

SLM CORP
Form 10-Q
October 28, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-13251

SLM Corporation

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

52-2013874
(I.R.S. Employer
Identification No.)

300 Continental Drive, Newark, Delaware
(Address of principal executive offices)

19713
(Zip Code)

(302) 283-8000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

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

Class	Outstanding at September 30, 2013
Common Stock, \$0.20 par value	436,264,071 shares

Table of Contents

SLM CORPORATION

Table of Contents

Part I. Financial Information

Item 1.	<u>Financial Statements</u>	2
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	44
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	90
Item 4.	<u>Controls and Procedures</u>	94

PART II. Other Information

Item 1.	<u>Legal Proceedings</u>	95
Item 1A.	<u>Risk Factors</u>	96
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	98
Item 3.	<u>Defaults Upon Senior Securities</u>	98
Item 4.	<u>Mine Safety Disclosures</u>	98
Item 5.	<u>Other Information</u>	98
Item 6.	<u>Exhibits</u>	98

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

	September 30, 2013	December 31, 2012
Assets		
FFELP Loans (net of allowance for losses of \$130 and \$159, respectively)	\$ 106,350	\$ 125,612
Private Education Loans (net of allowance for losses of \$2,144 and \$2,171 respectively)	37,752	36,934
Investments		
Available-for-sale	85	72
Other	911	1,010
Total investments	996	1,082
Cash and cash equivalents	4,329	3,900
Restricted cash and investments	4,287	5,011
Goodwill and acquired intangible assets, net	436	448
Other assets	7,420	8,273
Total assets	\$ 161,570	\$ 181,260
Liabilities		
Short-term borrowings	\$ 15,572	\$ 19,856
Long-term borrowings	136,944	152,401
Other liabilities	3,422	3,937
Total liabilities	155,938	176,194
Commitments and contingencies		
Equity		
Preferred stock, par value \$0.20 per share, 20 million shares authorized		
Series A: 3.3 million and 3.3 million shares issued, respectively, at stated value of \$50 per share	165	165
Series B: 4 million and 4 million shares issued, respectively, at stated value of \$100 per share	400	400
Common stock, par value \$0.20 per share, 1.125 billion shares authorized: 544 million and 536 million shares issued, respectively	109	107
Additional paid-in capital	4,373	4,237
Accumulated other comprehensive income (loss) (net of tax (expense) benefit of \$(5) and \$3, respectively)	8	(6)
Retained earnings	2,385	1,451
Total SLM Corporation stockholders' equity before treasury stock	7,440	6,354
Less: Common stock held in treasury at cost: 108 million and 83 million shares, respectively	(1,813)	(1,294)
Total SLM Corporation stockholders' equity	5,627	5,060
Noncontrolling interest	5	6
Total equity	5,632	5,066

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Total liabilities and equity \$ 161,570 \$ 181,260

Supplemental information assets and liabilities of consolidated variable interest entities:

	September 30, 2013	December 31, 2012
FFELP Loans	\$ 101,627	\$ 121,059
Private Education Loans	26,018	26,072
Restricted cash and investments	4,044	4,826
Other assets	2,380	2,312
Short-term borrowings	4,678	9,551
Long-term borrowings	116,968	131,518
Net assets of consolidated variable interest entities	\$ 12,423	\$ 13,200

See accompanying notes to consolidated financial statements.

Table of Contents**SLM CORPORATION****CONSOLIDATED STATEMENTS OF INCOME****(In millions, except per share amounts)****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Interest income:				
FFELP Loans	\$ 698	\$ 840	\$ 2,138	\$ 2,459
Private Education Loans	635	615	1,884	1,856
Other loans	3	4	9	13
Cash and investments	4	5	13	16
Total interest income	1,340	1,464	4,044	4,344
Total interest expense	541	645	1,666	1,968
Net interest income	799	819	2,378	2,376
Less: provisions for loan losses	207	270	649	766
Net interest income after provisions for loan losses	592	549	1,729	1,610
Other income (loss):				
Gains on sales of loans and investments			307	1
Losses on derivative and hedging activities, net	(127)	(233)	(140)	(600)
Servicing revenue	83	71	223	212
Contingency revenue	104	85	312	261
Gains on debt repurchases		44	42	102
Other	9	2	66	39
Total other income (loss)	69	(31)	810	15
Expenses:				
Salaries and benefits	128	113	380	343
Other operating expenses	129	107	357	329
Total operating expenses	257	220	737	672
Goodwill and acquired intangible asset impairment and amortization expense	4	5	10	13
Restructuring and other reorganization expenses	12	2	46	9
Total expenses	273	227	793	694
Income from continuing operations, before income tax expense	388	291	1,746	931
Income tax expense	136	104	645	340
Net income from continuing operations	252	187	1,101	591
Income (loss) from discontinued operations, net of tax expense (benefit)	8		47	(2)
Net income	260	187	1,148	589
Less: net loss attributable to noncontrolling interest		(1)	(1)	(2)
Net income attributable to SLM Corporation	260	188	1,149	591
Preferred stock dividends	5	5	15	15

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Net income attributable to SLM Corporation common stock	\$ 255	\$ 183	\$ 1,134	\$ 576
Basic earnings per common share attributable to SLM Corporation:				
Continuing operations	\$.56	\$.39	\$ 2.46	\$ 1.19
Discontinued operations	.02		.10	
Total	\$.58	\$.39	\$ 2.56	\$ 1.19
Average common shares outstanding	436	464	442	483
Diluted earnings per common share attributable to SLM Corporation:				
Continuing operations	\$.55	\$.39	\$ 2.42	\$ 1.18
Discontinued operations	.02		.10	
Total	\$.57	\$.39	\$ 2.52	\$ 1.18
Average common and common equivalent shares outstanding	445	471	450	490
Dividends per common share attributable to SLM Corporation	\$.15	\$.125	\$.45	\$.375

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 260	\$ 187	\$ 1,148	\$ 589
Other comprehensive income (loss):				
Unrealized gains (losses) on derivatives:				
Unrealized hedging gains (losses) on derivatives	(3)	(3)	19	(14)
Reclassification adjustments for derivative losses included in net income (interest expense)	1	6	7	22
Total unrealized gains (losses) on derivatives	(2)	3	26	8
Unrealized gains (losses) on investments			(4)	1
Income tax (expense) benefit	1	(1)	(8)	(3)
Other comprehensive income (loss), net of tax	(1)	2	14	6
Comprehensive income	259	189	1,162	595
Less: comprehensive loss attributable to noncontrolling interest		(1)	(1)	(2)
Total comprehensive income attributable to SLM Corporation	\$ 259	\$ 190	\$ 1,163	\$ 597

See accompanying notes to consolidated financial statements.

