11	(11)	
Total		411	(333)	78
Intangible assets not subject to amortization:				
Trade names and trademarks	Indefinite	23		23
Total acquired intangible assets		$ 434	$ (333)	$ 101

As of December 31, 2009

(Dollars in millions)	Average Amortization Period	Cost Basis[1]	Accumulated Impairment and Amortization[1]	Net
Intangible assets subject to amortization:				
Customer, services, and lending relationships	12 years	$ 332	$ (208)	$ 124
Software and technology	7 years	98	(89)	9
Non-compete agreements		11	(11)	
Total		441	(308)	133
Intangible assets not subject to amortization:				
Trade names and trademarks	Indefinite	54		54
Total acquired intangible assets		$ 495	$ (308)	$ 187

[1] Includes impairment amounts only if portion of the acquired intangible has been deemed impaired. When an acquired intangible is considered fully impaired the cost basis and any accumulated amortization related to the asset is written off.

Intangible asset impairment for the Upromise reporting unit totaled $53 million for both the three and nine months ended September 30, 2010 and $0 for the three and nine months ended September 30, 2009. Intangible asset impairment for the Lending reporting unit totaled $3 million for both the three and nine

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4. Goodwill and Acquired Intangible Assets (Continued)

months ended September 30, 2010 and $0 for both the three and nine months ended September 30, 2009 (see previous discussion regarding reasons for goodwill impairment testing).

The Company recorded amortization of acquired intangible assets from continuing operations totaling $10 million and $10 million for the three months ended September 30, 2010 and 2009, respectively and $29 million and $29 million for the nine months ended September 30, 2010 and 2009, respectively. The Company will continue to amortize its intangible assets with definite useful lives over their remaining estimated useful lives.

5. Borrowings

The following table summarizes the Company s borrowings as of September 30, 2010 and December 31, 2009.

(Dollars in millions)	September 30, 2010 Short Term	Long Term	Total	December 31, 2009 Short Term	Long Term	Total
Unsecured borrowings	$ 3,422	$ 19,177	$ 22,599	$ 5,185	$ 22,797	$ 27,982
Unsecured term bank deposits	1,618	3,263	4,881	842	4,795	5,637
FHLB-DM facility	525		525			
ED Participation Program facility	20,226		20,226	9,006		9,006
ED Conduit Program facility	15,426		15,426	14,314		14,314
ABCP borrowings	1,152	4,827	5,979		8,801	8,801
Securitizations		120,720	120,720		89,200	89,200
Indentured trusts	2	1,330	1,332	64	1,533	1,597
Other[1]	2,745		2,745	1,472		1,472
Total before hedge accounting adjustments	45,116	149,317	194,433	30,883	127,126	158,009
Hedge accounting adjustments	272	3,687	3,959	14	3,420	3,434
Total	$ 45,388	$ 153,004	$ 198,392	$ 30,897	$ 130,546	$ 161,443

[1] At September 30, 2010, other primarily consists of $1.6 billion of cash collateral held related to derivative exposures that are recorded as a short-term debt obligation, as well as $1.1 billion of unsecured other bank deposits. At December 31, 2009, other primarily consisted of cash collateral held related to derivative exposures that are recorded as a short-term debt obligation.

Secured Borrowings

VIEs are required to be consolidated by their primary beneficiaries. The criteria to be considered the primary beneficiary changed on January 1, 2010 upon the adoption of topic updates to ASC 810 (see Note 1, Significant Accounting Policies *Recently Issued Accounting Standards* - Transfers of Financial Assets and the VIE Consolidation Model for further discussion). A VIE exists when either the total equity investment at risk is not sufficient to permit the entity to finance its activities by itself, or the equity investors lack one of three characteristics associated with owning a controlling financial interest. Those characteristics are the direct or indirect ability to make decisions about an entity s activities that have a significant impact on the success of the entity, the obligation to absorb the expected losses of an entity, and the rights to receive the expected residual returns of the entity.

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5. Borrowings (Continued)

The Company currently consolidates a number of 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. The Company is the primary beneficiary of and currently consolidates the following financing VIEs as of September 30, 2010 and December 31, 2009:

	September 30, 2010						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
(Dollars in millions)	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings:							
ED Participation Program facility	$ 20,226	$	$ 20,226	$ 20,656	$ 162	$ 434	$ 21,252
ED Conduit Program facility	15,426		15,426	15,515	501	434	16,450
ABCP borrowings	1,152	4,827	5,979	6,418	94	54	6,566
Securitizations		120,720	120,720	124,269	4,605	3,436	132,310
Indentured trusts	2	1,330	1,332	1,608	160	16	1,784
Total before hedge accounting adjustments	36,806	126,877	163,683	168,466	5,522	4,374	178,362
Hedge accounting adjustments		1,597	1,597				
Total	$ 36,806	$ 128,474	$ 165,280	$ 168,466	$ 5,522	$ 4,374	$ 178,362

	December 31, 2009						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
(Dollars in millions)	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings:							
	$ 9,006	$	$ 9,006	$ 9,397	$ 115	$ 61	$ 9,573

ED Participation Program facility							
ED Conduit Program facility	14,314		14,314	14,594	478	372	15,444
ABCP borrowings		8,801	8,801	9,929	204	100	10,233
Securitizations		89,200	89,200	93,021	3,627	3,083	99,731
Indentured trusts	64	1,533	1,597	1,898	172	24	2,094
Total before hedge accounting adjustments	23,384	99,534	122,918	128,839	4,596	3,640	137,075
Hedge accounting adjustments		1,479	1,479				
Total	$ 23,384	$ 101,013	$ 124,397	$ 128,839	$ 4,596	$ 3,640	$ 137,075

The Department of Education (ED) Funding Programs

In August 2008, ED implemented the Purchase Program and the Participation Program pursuant to The Ensuring Continued Access to Student Loans Act of 2008 (ECASLA). Under the Purchase Program, ED

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5. Borrowings (Continued)

purchases eligible FFELP loans at a price equal to the sum of (i) par value, (ii) accrued interest, (iii) the one-percent origination fee paid to ED, and (iv) a fixed amount of $75 per loan. Under the Participation Program, ED provides short-term liquidity to FFELP lenders by purchasing participation interests in pools of FFELP loans. FFELP lenders are charged a rate equal to the preceding quarter commercial paper rate plus 0.50 percent on the principal amount of participation interests outstanding. Loans eligible for the Participation or Purchase Programs are limited to FFELP Stafford or PLUS Loans, first disbursed on or after May 1, 2008 but no later than July 1, 2010, with no ongoing borrower benefits other than permitted rate reductions of 0.25 percent for automatic payment processing. In October 2010, the Company sold $20.4 billion of loans to ED and paid off $20.3 billion of advances outstanding under the Participation Program which concludes participation in the program.