Table of Contents

SLM CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in millions, except share and per share amounts)

(Unaudited)

	Preferred Stock Shares	Common Stock Shares			Accumulated					Total Stockholders' Equity	Total Controlling Interest	Total Equity	
		Issued	Treasury	Outstanding	Preferred Stock	Common Stock	Paid Capital	Other Comprehensive Income (Loss)	Retained Earnings				Treasury Stock
Balance at June 30, 2012	7,300,000	532,672,974	(63,270,775)	469,402,199	\$ 565	\$ 107	\$ 4,196	\$ (10)	\$ 1,040	\$ (967)	\$ 4,931	\$ 7	\$ 4,938
Comprehensive income:													
Net income (loss)									188		188	(1)	187
Other comprehensive income, net of tax							2				2		2
Total comprehensive income											190	(1)	189
Cash dividends:													
Common stock (\$.125 per share)									(58)		(58)		(58)
Preferred stock, series A (\$.87 per share)									(3)		(3)		(3)
Preferred stock, series B (\$.57 per share)									(2)		(2)		(2)
Issuance of common shares		1,654,506		1,654,506			17				17		17
Tax benefit related to employee stock-based compensation plans							(2)				(2)		(2)
Stock-based compensation expense							8				8		8
Common stock repurchased Shares			(7,643,999)	(7,643,999)						(121)	(121)		(121)
Shares repurchased related to employee stock-based compensation plans			(1,253,922)	(1,253,922)						(20)	(20)		(20)
Balance at September 30, 2012	7,300,000	534,327,480	(72,168,696)	462,158,784	\$ 565	\$ 107	\$ 4,219	\$ (8)	\$ 1,165	\$ (1,108)	\$ 4,940	\$ 6	\$ 4,946

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Balance at June 30, 2013	7,300,000	543,781,184	(107,592,332)	436,188,852	\$ 565	\$ 109	\$ 4,355	\$ 9	\$ 2,195	\$(1,804)	\$ 5,429	\$ 5	\$ 5,434
Comprehensive income:													
Net income (loss)									260		260		260
Other comprehensive income, net of tax							(1)				(1)		(1)
Total comprehensive income											259		259
Cash dividends:													
Common stock (\$.15 per share)									(65)		(65)		(65)
Preferred stock, series A (\$.87 per share)									(3)		(3)		(3)
Preferred stock, series B (\$.50 per share)									(2)		(2)		(2)
Issuance of common shares		326,789		326,789			8				8		8
Tax benefit related to employee stock-based compensation plans							2				2		2
Stock-based compensation expense							8				8		8
Shares repurchased related to employee stock-based compensation plans			(251,570)	(251,570)							(9)	(9)	(9)
Balance at September 30, 2013	7,300,000	544,107,973	(107,843,902)	436,264,071	\$ 565	\$ 109	\$ 4,373	\$ 8	\$ 2,385	\$(1,813)	\$ 5,627	\$ 5	\$ 5,632

See accompanying notes to consolidated financial statements.

Table of Contents

SLM CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in millions, except share and per share amounts)

(Unaudited)

	Preferred Stock Shares	Common Stock Shares			Accumulated Additional Other Preferred Common Paid Comprehensive Retained Stock Stock Capital Income (Loss) Earnings			Treasur Stock	Total Stockholders' Equity				
		Issued	Treasury	Outstanding	Stock	Stock	Capital		Income (Loss)	Earnings	Equity	Interest	Equity
Balance at December 31, 2011	7,300,000	529,075,322	(20,323,997)	508,751,325	\$ 565	\$ 106	\$ 4,136	\$ (14)	\$ 770	\$ (320)	\$ 5,243	\$ 8	\$ 5,251
Comprehensive income:													
Net income (loss)									591		591	(2)	589
Other comprehensive income, net of tax							6				6		6
Total comprehensive income											597	(2)	595
Cash dividends:													
Common stock (\$.375 per share)									(180)		(180)		(180)
Preferred stock, series A (\$2.61 per share)									(8)		(8)		(8)
Preferred stock, series B (\$1.69 per share)									(7)		(7)		(7)
Dividend equivalent units related to employee stock-based compensation plans									(1)		(1)		(1)
Issuance of common shares		5,252,158		5,252,158		1	47				48		48
Tax benefit related to employee stock-based compensation plans							(5)				(5)		(5)
Stock-based compensation expense							41				41		41
Common stock repurchased			(48,184,145)	(48,184,145)						(730)	(730)		(730)
Shares repurchased related to employee			(3,660,554)	(3,660,554)						(58)	(58)		(58)

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stock-based compensation plans														
Balance at September 30, 2012	7,300,000	534,327,480	(72,168,696)	462,158,784	\$ 565	\$ 107	\$ 4,219	\$ (8)	\$ 1,165	\$ (1,108)	\$ 4,940	\$ 6	\$ 4,946	
Balance at December 31, 2012	7,300,000	535,507,965	(82,910,021)	452,597,944	\$ 565	\$ 107	\$ 4,237	\$ (6)	\$ 1,451	\$ (1,294)	\$ 5,060	\$ 6	\$ 5,066	
Comprehensive income:														
Net income (loss)									1,149		1,149	(1)	1,148	
Other comprehensive income, net of tax							14				14		14	
Total comprehensive income											1,163	(1)	1,162	
Cash dividends:														
Common stock (\$.45 per share)									(199)		(199)		(199)	
Preferred stock, series A (\$2.61 per share)									(9)		(9)		(9)	
Preferred stock, series B (\$1.51 per share)									(6)		(6)		(6)	
Dividend equivalent units related to employee stock-based compensation plans									(1)		(1)		(1)	
Issuance of common shares		8,600,008		8,600,008		2	92				94		94	
Tax benefit related to employee stock-based compensation plans							7				7		7	
Stock-based compensation expense							37				37		37	
Common stock repurchased			(19,316,948)	(19,316,948)						(400)	(400)		(400)	
Shares repurchased related to employee stock-based compensation plans			(5,616,933)	(5,616,933)						(119)	(119)		(119)	
Balance at September 30, 2013	7,300,000	544,107,973	(107,843,902)	436,264,071	\$ 565	\$ 109	\$ 4,373	\$ 8	\$ 2,385	\$ (1,813)	\$ 5,627	\$ 5	\$ 5,632	

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2013	2012
Operating activities		
Net income	\$ 1,148	\$ 589
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income) loss from discontinued operations, net of tax	(47)	2
Gains on sales of loans and investments	(307)	(1)
Gains on debt repurchases	(42)	(102)
Goodwill and acquired intangible asset impairment and amortization expense	10	13
Stock-based compensation expense	37	41
Unrealized (gains) losses on derivative and hedging activities	(384)	51
Provisions for loan losses	649	766
(Increase) decrease in restricted cash other	(3)	5
(Increase) decrease in accrued interest receivable	(74)	204
Decrease in accrued interest payable	(61)	(55)
Decrease in other assets	545	403
(Decrease) increase in other liabilities	(85)	31
Cash provided by operating activities continuing operations	1,386	1,947
Cash provided by (used in) operating activities discontinued operations	46	(5)
Total net cash provided by operating activities	1,432	1,942
Investing activities		
Student loans acquired and originated	(3,689)	(5,497)
Reduction of student loans:		
Installment payments, claims and other	9,159	14,167
Proceeds from sales of student loans	707	428
Other investing activities, net	56	(101)
Purchases of available-for-sale securities	(44)	(39)
Proceeds from maturities of available-for-sale securities	28	56
Purchases of other securities	(288)	(182)
Proceeds from maturities of other securities	289	161
Decrease (increase) in restricted cash variable interest entities	422	(609)
Total net cash provided by investing activities	6,640	8,384
Financing activities		
Borrowings collateralized by loans in trust issued	8,542	10,004
Borrowings collateralized by loans in trust repaid	(10,815)	(11,565)
Asset-backed commercial paper conduits, net	4,341	140
ED Conduit Program facility, net	(9,551)	(8,960)
Other short-term borrowings issued		23
Other short-term borrowings repaid		(122)
Other long-term borrowings issued	2,712	3,769
Other long-term borrowings repaid	(2,343)	(2,952)
Other financing activities, net	(782)	224
Retail and other deposits, net	867	327

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Common stock repurchased	(400)	(730)
Common stock dividends paid	(199)	(180)
Preferred stock dividends paid	(15)	(15)
Net cash used in financing activities	(7,643)	(10,037)
Net increase in cash and cash equivalents	429	289
Cash and cash equivalents at beginning of period	3,900	2,794
Cash and cash equivalents at end of period	\$ 4,329	\$ 3,083
Supplemental disclosures of cash flow information:		
Cash disbursements made (refunds received) for:		
Interest	\$ 1,646	\$ 1,913
Income taxes paid	\$ 520	\$ 416
Income taxes received	\$ (19)	\$ (5)
Noncash activity:		
Investing activity Student loans and other assets acquired	\$	\$ 402
Student loans and other assets removed related to sale of Residual Interest in securitization	\$ (11,802)	\$
Financing activity Borrowings assumed in acquisition of student loans and other assets	\$	\$ 425
Borrowings removed related to sale of Residual Interest in securitization	\$ (12,084)	\$

See accompanying notes to consolidated financial statements.

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information at September 30, 2013 and for the three and nine months ended

September 30, 2013 and 2012 is unaudited)

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, consolidated financial statements of SLM Corporation (we, us, our, or the Company) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. The consolidated financial statements include the accounts of SLM Corporation and its majority-owned and controlled subsidiaries and those Variable Interest Entities (VIEs) for which we are the primary beneficiary, after eliminating the effects of intercompany accounts and transactions. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three and nine months ended September 30, 2013 are not necessarily indicative of the results for the year ending December 31, 2013 or for any other period. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2012 (the 2012 Form 10-K). Definitions for certain capitalized terms used in this document can be found in the 2012 Form 10-K.

Consolidation

In the first six months of 2013, we sold Residual Interests in FFELP Loan securitization trusts to third parties. We will continue to service the student loans in the trusts under existing agreements. Prior to the sale of the Residual Interests, we had consolidated the trusts as VIEs because we had met the two criteria for consolidation. We had determined we were the primary beneficiary because (1) as servicer to the trust we had the power to direct the activities of the VIE that most significantly affected its economic performance and (2) as the residual holder of the trust, we had an obligation to absorb losses or receive benefits of the trust that could potentially be significant. Upon the sale of the Residual Interests we are no longer the residual holder, thus we determined we no longer met criterion (2) above and deconsolidated the trusts. As a result of these transactions, we removed securitization trust assets of \$12.5 billion and the related liabilities of \$12.1 billion from the balance sheet and recorded a \$312 million gain as part of gains on sales of loans and investments for the nine months ended September 30, 2013.

Reclassifications

Certain reclassifications have been made to the balances as of and for the three and nine months ended September 30, 2012 to be consistent with classifications adopted for 2013, and had no effect on net income, total assets, or total liabilities.

Recently Adopted Accounting Standards

Accumulated Other Comprehensive Income

On January 1, 2013, we adopted Accounting Standards Update No. 2013-02, Comprehensive Income (Topic 220), Reporting Amounts Reclassified out of Accumulated Other Comprehensive Income. The objective of this new guidance is to improve the reporting of reclassifications out of accumulated other comprehensive income. The impact of adopting this new guidance was immaterial and there was no impact on our results of operations.

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

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

Allowance for Loan Losses Metrics

(Dollars in millions)	Three Months Ended September 30, 2013			
	FFELP Loans	Private Education Loans	Other Loans	Total
Allowance for Loan Losses				
Beginning balance	\$ 133	\$ 2,149	\$ 35	\$ 2,317
Total provision	12	195		207
Charge-offs ⁽¹⁾	(15)	(205)	(3)	(223)
Reclassification of interest reserve ⁽²⁾		5		5
Ending balance	\$ 130	\$ 2,144	\$ 32	\$ 2,306
<i>Allowance:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 1,091	\$ 24	\$ 1,115
Ending balance: collectively evaluated for impairment	\$ 130	\$ 1,053	\$ 8	\$ 1,191
<i>Loans:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 8,982	\$ 49	\$ 9,031
Ending balance: collectively evaluated for impairment	\$ 105,422	\$ 31,640	\$ 91	\$ 137,153
Charge-offs as a percentage of average loans in repayment (annualized)	.08%	2.57%	7.70%	
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.06%	2.48%	7.70%	
Allowance as a percentage of the ending total loan balance	.12%	5.28%	22.90%	
Allowance as a percentage of the ending loans in repayment	.17%	6.77%	22.90%	
Allowance coverage of charge-offs (annualized)	2.2	2.6	2.8	
Ending total loans ⁽³⁾	\$ 105,422	\$ 40,622	\$ 140	
Average loans in repayment	\$ 78,012	\$ 31,630	\$ 148	
Ending loans in repayment	\$ 77,618	\$ 31,651	\$ 140	

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- (1) Charge-offs are reported net of expected recoveries. For Private Education Loans, the expected recovery amount is transferred to the receivable for partially charged-off loan balance. Charge-offs include charge-offs against the receivable for partially charged-off loans which represents the difference between what was expected to be collected and any shortfalls in what was actually collected in the period. See Receivable for Partially Charged-Off Private Education Loans for further discussion.
- (2) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan's principal balance.
- (3) Ending total loans for Private Education Loans includes the receivable for partially charged-off loans.