Also pursuant to ECASLA, on January 15, 2009, ED published summary terms under which it will purchase eligible FFELP Stafford and PLUS Loans from a conduit vehicle established to provide funding for eligible student lenders (the ED Conduit Program). Loans eligible for the ED Conduit Program must be first disbursed on or after October 1, 2003, but not later than July 1, 2009, and fully disbursed before September 30, 2009, and meet certain other requirements, including those relating to borrower benefits. The ED Conduit Program was launched on May 11, 2009 and accepted eligible loans through July 1, 2010. The ED Conduit Program expires on January 19, 2014. Funding for the ED Conduit Program is provided by the capital markets at a cost based on market rates, with the Company being advanced 97 percent of the student loan face amount. If the conduit does not have sufficient funds to make the required payments on the notes issued by the conduit, then the notes will be repaid with funds from the Federal Financing Bank (FFB). The FFB will hold the notes for a short period of time and, if at the end of that time, the notes still cannot be paid off, the underlying FFELP loans that serve as collateral to the ED Conduit will be sold to ED through a put agreement at a price of 97 percent of the face amount of the loans. As of September 30, 2010, approximately $15.2 billion face amount of the Company s Stafford and PLUS Loans were funded through the ED Conduit Program. For the third quarter of 2010, the average interest rate paid on this facility was approximately 0.77 percent.

Asset-Backed Financing Facilities

During the first quarter of 2008, the Company entered into three new asset-backed commercial paper financing facilities (the 2008 Asset-Backed Financing Facilities) to fund FFELP and Private Education Loans. In 2009, the FFELP facilities were subsequently amended and reduced and the Private Education facility was retired.

On January 15, 2010, the Company terminated the 2008 Asset-Backed Financing Facilities for FFELP and entered into new multi-year ABCP facilities (the 2010 Facility) which will continue to provide funding for the Company s federally guaranteed student loans. The 2010 Facility provides for maximum funding of $10 billion for the first year, $5 billion for the second year and $2 billion for the third year. Upfront fees related to the 2010 Facility were approximately $4 million. The underlying cost of borrowing under the 2010 Facility for the first year is expected to be commercial paper issuance cost plus 0.50 percent, excluding up-front commitment and unused fees.

Borrowings under the 2010 Facility are non-recourse to the Company. The maximum amount the Company may borrow under the 2010 Facility is limited based on certain factors, including market conditions and the fair value of student loans in the facility. In addition to the funding limits described above, funding under the 2010 Facility is subject to usual and customary conditions. The 2010 Facility is subject to termination under certain circumstances, including the Company s failure to comply with the principal financial covenants in its unsecured revolving credit facility. Increases in the borrowing rate of up to LIBOR

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5. Borrowings (Continued)

plus 4.50 percent could occur if certain asset coverage ratio thresholds are not met. Failure to pay off the 2010 Facility on the maturity date or to reduce amounts outstanding below the annual maximum step downs will result in a 90-day extension of the 2010 Facility with the interest rate increasing from LIBOR plus 2.00 percent to LIBOR plus 3.00 percent over that period. If, at the end of the 90-day extension, these required paydown amounts have not been made, the collateral can be foreclosed upon. As of September 30, 2010, there was approximately $6.0 billion outstanding in this facility. The book basis of the assets securing this facility at September 30, 2010 was $6.6 billion.

Securitizations

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

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

During 2009, the Company completed $7.5 billion of Private Education Loan term ABS transactions, all of which were private placement transactions. On January 6, 2009, the Company closed a $1.5 billion 12.5 year ABS based facility (Total Return Swap Facility). This facility is used to provide up to $1.5 billion term financing for Private Education Asset-Backed Securities. The fully utilized cost of financing obtained under this facility is expected to be LIBOR plus 5.75 percent. In connection with this facility, the Company completed one Private Education Loan term ABS transaction totaling $1.5 billion in the first quarter of 2009. The net funding received under the ABS based facility for this issuance was $1.1 billion. The remaining $6.0 billion of Private Education Loan term ABS transactions were TALF-eligible.

On March 3, 2010, the Company priced a $1.6 billion Private Education Loan term ABS transaction which was TALF-eligible. The notes settled on March 11, 2010 and the issuance included one $149 million tranche bearing a coupon of Prime minus 0.05 percent and a second $1.401 billion tranche bearing a coupon of 1-month LIBOR plus 3.25 percent.

On April 12, 2010, the Company priced a $1.2 billion FFELP long-term ABS transaction. The transaction settled on April 15, 2010 and includes $1.2 billion A Notes bearing a coupon of 1-month LIBOR plus 0.40 percent and $37 million B Notes bearing a coupon of 1-month LIBOR plus 0.90 percent. The B Notes were purchased by the Company in their entirety on the settlement date. This transaction was composed primarily of FFELP Stafford and PLUS loans.

On July 22, 2010, the Company redeemed its $1.5 billion SLM Private Education Loan Trust 2009-A ABS issue and closed new offerings of its $869 million SLM 2010-B and $1.7 billion SLM 2010-C Private Education Loan Trust ABS issues. Approximately $875 million of the 2010-B and 2010-C bonds were issued at a weighted average coupon of 1-month LIBOR plus 2.23 percent; the remaining $1.7 billion of bonds were financed under the Company s Total Return Swap Facility. These concurrent transactions raised approximately $1.0 billion of net additional cash for the Company.