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

(Dollars in millions)	Three Months Ended September 30, 2012			Total
	FFELP Loans	Private Education Loans	Other Loans	
Allowance for Loan Losses				
Beginning balance	\$ 173	\$ 2,186	\$ 59	\$ 2,418
Total provision	18	252		270
Charge-offs ⁽¹⁾	(23)	(250)	(6)	(279)
Student loan sales	(2)			(2)
Reclassification of interest reserve ⁽²⁾		8		8
Ending balance	\$ 166	\$ 2,196	\$ 53	\$ 2,415
<i>Allowance:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 1,056	\$ 40	\$ 1,096
Ending balance: collectively evaluated for impairment	\$ 166	\$ 1,140	\$ 13	\$ 1,319
<i>Loans:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 7,099	\$ 76	\$ 7,175
Ending balance: collectively evaluated for impairment	\$ 126,441	\$ 33,012	\$ 146	\$ 159,599
Charge-offs as a percentage of average loans in repayment (annualized)	.10%	3.23%	9.58%	
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.08%	3.11%	9.58%	
Allowance as a percentage of the ending total loan balance	.13%	5.48%	23.92%	
Allowance as a percentage of the ending loans in repayment	.18%	7.09%	23.92%	
Allowance coverage of charge-offs (annualized)	1.8	2.2	2.4	
Ending total loans ⁽³⁾	\$ 126,441	\$ 40,111	\$ 222	
Average loans in repayment	\$ 90,898	\$ 30,816	\$ 231	
Ending loans in repayment	\$ 90,481	\$ 30,972	\$ 222	

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

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

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

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

(Dollars in millions)	Nine Months Ended September 30, 2013			Total
	FFELP Loans	Private Education Loans	Other Loans	
Allowance for Loan Losses				
Beginning balance	\$ 159	\$ 2,171	\$ 47	\$ 2,377
Total provision	42	607		649
Charge-offs ⁽¹⁾	(57)	(649)	(15)	(721)
Student loan sales	(14)			(14)
Reclassification of interest reserve ⁽²⁾		15		15
Ending balance	\$ 130	\$ 2,144	\$ 32	\$ 2,306
<i>Allowance:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 1,091	\$ 24	\$ 1,115
Ending balance: collectively evaluated for impairment	\$ 130	\$ 1,053	\$ 8	\$ 1,191
<i>Loans:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 8,982	\$ 49	\$ 9,031
Ending balance: collectively evaluated for impairment	\$ 105,422	\$ 31,640	\$ 91	\$ 137,153
Charge-offs as a percentage of average loans in repayment (annualized)	.09%	2.74%	12.14%	
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.08%	2.65%	12.14%	
Allowance as a percentage of the ending total loan balance	.12%	5.28%	22.90%	
Allowance as a percentage of the ending loans in repayment	.17%	6.77%	22.90%	
Allowance coverage of charge-offs (annualized)	1.7	2.5	1.6	
Ending total loans ⁽³⁾	\$ 105,422	\$ 40,622	\$ 140	
Average loans in repayment	\$ 82,196	\$ 31,631	\$ 163	
Ending loans in repayment	\$ 77,618	\$ 31,651	\$ 140	

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

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

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

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

(Dollars in millions)	Nine Months Ended September 30, 2012			Total
	FFELP Loans	Private Education Loans	Other Loans	
Allowance for Loan Losses				
Beginning balance	\$ 187	\$ 2,171	\$ 69	\$ 2,427
Total provision	54	712		766
Charge-offs ⁽¹⁾	(68)	(709)	(16)	(793)
Student loan sales	(7)			(7)
Reclassification of interest reserve ⁽²⁾		22		22
Ending balance	\$ 166	\$ 2,196	\$ 53	\$ 2,415
<i>Allowance:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 1,056	\$ 40	\$ 1,096
Ending balance: collectively evaluated for impairment	\$ 166	\$ 1,140	\$ 13	\$ 1,319
<i>Loans:</i>				
Ending balance: individually evaluated for impairment	\$	\$ 7,099	\$ 76	\$ 7,175
Ending balance: collectively evaluated for impairment	\$ 126,441	\$ 33,012	\$ 146	\$ 159,599
Charge-offs as a percentage of average loans in repayment (annualized)	.10%	3.10%	8.79%	
Charge-offs as a percentage of average loans in repayment and forbearance (annualized)	.08%	2.97%	8.79%	
Allowance as a percentage of the ending total loan balance	.13%	5.48%	23.92%	
Allowance as a percentage of the ending loans in repayment	.18%	7.09%	23.92%	
Allowance coverage of charge-offs (annualized)	1.8	2.3	2.5	
Ending total loans ⁽³⁾	\$ 126,441	\$ 40,111	\$ 222	
Average loans in repayment	\$ 92,157	\$ 30,577	\$ 242	
Ending loans in repayment	\$ 90,481	\$ 30,972	\$ 222	

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

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

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

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

FFELP Loans are substantially insured and guaranteed as to their principal and accrued interest in the event of default; therefore, the key credit quality indicator for this portfolio is loan status. The impact of changes in loan status is incorporated quarterly into the allowance for loan losses calculation.

For Private Education Loans, the key credit quality indicators are school type, FICO scores, the existence of a cosigner, the loan status and loan seasoning. The school type/FICO score are assessed at origination and maintained through the traditional/non-traditional loan designation. The other Private Education Loan key quality indicators can change and are incorporated quarterly into the allowance for loan losses calculation. The following table highlights the principal balance (excluding the receivable for partially charged-off loans) of our Private Education Loan portfolio stratified by the key credit quality indicators.

(Dollars in millions)	Private Education Loans Credit Quality Indicators			
	September 30, 2013		December 31, 2012	
Credit Quality Indicators	Balance ⁽³⁾	% of Balance	Balance ⁽³⁾	% of Balance
School Type/FICO Scores:				
Traditional	\$ 36,353	93%	\$ 35,347	92%
Non-Traditional ⁽¹⁾	2,947	7	3,207	8
Total	\$ 39,300	100%	\$ 38,554	100%
Cosigners:				
With cosigner	\$ 26,277	67%	\$ 24,907	65%
Without cosigner	13,023	33	13,647	35
Total	\$ 39,300	100%	\$ 38,554	100%
Seasoning ⁽²⁾ :				
1-12 payments	\$ 5,855	15%	\$ 7,371	19%
13-24 payments	5,765	15	6,137	16
25-36 payments	6,227	16	6,037	16
37-48 payments	4,871	12	4,780	12
More than 48 payments	10,041	25	8,325	22
Not yet in repayment	6,541	17	5,904	15
Total	\$ 39,300	100%	\$ 38,554	100%

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- (1) Defined as loans to customers attending for-profit schools (with a FICO score of less than 670 at origination) and customers attending not-for-profit schools (with a FICO score of less than 640 at origination).
- (2) Number of months in active repayment for which a scheduled payment was due.
- (3) Balance represents gross Private Education Loans.

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

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

(Dollars in millions)	FFELP Loan Delinquencies			
	September 30, 2013		December 31, 2012	
	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$ 14,613		\$ 17,702	
Loans in forbearance ⁽²⁾	13,191		15,902	
Loans in repayment and percentage of each status:				
Loans current	64,144	82.6%	75,499	83.2%
Loans delinquent 31-60 days ⁽³⁾	3,798	4.9	4,710	5.2
Loans delinquent 61-90 days ⁽³⁾	2,734	3.5	2,788	3.1
Loans delinquent greater than 90 days ⁽³⁾	6,942	9.0	7,734	8.5
Total FFELP Loans in repayment	77,618	100%	90,731	100%
Total FFELP Loans, gross	105,422		124,335	
FFELP Loan unamortized premium	1,058		1,436	
Total FFELP Loans	106,480		125,771	
FFELP Loan allowance for losses	(130)		(159)	
FFELP Loans, net	\$ 106,350		\$ 125,612	
Percentage of FFELP Loans in repayment		73.6%		73.0%
Delinquencies as a percentage of FFELP Loans in repayment		17.4%		16.8%
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		14.5%		14.9%

⁽¹⁾ Loans for customers who may still be attending school or engaging in other permitted educational activities and are not required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation, as well as loans for customers who have requested and qualify for other permitted program deferments such as military, unemployment, or economic hardships.

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

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

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

(Dollars in millions)	Private Education Traditional Loan Delinquencies			
	September 30, 2013		December 31, 2012	
	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$ 6,112		\$ 5,421	
Loans in forbearance ⁽²⁾	971		996	
Loans in repayment and percentage of each status:				
Loans current	27,015	92.3%	26,597	91.9%
Loans delinquent 31-60 days ⁽³⁾	812	2.8	837	2.9
Loans delinquent 61-90 days ⁽³⁾	519	1.7	375	1.3
Loans delinquent greater than 90 days ⁽³⁾	924	3.2	1,121	3.9
Total traditional loans in repayment	29,270	100%	28,930	100%
Total traditional loans, gross	36,353		35,347	
Traditional loans unamortized discount	(650)		(713)	
Total traditional loans	35,703		34,634	
Traditional loans receivable for partially charged-off loans	798		797	
Traditional loans allowance for losses	(1,611)		(1,637)	
Traditional loans, net	\$ 34,890		\$ 33,794	
Percentage of traditional loans in repayment		80.5%		81.9%
Delinquencies as a percentage of traditional loans in repayment		7.7%		8.1%
Loans in forbearance as a percentage of loans in repayment and forbearance		3.2%		3.3%

(1) Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not 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 customers 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.

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

(Dollars in millions)	Private Education Non-Traditional Loan Delinquencies			
	September 30, 2013		December 31, 2012	
	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$ 429		\$ 483	
Loans in forbearance ⁽²⁾	137		140	
Loans in repayment and percentage of each status:				
Loans current	1,841	77.3%	1,978	76.5%
Loans delinquent 31-60 days ⁽³⁾	154	6.5	175	6.8
Loans delinquent 61-90 days ⁽³⁾	122	5.1	106	4.1
Loans delinquent greater than 90 days ⁽³⁾	264	11.1	325	12.6
Total non-traditional loans in repayment	2,381	100%	2,584	100%
Total non-traditional loans, gross	2,947		3,207	
Non-traditional loans unamortized discount	(76)		(83)	
Total non-traditional loans	2,871		3,124	
Non-traditional loans receivable for partially charged-off loans	524		550	
Non-traditional loans allowance for losses	(533)		(534)	
Non-traditional loans, net	\$ 2,862		\$ 3,140	
Percentage of non-traditional loans in repayment		80.8%		80.6%
Delinquencies as a percentage of non-traditional loans in repayment		22.7%		23.4%
Loans in forbearance as a percentage of loans in repayment and forbearance		5.4%		5.1%

⁽¹⁾ Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not 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 customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

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

Receivable for Partially Charged-Off Private Education Loans

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At the end of each month, for loans that are 212 days past due, we charge off the estimated loss of a defaulted loan balance. Actual recoveries are applied against the remaining loan balance that was not charged off. We refer to this remaining loan balance as the receivable for partially charged-off loans. If actual periodic recoveries are less than expected, the difference is immediately charged off through the allowance for loan losses with an offsetting reduction in the receivable for partially charged-off Private Education Loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. Private Education Loans which defaulted between 2008 and 2012 for which we have previously charged off estimated losses have, to varying degrees, not met our post-default recovery expectations to date and may continue not to do so. Our allowance for loan losses takes into account these potential recovery uncertainties. In the third quarter of

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

2013 we increased our allowance related to these potential recovery shortfalls by approximately \$112 million. According to our policy, we have been charging off these periodic shortfalls in expected recoveries against our allowance for Private Education Loan losses and the related receivable for partially charged-off Private Education Loans and we will continue to do so. There was \$329 million and \$187 million in allowance for Private Education Loan losses at September 30, 2013 and 2012, respectively, providing for possible additional future charge-offs related to the receivable for partially charged-off Private Education Loans.