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5. Borrowings (Continued)

On August 18, 2010, the Company priced a $760 million FFELP ABS transaction. The transaction settled on August 26, 2010 and includes $738 million A Notes bearing a coupon of 1-month LIBOR plus 0.50 percent and $22 million B Notes bearing a coupon of 1-month LIBOR plus 0.90 percent. The B Notes were purchased by the Company in their entirety on the settlement date. This transaction was composed primarily of FFELP Stafford and PLUS loans.

The Company has $5.3 billion face amount of Private Education Loan securitization bonds outstanding at September 30, 2010, where the Company has the ability to call the bonds at a discount to par between 2011 and 2014. The Company has concluded that it is probable it will call these bonds at the call date at the respective discount. Probability is based on the Company s assessment of whether these bonds can be refinanced at the call date at or lower than a breakeven cost of funds based on the call discount. As a result, the Company is accreting this call discount as a reduction to interest expense through the call date. If it becomes less than probable that the Company will call these bonds at a future date, it will result in the Company reversing this prior accretion as a cumulative catch-up adjustment. The Company has accreted approximately $140 million, cumulatively, and $27 million in the third quarter of 2010 as a reduction of interest expense.

Auction Rate Securities

At September 30, 2010, the Company had $3.3 billion of taxable and $1.0 billion of tax-exempt auction rate securities outstanding in securitizations and indentured trusts, respectively. Since February 2008, problems in the auction rate securities market as a whole led to failures of the auctions pursuant to which certain of the Company s auction rate securities interest rates are set. As a result, $3.4 billion of the Company s auction rate securities as of September 30, 2010 bore interest at the maximum rate allowable under their terms. The maximum allowable interest rate on the Company s taxable auction rate securities is generally LIBOR plus 1.50 percent. The maximum allowable interest rate on many of the Company s tax-exempt auction rate securities is a formula driven rate, which produced various maximum rates up to 0.81 percent during the third quarter of 2010. As of September 30, 2010, $0.9 billion of auction rate securities with shorter weighted average terms to maturity have had successful auctions, resulting in an average rate of 1.67 percent.

Indentured Trusts

The Company has secured assets and outstanding bonds in indentured trusts resulting from the acquisition of various student loan providers in prior periods. The indentures were created and bonds issued to finance the acquisition of student loans guaranteed under the Higher Education Act. The bonds are limited obligations of the Company and are secured by and payable from payments associated with the underlying secured loans.

Federal Home Loan Bank of Des Moines (FHLB-DM)

On January 15, 2010, HICA Education Loan Corporation (HICA), a subsidiary of the Company, entered into a lending agreement with the FHLB-DM. Under the agreement, the FHLB-DM will provide advances backed by Federal

Housing Finance Agency approved collateral which includes federally-guaranteed student loans (but does not include Private Education Loans). The initial borrowing of $25 million at a rate of 0.23 percent under this facility occurred on January 15, 2010 and matured on January 22, 2010. The amount, price and tenor of future advances will vary and will be determined at the time of each borrowing. The maximum amount that can be borrowed, as of September 30, 2010, subject to available collateral, is

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5. Borrowings (Continued)

approximately $10 billion. As of September 30, 2010, borrowing under the facility totaled $525 million. The Company has provided a guarantee to the FHLB-DM for the performance and payment of HICA s obligations.

Other Funding Sources

Sallie Mae Bank

During the fourth quarter of 2008, Sallie Mae Bank, the Company s Utah industrial bank subsidiary, began expanding its deposit base to fund new Private Education Loan originations. Sallie Mae Bank raises deposits through intermediaries in the retail brokered Certificate of Deposit (CD) market and through retail deposit channels. As of September 30, 2010, bank deposits totaled $6.0 billion of which $4.9 billion were brokered term deposits, $0.8 billion were retail deposits and $0.3 billion were other deposits. In addition, the bank has deposits from affiliates totaling $0.5 billion that eliminate in the Company s consolidated balance sheet. Cash and liquid investments totaled $2.7 billion as of September 30, 2010.

Under Sallie Mae Bank s 2010 business plan submitted to its regulators, Sallie Mae Bank is permitted to declare and pay a dividend to its parent, SLM Corporation. The dividend must be permitted by Utah law and the Bank must be in compliance with its capital standards at the time of payment and be projected to maintain sufficient capital over a period of time. On October 28, 2010, Sallie Mae Bank paid a cash dividend of $400 million to the Company.

In addition to its deposit base, Sallie Mae Bank has borrowing capacity with the Federal Reserve Bank (FRB) through a collateralized lending facility. Borrowing capacity is limited by the availability of acceptable collateral. As of September 30, 2010, borrowing capacity was approximately $0.6 billion and there were no outstanding borrowings.

Unsecured Revolving Credit Facility

As of September 30, 2010, the Company had $1.6 billion in an unsecured revolving credit facility which provides liquidity support for general corporate purposes. This facility matures in October 2011. On May 5, 2010, the $1.9 billion revolving credit facility maturing in October 2010 was terminated.

The principal financial covenants in the unsecured revolving credit facility require the Company to maintain consolidated tangible net worth of at least $1.38 billion at all times. Consolidated tangible net worth as calculated for purposes of this covenant was $3.3 billion as of September 30, 2010. The covenants also require the Company to meet either a minimum interest coverage ratio or a minimum net adjusted revenue test based on the four preceding quarters adjusted Core Earnings financial performance. The Company was compliant with both of the minimum interest coverage ratio and the minimum net adjusted revenue tests as of the quarter ended September 30, 2010. In the past, the Company has not relied upon its unsecured revolving credit facilities as a primary source of liquidity. Although the Company has never borrowed under these facilities, the revolving credit facility maturing October 2011 remains available to be drawn upon for general corporate purposes.

6. Student Loan Securitization

The Company securitizes its FFELP Stafford loans, FFELP Consolidation Loans and Private Education Loan assets. Prior to the adoption of topic updates to the FASB s ASC 810 on January 1, 2010, for transactions qualifying as sales, the Company retained a Residual Interest and servicing rights (as the Company retained the servicing responsibilities), all of which were referred to as the Company s Retained Interest in off-balance sheet securitized loans. The Residual Interest is the right to receive cash flows from the

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6. Student Loan Securitization (Continued)

student loans and reserve accounts in excess of the amounts needed to pay servicing, derivative costs (if any), other fees, and the principal and interest on the bonds backed by the student loans. As a result of adopting the topic updates to ASC 810, the Company removed the $1.8 billion of Residual Interests (associated with its previously off-balance sheet securitization trusts as of December 31, 2009) from the consolidated balance sheet (see Note 1, Significant Accounting Policies *Recently Issued Accounting Standards* - Transfers of Financial Assets and the VIE Consolidation Model for further details). While this accounting has changed, the Company s economic interest in these assets remains unchanged.

Securitization Activity

The following table summarizes the Company s securitization activity for the three and nine months ended September 30, 2010 and 2009. The securitizations in the periods presented below were accounted for as financings under ASC 860.

(Dollars in millions)	Three Months Ended September 30, 2010 No. of Transactions	Loan Amount Securitized	2009 No. of Transactions	Loan Amount Securitized	Nine Months Ended September 30, 2010 No. of Transactions	Loan Amount Securitized	2009 No. of Transactions	Loan Amount Securitized
Securitizations:								
FFELP Stafford/PLUS Loans	1	$ 754		$	2	$ 1,965		$
FFELP Consolidation Loans							2	4,524
Private Education Loans	2	4,257	2	3,766	3	6,186	4	10,184
Total securitizations	3	$ 5,011	2	$ 3,766	5	$ 8,151	6	$ 14,708

The following table summarizes cash flows received from or paid to the previously off-balance sheet securitization trusts during the three and nine months ended September 30, 2009.

(Dollars in millions)	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009

Net proceeds from new securitizations completed during the period	$	$
Cash distributions from trusts related to Residual Interests	100	368
Servicing fees received[1]	55	171
Purchases of previously transferred financial assets for representation and warranty violations	(1)	(6)
Reimbursements of borrower benefits	(9)	(26)
Purchases of delinquent Private Education Loans from securitization trusts using delinquent loan call option		
Purchases of loans using clean-up call option		

(1) The Company receives annual servicing fees of 90 basis points, 50 basis points and 70 basis points of the outstanding securitized loan balance related to its FFELP Stafford, FFELP Consolidation Loan and Private Education Loan securitizations, respectively.

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6. Student Loan Securitization (Continued)

Retained Interest in Securitized Receivables

The following tables summarize the fair value of the Company s Residual Interests, included in the Company s Retained Interest (and the assumptions used to value such Residual Interests), along with the underlying off-balance sheet student loans that relate to those securitizations in transactions that were treated as sales as of December 31, 2009. As noted previously, the Residual Interest was removed from the balance sheet on January 1, 2010.

	As of December 31, 2009			
(Dollars in millions)	**FFELP Stafford and PLUS**	**Consolidation Loan Trusts[1]**	**Private Education Loan Trusts**	**Total**
Fair value of Residual Interests	$ 243	$ 791	$ 794	$ 1,828
Underlying securitized loan balance	5,377	14,369	12,986	32,732
Weighted average life	3.3 yrs.	9.0 yrs.	6.3 yrs.	
Prepayment speed (annual rate)[2]:				
Interim status	0%	N/A	0%	
Repayment status	0-14%	2-4%	2-15%	
Life of loan repayment status	9%	3%	6%	
Expected remaining credit losses (% of outstanding student loan principal)[3][4]	.10%	.25%	5.31%	
Residual cash flows discount rate	10.6%	12.3%	27.5%	

(1) Includes $569 million related to the fair value of the Embedded Floor Income as of December 31, 2009.

(2) The Company uses Constant Prepayment Rate (CPR) curves for Residual Interest valuations that are based on seasoning (the number of months since entering repayment). Under this methodology, a different CPR is applied to each year of a loan s seasoning. Repayment status CPR used is based on the number of months since first entering repayment (seasoning). Life of loan CPR is related to repayment status only and does not include the impact of the loan while in interim status. The CPR assumption used for all periods includes the impact of projected defaults.

(3) Remaining expected credit losses as of the respective balance sheet date.

(4) For Private Education Loan trusts, estimated defaults from settlement to maturity are 12.2 percent at December 31, 2009. These estimated defaults do not include recoveries related to defaults but do include prior purchases of loans at par by the Company when loans reached 180 days delinquent (prior to default) under a

contingent call option. Although these loan purchases do not result in a realized loss to the trust, the Company has included them here. Not including these purchases in the disclosure would result in estimated defaults of 9.3 percent at December 31, 2009.

The Company recorded net unrealized mark-to-market gains/(losses) in securitization servicing and Residual Interest revenue (loss) of $13 million and $(338) million for the three and nine months ended September 30, 2009.

The $13 million unrealized mark-to-market gain in the third quarter of 2009 was primarily a result of decreases in the discount rates used to value the Residual Interests, increases in the fair value of the Embedded Fixed Rate Floor Income component of the Residual Interest and reductions in the life of loan CPR which were partially offset by higher than modeled defaults on Private Education Loans.

The $338 million mark-to-market loss for the nine months ended September 30, 2009 was primarily due to:

Higher than modeled Private Education Loan defaults resulted in a $262 million unrealized mark-to-market loss.

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6. Student Loan Securitization (Continued)

Life of loan default rate assumptions for Private Education Loans were increased as a result of the continued weakening of the U.S. economy. This resulted in a $49 million unrealized mark-to-market loss.

The discount rate risk premium assumption related to the Private Education Loan Residual Interests was increased by 500 basis points to take into account the level of cash flow uncertainty and lack of liquidity that existed with the Residual Interests as of September 30, 2009. This resulted in a $126 million unrealized mark-to-market loss.

Decreases in life of loan CPR speeds used to value the Residual Interests resulted in a $62 million mark-to-market gain.

The table below shows the Company s off-balance sheet Private Education Loan delinquencies as of September 30, 2009.