The following table summarizes the activity in the receivable for partially charged-off Private Education Loans.

(Dollars in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Receivable at beginning of period	\$ 1,334	\$ 1,277	\$ 1,347	\$ 1,241
Expected future recoveries of current period defaults ⁽¹⁾	68	86	216	237
Recoveries ⁽²⁾	(55)	(45)	(177)	(139)
Charge-offs ⁽³⁾	(25)	(15)	(64)	(36)
Receivable at end of period	1,322	1,303	1,322	1,303
Allowance for estimated recovery shortfalls ⁽⁴⁾	(329)	(187)	(329)	(187)
Net receivable at end of period	\$ 993	\$ 1,116	\$ 993	\$ 1,116

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

(2) Current period cash collections.

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

(4) The allowance for estimated recovery shortfalls of the receivable for partially charged-off Private Education Loans is a component of the \$2.1 billion and \$2.2 billion overall allowance for Private Education Loan losses as of September 30, 2013 and 2012, respectively.

Troubled Debt Restructurings (TDRs)

We modify the terms of loans for certain customers when we believe such modifications may increase the ability and willingness of a customer to make payments and thus increase the ultimate overall amount collected on a loan. These modifications generally take the form of a forbearance, a temporary interest rate reduction or an extended repayment plan. For customers experiencing financial difficulty, certain Private Education Loans for which we have granted either cumulative forbearance of greater than three months, an interest rate reduction or an extended

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repayment plan are classified as TDRs. Forbearance provides customers the ability to defer payments for a period of time, but does not result in the forgiveness of any principal or interest. While in forbearance status, interest continues to accrue and is capitalized to principal when the loan re-enters repayment status. At September 30, 2013 and December 31, 2012, the percentage of loans granted forbearance that have migrated to a TDR classification due to the extension of the original forbearance period was 43 percent for each period. The unpaid principal balance of TDR loans that were in an interest rate reduction plan as of September 30, 2013 and December 31, 2012 was \$1.5 billion and \$1.0 billion, respectively.

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Allowance for Loan Losses (Continued)

At September 30, 2013 and December 31, 2012, all of our TDR loans had a related allowance recorded. The following table provides the recorded investment, unpaid principal balance and related allowance for our TDR loans.

(Dollars in millions)		Recorded Investment ⁽¹⁾	TDR Loans Unpaid Principal Balance	Related Allowance
September 30, 2013				
Private Education Loans	Traditional	\$ 7,251	\$ 7,307	\$ 830
Private Education Loans	Non-Traditional	1,423	1,424	261
Total		\$ 8,674	\$ 8,731	\$ 1,091
December 31, 2012				
Private Education Loans	Traditional	\$ 5,999	\$ 6,074	\$ 844
Private Education Loans	Non-Traditional	1,295	1,303	282
Total		\$ 7,294	\$ 7,377	\$ 1,126

⁽¹⁾ The recorded investment is equal to the unpaid principal balance and accrued interest receivable net of unamortized deferred fees and costs. The following table provides the average recorded investment and interest income recognized for our TDR loans.

(Dollars in millions)		Three Months Ended September 30,			
		2013		2012	
		Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Private Education Loans	Traditional	\$ 7,246	\$ 108	\$ 5,481	\$ 87
Private Education Loans	Non-Traditional	1,477	29	1,274	27
Total		\$ 8,723	\$ 137	\$ 6,755	\$ 114

Nine Months Ended September 30,
2013 2012

(Dollars in millions)

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		Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Private Education Loans	Traditional	\$ 6,768	\$ 304	\$ 5,010	\$ 241
Private Education Loans	Non-Traditional	1,420	83	1,197	78
Total		\$ 8,188	\$ 387	\$ 6,207	\$ 319

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

The following table provides information regarding the loan status and aging of TDR loans that are past due.

(Dollars in millions)	TDR Loan Delinquencies			
	September 30,		December 31, 2012	
	2013		2012	
	Balance	%	Balance	%
Loans in deferment ⁽¹⁾	\$ 789		\$ 574	
Loans in forbearance ⁽²⁾	768		544	
Loans in repayment and percentage of each status:				
Loans current	5,384	75.1%	4,619	73.8%
Loans delinquent 31-60 days ⁽³⁾	555	7.7	478	7.6
Loans delinquent 61-90 days ⁽³⁾	408	5.7	254	4.1
Loans delinquent greater than 90 days ⁽³⁾	827	11.5	908	14.5
Total TDR loans in repayment	7,174	100%	6,259	100%
Total TDR loans, gross	\$ 8,731		\$ 7,377	

(1) Deferment includes loans for customers who have returned to school and are not currently required to make payments on their loans.

(2) Loans for customers 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.

The following table provides the amount of modified loans that resulted in a TDR in the periods presented. Additionally, the table summarizes charge-offs occurring in the TDR portfolio, as well as TDRs for which a payment default occurred in the current period within 12 months of the loan first being designated as a TDR. We define payment default as 60 days past due for this disclosure. The majority of our loans that are considered TDRs involve a temporary forbearance of payments and do not change the contractual interest rate of the loan.

(Dollars in millions)		Three Months Ended September 30,					
		2013			2012		
		Modified Loans ⁽¹⁾	Charge-Offs ⁽²⁾	Payment Default	Modified Loans ⁽¹⁾	Charge-Offs ⁽²⁾	Payment Default
Private Education Loans	Traditional	\$ 651	\$ 88	\$ 168	\$ 573	\$ 96	\$ 332
Private Education Loans	Non-Traditional	94	32	48	101	37	97

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Total	\$ 745	\$ 120	\$ 216	\$ 674	\$ 133	\$ 429
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(Dollars in millions)		Nine Months Ended September 30,					
		2013	2012				
		Modified Loans ⁽¹⁾	Charge- Offs ⁽²⁾	Payment Default	Modified Loans ⁽¹⁾	Charge- Offs ⁽²⁾	Payment Default
Private Education Loans	Traditional	\$ 1,686	\$ 269	\$ 547	\$ 1,783	\$ 244	\$ 1,111
Private Education Loans	Non-Traditional	259	97	150	346	99	350
Total		\$ 1,945	\$ 366	\$ 697	\$ 2,129	\$ 343	\$ 1,461

(1) Represents period ending balance of loans that have been modified during the period and resulted in a TDR.

(2) Represents loans that charged off that were classified as TDRs.