(Dollars in millions)	Off-Balance Sheet Private Education Loan Delinquencies September 30, 2009 Balance	%
Loans in-school/grace/deferment[1]	$ 3,148	
Loans in forbearance[2]	474	
Loans in repayment and percentage of each status:		
Loans current	8,516	90.0%
Loans delinquent 31-60 days[3]	312	3.3
Loans delinquent 61-90 days[3]	161	1.7
Loans delinquent greater than 90 days[3]	469	5.0
Total off-balance sheet Private Education Loans in repayment	9,458	100.0%
Total off-balance sheet Private Education Loans, gross	$ 13,080	

(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 hardships 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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6. Student Loan Securitization (Continued)

The following table summarizes charge-off activity for Private Education Loans in the off-balance sheet trusts for the three and nine months ended September 30, 2009.

(Dollars in millions)	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Charge-offs	$ 150	$ 329
Charge-offs as a percentage of average loans in repayment (annualized)	6.2%	4.6%
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	5.9%	4.3%
Ending off-balance sheet total Private Education Loans[1]	$ 13,280	$ 13,280
Average off-balance sheet Private Education Loans in repayment	$ 9,585	$ 9,543
Ending off-balance sheet Private Education Loans in repayment	$ 9,458	$ 9,458

(1) Ending total loans represents gross Private Education Loans, plus the receivable for partially charged-off loans (see Note 2, Allowance for Loan Losses).

7. Derivative Financial Instruments

Derivative instruments are used as part of the Company s interest rate and foreign currency risk management strategy and include interest rate swaps, basis swaps, cross-currency interest rate swaps, interest rate futures contracts, and interest rate floor and cap contracts with indices that relate to the pricing of specific balance sheet assets and liabilities. (For a full discussion of the Company s risk management strategy and use of derivatives, please see the Company s 2009 Form 10-K, Note 9, Derivative Financial Instruments, to the consolidated financial statements.) The accounting for the Company s derivatives requires that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. The Company s derivative instruments are classified and accounted for by the Company as fair value hedges, cash flow hedges or trading activities.

Fair Value Hedges

Fair value hedges are generally used by the Company to hedge the exposure to changes in fair value of a recognized fixed rate asset or liability. The Company enters into interest rate swaps to convert fixed rate assets into variable rate assets and fixed rate debt into variable rate debt. The Company also enters into cross-currency interest rate swaps to convert foreign currency denominated fixed and floating debt to U.S. dollar denominated variable debt. Changes in

value for both the hedge and the hedged item are recorded to earnings. These amounts offset each other with the net amount representing the ineffectiveness of the relationship.

Cash Flow Hedges

Cash flow hedges are used by the Company to hedge the exposure to variability in cash flows for a forecasted debt issuance and for exposure to variability in cash flows of floating rate debt. This strategy is used primarily to minimize the exposure to volatility from future changes in interest rates. Gains and losses on the effective portion of a qualifying hedge are accumulated in other comprehensive income and ineffectiveness is recorded immediately to earnings.

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7. Derivative Financial Instruments (Continued)

Trading Activities

When instruments do not qualify as hedges, they are accounted for as trading where all changes in fair value of the derivatives are recorded through earnings. In general, derivative instruments included in trading activities include Floor Income Contracts, basis swaps and various other derivatives that do not qualify for hedge accounting.

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments at September 30, 2010 and December 31, 2009, and their impact on other comprehensive income and earnings for the three and nine months ended September 30, 2010 and 2009.

Impact of Derivatives on Consolidated Balance Sheet

(Dollars in millions)	Hedged Risk Exposure	Cash Flow Sept. 30, 2010	Cash Flow Dec. 31, 2009	Fair Value Sept. 30, 2010	Fair Value Dec. 31, 2009	Trading Sept. 30, 2010	Trading Dec. 31, 2009	Total Sept. 30, 2010	Total Dec. 31, 2009
Fair Values[1]									
Derivative Assets									
Interest rate swaps	Interest rate	$	$	$ 1,447	$ 684	$ 208	$ 133	$ 1,655	$ 817
Cross currency interest rate swaps	Foreign currency and interest rate			2,594	2,932	94	44	2,688	2,976
Other[2]	Interest rate					32		32	
Total derivative assets[3]				4,041	3,616	334	177	4,375	3,793
Derivative Liabilities									
Interest rate swaps	Interest rate	(92)	(78)		(6)	(282)	(639)	(374)	(723)
Floor Income Contracts	Interest rate					(1,578)	(1,234)	(1,578)	(1,234)
Cross currency interest rate swaps	Foreign currency and interest rate			(207)	(192)	(1)	(1)	(208)	(193)
Other[2]	Interest rate					(1)	(20)	(1)	(20)

Total derivative liabilities[3]	(92)	(78)	(207)	(198)	(1,862)	(1,894)	(2,161)	(2,170)
Net total derivatives	$ (92)	$ (78)	$ 3,834	$ 3,418	$ (1,528)	$ (1,717)	$ 2,214	$ 1,623

(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 the fair value of Euro-dollar futures contracts, the embedded derivatives in asset-backed financings, and derivatives related to the Company s Total Return Swap Facility. The embedded derivatives are required to be accounted for as derivatives.

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

	Other Assets		Other Liabilities	
	September 30, 2010	**December 31, 2009**	**September 30, 2010**	**December 31, 2009**
Gross position	$ 4,375	$ 3,793	$ (2,161)	$ (2,170)
Impact of master netting agreements	(1,084)	(1,009)	1,084	1,009
Derivative values with impact of master netting agreements (as carried on balance sheet)	3,291	2,784	(1,077)	(1,161)
Cash collateral (held) pledged	(1,666)	(1,268)	850	636
Net position	$ 1,625	$ 1,516	$ (227)	$ (525)

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7. Derivative Financial Instruments (Continued)

(Dollars in billions)	Cash Flow Sept. 30, 2010	Cash Flow Dec. 31, 2009	Fair Value Sept. 30, 2010	Fair Value Dec. 31, 2009	Trading Sept. 30, 2010	Trading Dec. 31, 2009	Total Sept. 30, 2010	Total Dec. 31, 2009
Notional Values								
Interest rate swaps	$ 1.7	$ 1.7	$ 13.5	$ 12.4	$ 128.6	$ 148.2	$ 143.8	$ 162.3
Floor Income Contracts					39.3	47.1	39.3	47.1
Cross currency interest rate swaps			19.6	19.3	.3	.3	19.9	19.6
Other[1]					1.0	1.1	1.0	1.1
Total derivatives	$ 1.7	$ 1.7	$ 33.1	$ 31.7	$ 169.2	$ 196.7	$ 204.0	$ 230.1

[1] Other includes Euro-dollar futures contracts, embedded derivatives bifurcated from securitization debt, as well as derivatives related to the Company s Total Return Swap Facility.