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

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

(Dollars in millions)		Total	Accrued Interest Receivable	
			Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
September 30, 2013				
Private Education Loans	Traditional	\$ 940	\$ 33	\$ 46
Private Education Loans	Non-Traditional	97	13	21
Total		\$ 1,037	\$ 46	\$ 67
December 31, 2012				
Private Education Loans	Traditional	\$ 798	\$ 39	\$ 45
Private Education Loans	Non-Traditional	106	16	22
Total		\$ 904	\$ 55	\$ 67

3. Borrowings

The following table summarizes our borrowings.

(Dollars in millions)	September 30, 2013			December 31, 2012		
	Short Term	Long Term	Total	Short Term	Long Term	Total
<i>Unsecured borrowings:</i>						
Senior unsecured debt	\$ 3,201	\$ 15,509	\$ 18,710	\$ 2,319	\$ 15,446	\$ 17,765
Bank deposits	5,732	1,896	7,628	4,226	3,088	7,314
Other ⁽¹⁾	806		806	1,609		1,609
Total unsecured borrowings	9,739	17,405	27,144	8,154	18,534	26,688
<i>Secured borrowings:</i>						
FFELP Loan securitizations		91,690	91,690		105,525	105,525

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Private Education Loan securitizations		19,434	19,434		19,656	19,656
FFELP Loans other facilities	5,794	5,394	11,188	11,651	4,827	16,478
Private Education Loans other facilities		878	878		1,070	1,070
Total secured borrowings	5,794	117,396	123,190	11,651	131,078	142,729
Total before hedge accounting adjustments	15,533	134,801	150,334	19,805	149,612	169,417
Hedge accounting adjustments	39	2,143	2,182	51	2,789	2,840
Total	\$ 15,572	\$ 136,944	\$ 152,516	\$ 19,856	\$ 152,401	\$ 172,257

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

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

The tables below summarize all of our financing entities that are VIEs which we consolidate as a result of being the entities' primary beneficiary. As such, these financing VIEs are accounted for as secured borrowings. We consolidate the following financing VIEs:

(Dollars in millions)	September 30, 2013						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings VIEs:							
FFELP Loan securitizations	\$	\$ 91,690	\$ 91,690	\$ 92,865	\$ 3,538	\$ 715	\$ 97,118
Private Education Loan securitizations		19,434	19,434	24,413	337	575	25,325
FFELP Loans other facilities	4,678	3,777	8,455	8,762	151	108	9,021
Private Education Loans other facilities		878	878	1,605	18	31	1,654
Total before hedge accounting adjustments	4,678	115,779	120,457	127,645	4,044	1,429	133,118
Hedge accounting adjustments		1,189	1,189			951	951
Total	\$ 4,678	\$ 116,968	\$ 121,646	\$ 127,645	\$ 4,044	\$ 2,380	\$ 134,069

(Dollars in millions)	December 31, 2012						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings VIEs:							
FFELP Loan securitizations	\$	\$ 105,525	\$ 105,525	\$ 107,009	\$ 3,652	\$ 608	\$ 111,269
Private Education Loan securitizations		19,656	19,656	24,618	385	545	25,548
FFELP Loans other facilities	9,551	4,154	13,705	14,050	487	197	14,734
Private Education Loans other facilities		1,070	1,070	1,454	302	33	1,789
Total before hedge accounting adjustments	9,551	130,405	139,956	147,131	4,826	1,383	153,340
Hedge accounting adjustments		1,113	1,113			929	929
Total	\$ 9,551	\$ 131,518	\$ 141,069	\$ 147,131	\$ 4,826	\$ 2,312	\$ 154,269

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

The following table summarizes the securitization transactions that occurred during the year ended December 31, 2012 and the nine months ended September 30, 2013.

(Dollars in millions)

Issue	Date Issued	Total Issued	AAA-rated bonds	
			Weighted Average Interest Rate	Weighted Average Life
FFELP:				
2012-1	January 2012	\$ 765	1 month LIBOR plus 0.91%	4.6 years
2012-2	March 2012	824	1 month LIBOR plus 0.70%	4.7 years
2012-3	May 2012	1,252	1 month LIBOR plus 0.65%	4.6 years
2012-4	June 2012	1,491 ⁽¹⁾	1 month LIBOR plus 1.10%	8.2 years
2011-3	July 2012	24	N/A (Retained B Notes sold)	
2012-4	July 2012	45	N/A (Retained B Notes sold)	
2012-5	July 2012	1,252	1 month LIBOR plus 0.67%	4.5 years
2012-6	September 2012	1,249	1 month LIBOR plus 0.62%	4.6 years
2012-7	November 2012	1,251	1 month LIBOR plus 0.55%	4.5 years
2012-8	December 2012	1,527	1 month LIBOR plus 0.90%	7.8 years
Total bonds issued in 2012		\$ 9,680		
Total loan amount securitized in 2012		\$ 9,565		
2013-1	February 2013	\$ 1,249	1 month LIBOR plus 0.46%	4.3 years
2013-2	April 2013	1,246	1 month LIBOR plus 0.45%	4.4 years
2013-3	June 2013	1,246	1 month LIBOR plus 0.54%	4.5 years
2013-4	August 2013	747	1 month LIBOR plus 0.55%	4.4 years
2013-5	September 2013	996	1 month LIBOR plus 0.64%	4.6 years
Total bonds issued in nine months ended September 30, 2013		\$ 5,484		
Total loan amount securitized in nine months ended September 30, 2013		\$ 5,496		
Private Education:				
2012-A	February 2012	\$ 547	1 month LIBOR plus 2.17%	3.0 years
2012-B	April 2012	891	1 month LIBOR plus 2.12%	2.9 years
2012-C	May 2012	1,135	1 month LIBOR plus 1.77%	2.6 years

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2012-D	July 2012	640	1 month LIBOR plus 1.69%	2.5 years
2012-E	October 2012	976	1 month LIBOR plus 1.22%	2.6 years
Total bonds issued in 2012		\$ 4,189		
Total loan amount securitized in 2012		\$ 5,557		
2013-R1	January 2013	\$ 254	1 month LIBOR plus 1.75%	6.3 years
2013-A	March 2013	1,108	1 month LIBOR plus 0.81%	2.6 years
2013-B	May 2013	1,135	1 month LIBOR plus 0.89%	2.7 years
2013-C	September 2013	624	1 month LIBOR plus 1.21%	3.1 years
Total bonds issued in nine months ended September 30, 2013		\$ 3,121		
Total loan amount securitized in nine months ended September 30, 2013		\$ 3,387		

(1) Total size excludes subordinated tranche that was retained at issuance totaling \$45 million.