Impact of Derivatives on Consolidated Statements of Income

	Three Months Ended September 30,							
(Dollars in millions)	Unrealized Gain (Loss) on Derivatives[1][2] 2010	Unrealized Gain (Loss) on Derivatives[1][2] 2009	Realized Gain (Loss) on Derivatives[3] 2010	Realized Gain (Loss) on Derivatives[3] 2009	Unrealized Gain (Loss) on Hedged Item[1] 2010	Unrealized Gain (Loss) on Hedged Item[1] 2009	Total Gain (Loss) 2010	Total Gain (Loss) 2009
Fair Value Hedges								
Interest rate swaps	$ 277	$ 121	$ 119	$ 111	$ (309)	$ (132)	$ 87	$ 100
Cross currency interest rate swaps	1,855	813	87	124	(2,015)	(807)	(73)	130
Total fair value derivatives	2,132	934	206	235	(2,324)	(939)	14	230
Cash Flow Hedges								
Interest rate swaps	(1)		(14)	(38)			(15)	(38)
Total cash flow derivatives	(1)		(14)	(38)			(15)	(38)
Trading								

Interest rate swaps	85	91	(18)	70			67	161
Floor Income Contracts	(88)	(80)	(223)	(189)			(311)	(269)
Cross currency interest rate swaps	24	18	2	2			26	20
Other	33	(18)	34	(1)			67	(19)
Total trading derivatives	54	11	(205)	(118)			(151)	(107)
Total	2,185	945	(13)	79	(2,324)	(939)	(152)	85
Less: realized gains (losses) recorded in interest expense			192	197			192	197
Gains (losses) on derivative and hedging activities, net	$ 2,185	$ 945	$ (205)	$ (118)	$ (2,324)	$ (939)	$ (344)	$ (112)

(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.

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7. Derivative Financial Instruments (Continued)

	Nine Months Ended September 30,							
	Unrealized Gain (Loss) on Derivatives[1][2]		Realized Gain (Loss) on Derivatives[3]		Unrealized Gain (Loss) on Hedged Item[1]		Total Gain (Loss)	
(Dollars in millions)	2010	2009	2010	2009	2010	2009	2010	2009
Fair Value Hedges								
Interest rate swaps	$ 769	$ (549)	$ 368	$ 287	$ (847)	$ 583	$ 290	$ 321
Cross currency interest rate swaps	(1,227)	1,054	269	320	1,148	(1,308)	190	66
Total fair value derivatives	(458)	505	637	607	301	(725)	480	387
Cash Flow Hedges								
Interest rate swaps	(1)		(44)	(77)			(45)	(77)
Total cash flow derivatives	(1)		(44)	(77)			(45)	(77)
Trading								
Interest rate swaps	485	(511)	(18)	418			467	(93)
Floor Income Contracts	(111)	323	(656)	(500)			(767)	(177)
Cross currency interest rate swaps	51	(15)	5	3			56	(12)
Other	39	(68)	32	1			71	(67)
Total trading derivatives	464	(271)	(637)	(78)			(173)	(349)
Total	5	234	(44)	452	301	(725)	262	(39)
Less: realized gains (losses) recorded in interest expense			593	530			593	530
Gains (losses) on derivative and hedging activities, net	$ 5	$ 234	$ (637)	$ (78)	$ 301	$ (725)	$ (331)	$ (569)

(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 Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Total gains (losses) on cash flow hedges	$ (10)	$ (21)	$ (36)	$ (20)
Realized (gains) losses reclassified to interest expense[1][2][3]	9	24	31	49
Hedge ineffectiveness reclassified to earnings[1][4]				
Total change in stockholders' equity for unrealized gains (losses) on derivatives	$ (1)	$ 3	$ (5)	$ 29

(1) Amounts included in "Realized gain (loss) on derivatives" in the "Impact of Derivatives on Consolidated Statements of Income" table above.

(2) Includes net settlement income/expense.

(3) The Company expects to reclassify $.1 million of after-tax net losses from accumulated other comprehensive income to earnings during the next 12 months related to net settlement accruals on interest rate swaps.

(4) Recorded in "Gains (losses) derivatives and hedging activities, net" in the consolidated statements of income.

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7. Derivative Financial Instruments (Continued)

Collateral

Collateral held and pledged at September 30, 2010 and December 31, 2009 related to derivative exposures between the Company and its derivative counterparties are detailed in the following table:

(Dollars in millions)		September 30, 2010		December 31, 2009
Collateral held:				
Cash (obligation to return cash collateral is recorded in short-term borrowings)[1]	$	1,666	$	1,268
Securities at fair value corporate derivatives (not recorded in financial statements)[2]				112
Securities at fair value on-balance sheet securitization derivatives (not recorded in financial statements)[3]		702		717
Total collateral held	$	2,368	$	2,097
Derivative asset at fair value including accrued interest	$	3,613	$	3,119
Collateral pledged to others:				
Cash (right to receive return of cash collateral is recorded in investments)	$	850	$	636
Securities at fair value (recorded in investments)[4]				25
Securities at fair value (recorded in restricted investments)[5]		38		25
Securities at fair value re-pledged (not recorded in financial statements)[5][6]				87
Total collateral pledged	$	888	$	773
Derivative liability at fair value including accrued interest and premium receivable	$	766	$	758

(1) At September 30, 2010 and December 31, 2009, $205 million and $447 million, respectively, were held in restricted cash accounts.

(2)

Effective with the downgrade in the Company s unsecured credit ratings on May 13, 2009, certain counterparties restrict the Company s ability to sell or re-pledge securities it holds as collateral.

(3) The trusts do not have the ability to sell or re-pledge securities they hold as collateral.

(4) Counterparty does not have the right to sell or re-pledge securities.

(5) Counterparty has the right to sell or re-pledge securities.

(6) Represents securities the Company holds as collateral that have been pledged to other counterparties.

The Company s corporate derivatives contain credit contingent features. At the Company s current unsecured credit rating, it has fully collateralized its corporate derivative liability position (including accrued interest and net of premiums receivable) of $718 million with its 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. The Company currently has a liability position with these derivative counterparties (including accrued interest and net of premiums receivable) of $80 million and has posted $78 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, the Company would be required to deliver assets totaling $2 million to settle the contracts. Trust related derivatives do not contain credit contingent features related to the Company s or trusts credit ratings.

At December 31, 2009, $381 million in collateral related to off-balance sheet trust derivatives were held by previously off-balance sheet trusts. Collateral posted by third parties to the off-balance sheet trusts cannot be sold or re-pledged by the trusts. As of January 1, 2010, the off-balance sheet trusts were consolidated with the adoption of topic updates to ASC 810. (See Note 1, Significant Accounting Policies *Recently Issued Accounting Standards* - Transfers of Financial Assets and the VIE Consolidation Model.)

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8. Other Assets

The following table provides detail on the Company s other assets at September 30, 2010 and December 31, 2009.

	September 30, 2010		December 31, 2009	
	Ending Balance	% of Balance	Ending Balance	% of Balance
Accrued interest receivable	$ 3,431,951	32%	$ 2,566,984	26%
Derivatives at fair value	3,290,477	31	2,783,696	28
Income tax asset, net current and deferred	1,501,601	14	1,750,424	18
APG purchased paper receivables and real estate owned	183,160	2	286,108	3
Benefit and insurance-related investments	480,089	5	472,079	5
Fixed assets, net	312,932	3	322,481	3
Accounts receivable general	686,932	6	807,086	8
Other loans	289,917	3	420,233	4
Other	476,390	4	511,500	5
Total	$ 10,653,449	100%	$ 9,920,591	100%

The Derivatives at fair value line in the above table represents the fair value of the Company s derivatives in a net gain position by counterparty, exclusive of accrued interest and collateral. At September 30, 2010 and December 31, 2009, these balances included $3.8 billion and $3.4 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 September 30, 2010 and December 31, 2009, the cumulative mark-to-market adjustment to the hedged debt was $(3.9) billion and $(3.4) billion, respectively.

9. Stockholders Equity

The following table summarizes the Company s common share repurchases and issuances for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Shares in millions)	**2010**	**2009**	**2010**	**2009**
Common shares repurchased:				

Benefit plans[1]	.2	.1	.8	.2
Total shares repurchased	.2	.1	.8	.2
Average purchase price per share	$ 12.20	$ 17.81	$ 13.82	$ 22.91
Common shares issued	.2	7.0	1.6	7.4
Authority remaining at end of period for repurchases	38.8	38.8	38.8	38.8

(1) Includes 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.

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9. Stockholders Equity (Continued)

The closing price of the Company s common stock on September 30, 2010 was $11.55.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss includes the after-tax change in unrealized gains and losses on available-for-sale investments, unrealized gains and losses on derivatives, and the defined benefit pension plans adjustment. The following table presents the cumulative balances of the components of other comprehensive loss as of September 30, 2010 and December 31, 2009.

	September 30, 2010	December 31, 2009
Net unrealized gains on investments[1][2]	$ 3,236	$ 1,629
Net unrealized losses on derivatives[3]	(58,782)	(53,899)
Net gain on defined benefit pension plans[4]	11,387	11,445
Total accumulated other comprehensive loss	$ (44,159)	$ (40,825)

(1) Net of tax expense of $2 million and $1 million as of September 30, 2010 and December 31, 2009, respectively.

(2) Net unrealized gains (losses) on investments include currency translation gains of $.4 million and $.8 million as of September 30, 2010 and December 31, 2009, respectively.

(3) Net of tax benefit of $34 million and $31 million as of September 30, 2010 and December 31, 2009, respectively.

(4) Net of tax expense of $7 million and $7 million as of September 30, 2010 and December 31, 2009, respectively.

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10. 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 for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Numerator:				
Net income (loss) from continuing operations attributable to common stock	$ (516,945)	$ 122,900	$ 23,624	$ (20,685)
Adjusted for dividends of convertible preferred stock series C[1]				
Net income (loss) from continuing operations attributable to common stock, adjusted	(516,945)	122,900	23,624	(20,685)
Net income (loss) from discontinued operations	3,211	(6,417)	3,211	(59,133)
Net income (loss) attributable to common stock, adjusted	$ (513,734)	$ 116,483	$ 26,835	$ (79,818)
Denominator (shares in thousands):				
Weighted average shares used to compute basic EPS	484,936	470,280	484,678	467,960
Effect of dilutive securities:				
Dilutive effect of convertible preferred stock series C[1]				
Dilutive effect of stock options, nonvested deferred compensation, nonvested restricted stock, restricted stock units and Employee Stock Purchase Plan (ESPP)[2]		778	1,531	
Dilutive potential common shares[3]		778	1,531	
Weighted average shares used to compute diluted EPS	484,936	471,058	486,209	467,960
Basic earnings (loss) per common share:				
Continuing operations	$ (1.07)	$ .26	$ .05	$ (.04)
Discontinued operations	.01	(.01)	.01	(.13)
Total	$ (1.06)	$ .25	$ .06	$ (.17)

Diluted earnings (loss) per common share:				
Continuing operations	$ (1.07)	$ .26	$ .05	$ (.04)
Discontinued operations	.01	(.01)	.01	(.13)
Total	$ (1.06)	$ .25	$ .06	$ (.17)

(1) The Company s 7.25 percent mandatory convertible preferred stock Series C was issued on December 31, 2007. The mandatory convertible preferred stock will automatically convert on December 15, 2010, into between approximately 34 million shares and 41 million shares of common stock, depending upon the Company s stock price at that time. Depending upon the amount of the mandatory convertible preferred stock outstanding as of that date, the actual number of shares of common stock issued may be less. These instruments were anti-dilutive for the three and nine months ended September 30, 2010 and 2009.

(2) 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.

(3) For the three and nine months ended September 30, 2010, stock options covering approximately 16 million shares for each period were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive. For the three and nine months ended September 30, 2009, stock options covering approximately 43 million shares for each period were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

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11. Stock-Based Compensation Plans and Arrangements

Stock Option Exchange Program

On May 17, 2010, the Company launched a one-time stock option exchange program to allow certain eligible employees (excluding the Company s named executive officers and members of its Board of Directors) to exchange certain out-of-the-money options for new options with an exercise price equal to the fair market value of the Company s stock as of the grant date. To be eligible for the exchange, the options had to have been granted on or before January 31, 2008, had an exercise price that was greater than or equal to $20.94 per share, had a remaining term that expired after January 1, 2011 and were outstanding as of the start date of the offer and at the time the offer expired. The offering period closed on June 14, 2010. On that date, 15.1 million options were tendered and exchanged for 8.0 million new options with an exercise price of $11.39. None of the replacement options were vested on the date of grant. Replacement options will vest in six months, twelve months or two annual installments following the grant date, depending on the original vesting status and vesting terms of the eligible options, and will maintain the original contractual term of the eligible options for which they were exchanged. The exchange program was designed so that the fair market value of the new options would not be greater than the fair market value of the options exchanged, and as a result, this stock option exchange did not result in incremental compensation expense to the Company.

The following table summarizes stock option activity for the nine months ended September 30, 2010.

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2009	43,294,720	$ 28.77		
Granted	7,247,300	10.34		
Granted in stock option exchange	7,962,176	11.39		
Exercised	(623,713)	11.25		
Canceled	(4,601,952)	27.36		
Canceled in stock option exchange	(15,106,197)	35.87		
Outstanding at September 30, 2010	38,172,334	$ 19.72	6.36 yrs	$
Exercisable at September 30, 2010	16,705,129	$ 29.65	4.63 yrs	$

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12. Other Income

The following table summarizes the components of Other income in the consolidated statements of income for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Gains on debt repurchases	$ 18,025	$ 74,367	$ 199,156	$ 463,416
Late fees and forbearance fees	33,687	38,588	111,454	107,351
Asset servicing and other transaction fees	28,421	27,872	86,320	79,318
Loan servicing fees	19,315	16,677	55,778	35,410
Foreign currency translation gains (losses), net	(18,779)	(23,164)	(37,172)	10,828
Other	9,833	15,666	30,275	44,906
Total	$ 90,502	$ 150,006	$ 445,811	$ 741,229

The change in other income over the prior periods presented was primarily the result of the gains on debt repurchases and foreign currency translation gains (losses). The Company began repurchasing its outstanding debt in the second quarter of 2008 in both open-market repurchases and public tender offers. The Company repurchased $0.9 billion and $1.4 billion face amount of its senior unsecured notes for the quarters ended September 30, 2010 and 2009, respectively, and repurchased $3.6 billion and $2.7 billion face amount of its senior unsecured notes for the nine months ended September 30, 2010 and 2009, respectively. Since the second quarter of 2008, the Company has repurchased $8.9 billion face amount of its senior unsecured notes, with maturity dates ranging from 2008 to 2016. The foreign currency translation gains (losses) relate to a portion of the Company s foreign currency denominated debt that does not receive hedge accounting treatment. These gains (losses) were partially offset by the gains (losses) on derivative and hedging activities, net line item on the income statement related to the derivatives used to economically hedge these debt instruments.

13. Restructuring Activities

Restructuring expenses of $11 million and $2 million were recorded in the three months ended September 30, 2010 and 2009, respectively. The following details the Company s two restructuring efforts:

> On March 30, 2010, President Obama signed into law H.R. 4872, HCERA, which included the SAFRA Act. Effective July 1, 2010, the legislation eliminated the authority to provide new loans under FFELP and requires all new federal loans to be made through the DSLP. The new law did not alter or affect the terms and conditions of existing FFELP loans. The Company is currently in the process of restructuring its operations to reflect this change in law which will result in a significant reduction of operating costs due to the elimination of

positions and facilities associated with the origination of FFELP loans.

In the third quarter of 2010, expenses associated with this restructuring plan were $10 million. Restructuring expenses for the nine months ended September 30, 2010 were $50 million, all of which was recorded in continuing operations. In connection with the HCERA restructuring effort, on July 1, 2010, the Company announced its corporate headquarters will be moving from Reston, VA to Newark, DE by March 31, 2011.

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SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Information at September 30, 2010 and for the three and nine months ended September 30, 2010 and 2009 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

13. Restructuring Activities (Continued)

The Company is currently finalizing this restructuring plan and expects to incur an estimated $25 million of additional restructuring costs, including severance costs associated with job abolishments and other potential exit costs. The majority of these restructuring expenses incurred through September 30, 2010 and expected to be incurred in future periods are severance costs related to the planned elimination of approximately 2,500 positions, or approximately 30 percent of the current workforce.

In response to the College Cost Reduction and Access Act of 2007 (CCRAA) and challenges in the capital markets, the Company initiated a restructuring plan in the fourth quarter of 2007. This plan focused on conforming our lending activities to the economic environment, exiting certain customer relationships and product lines, winding down or otherwise disposing of our debt purchased paper businesses, and significantly reducing our operating expenses. This restructuring plan was essentially completed in the fourth quarter of 2009. Under this plan, restructuring expenses of $1 million were recognized in continuing operations in the third quarter of 2010. Restructuring expenses from the fourth quarter of 2007 through the third quarter of 2010 totaled $133 million, of which $124 million was recorded in continuing operations and $9 million was recorded in discontinued operations. The majority of these restructuring expenses were severance costs related to the elimination of approximately 3,000 positions, or approximately 25 percent of the workforce prior to the restructuring. The Company estimates approximately $4 million of additional restructuring expenses will be incurred in the future related to this restructuring plan.

The following table summarizes the restructuring expenses incurred during the three and nine months ended September 30, 2010 and 2009 and cumulative restructuring expenses incurred through September 30, 2010 associated with the HCERA and CCRAA restructuring plans as discussed above.

	Three Months Ended September 30,		Nine Months Ended September 30,		Cumulative Expense[2] as of September 30,
	2010	2009	2010	2009	2010
Severance costs	$ 9,850	$ 2,372	$ 52,308	$ 7,232	$ 148,608