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Borrowings (Continued)

2013 Sales of FFELP Securitization Trust Residual Interests

On February 13, 2013, we sold the Residual Interest in a FFELP Loan securitization trust to a third party. We will continue to service the student loans in the trust under existing agreements. The sale removed securitization trust assets of \$3.82 billion and related liabilities of \$3.68 billion from our balance sheet.

On April 11, 2013, we sold the Residual Interest in a FFELP Loan securitization trust to a third party. We will continue to service the student loans in the trust under existing agreements. The sale removed securitization trust assets of \$2.03 billion and related liabilities of \$1.99 billion from our balance sheet.

On June 13, 2013, we sold the three Residual Interests in FFELP Loan securitization trusts to a third party. We will continue to service the student loans in the trusts under existing agreements. The sale removed securitization trust assets of \$6.60 billion and related liabilities of \$6.42 billion from our balance sheet.

Additional, Recent Borrowing-Related Transactions

Senior Unsecured Debt

On January 28, 2013 and September 20, 2013, we issued \$1.5 billion and \$1.25 billion of senior unsecured bonds, respectively.

FFELP ABCP Facility

On June 10, 2013, we closed on a new \$6.8 billion asset-backed commercial paper (ABCP) credit facility that matures in June 2014 to facilitate the term securitization of FFELP Loans. The facility was used in June 2013 to refinance all of the FFELP Loans previously financed through the U.S. Department of Education's (ED) Conduit Program. The facility cannot be used to borrow any additional amounts. As a result, we ended our participation in the ED Conduit Program.

The cost of borrowing under the facility is the yield rate (either 30-day LIBOR daily average or commercial paper issuance cost) plus 0.50 percent, excluding up-front-commitment fees. Failure to pay off the facility on the maturity date would result in a 90-day extension of the facility with the interest rate increasing from LIBOR plus 0.75 percent to LIBOR plus 1.50 percent over that period. If, at the end of that period the facility has not been repaid, a default rate of LIBOR plus 3.00 percent would be payable until either the notes are repaid in full or the collateral is foreclosed upon. This default rate would also be triggered by the occurrence of a termination event. The facility is subject to termination under certain circumstances. Our borrowings under the facility are non-recourse. As of September 30, 2013, there was \$4.7 billion outstanding under the facility. The book basis of the assets securing the facility as of September 30, 2013 was \$4.9 billion.

Private Education Loan Facility

On July 17, 2013, we closed on a \$1.1 billion asset-backed borrowing facility that matures on August 15, 2015. The facility was used to fund the call and redemption of our SLM 2009-D Private Education Loan Trust ABS, which occurred on August 15, 2013. The cost of borrowing under the facility is commercial paper issuance cost plus 0.75 percent, excluding up-front commitment fees. If outstanding borrowings under the facility exceed \$825 million after July 15, 2014 and \$550 million after January 15, 2015, the cost of borrowing increases to commercial paper issuance cost plus 1.50 percent. Failure to pay off the facility on the maturity date would result in the interest rate increasing to LIBOR plus 3.00 percent until the notes are repaid in full or the collateral is foreclosed upon. Our borrowings under the facility are non-recourse. As of

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September 30, 2013, there was \$878 million outstanding under the facility. The book basis of the assets securing the facility as of September 30, 2013 was \$1.7 billion.

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

Our risk management strategy and use of and accounting for derivatives have not materially changed from that discussed in our 2012 Form 10-K. Please refer to Note 7 Derivative Financial Instruments in our 2012 Form 10-K for a full discussion.

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments at September 30, 2013 and December 31, 2012, and their impact on other comprehensive income and earnings for the three and nine months ended September 30, 2013 and 2012.

Impact of Derivatives on Consolidated Balance Sheet

(Dollars in millions)	Hedged Risk Exposure	Cash Flow		Fair Value		Trading		Total	
		Sept. 30, 2013	Dec. 31, 2012	Sept. 30, 2013	Dec. 31, 2012	Sept. 30, 2013	Dec. 31, 2012	Sept. 30, 2013	Dec. 31, 2012
Fair Values⁽¹⁾									
<i>Derivative Assets:</i>									
Interest rate swaps	Interest rate	\$ 16	\$	\$ 881	\$ 1,396	\$ 69	\$ 150	\$ 966	\$ 1,546
Cross-currency interest rate swaps	Foreign currency & interest rate			1,163	1,165	1	70	1,164	1,235
Other ⁽²⁾	Interest rate					3	4	3	4
Total derivative assets ⁽³⁾		16		2,044	2,561	73	224	2,133	2,785
<i>Derivative Liabilities:</i>									
Interest rate swaps	Interest rate	(1)	(11)	(98)	(1)	(202)	(197)	(301)	(209)
Floor Income Contracts	Interest rate					(1,564)	(2,154)	(1,564)	(2,154)
Cross-currency interest rate swaps	Foreign currency & interest rate			(175)	(136)	(7)		(182)	(136)
Other ⁽²⁾	Interest rate					(21)		(21)	
Total derivative liabilities ⁽³⁾		(1)	(11)	(273)	(137)	(1,794)	(2,351)	(2,068)	(2,499)
Net total derivatives		\$ 15	\$ (11)	\$ 1,771	\$ 2,424	\$ (1,721)	\$ (2,127)	\$ 65	\$ 286

(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 receivable or payable position.

(2) Other includes embedded derivatives bifurcated from securitization debt as well as derivatives related to our Total Return Swap Facility and back-to-back private credit floors.

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

(Dollar in millions)	Other Assets		Other Liabilities	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Gross position	\$ 2,133	\$ 2,785	\$ (2,068)	\$ (2,499)
Impact of master netting agreements	(404)	(544)	404	544
Derivative values with impact of master netting agreements (as carried on balance sheet)	1,729	2,241	(1,664)	(1,955)
Cash collateral (held) pledged	(804)	(1,423)	872	973
Net position	\$ 925	\$ 818	\$ (792)	\$ (982)

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

The above fair values include adjustments for counterparty credit risk both for when we are exposed to the counterparty, net of collateral postings, and when the counterparty is exposed to us, net of collateral postings. The net adjustments decreased the overall net asset positions at September 30, 2013 and December 31, 2012 by \$111 million and \$111 million, respectively. In addition, the above fair values reflect adjustments for illiquid derivatives as indicated by a wide bid/ask spread in the interest rate indices to which the derivatives are indexed. These adjustments decreased the overall net asset positions at September 30, 2013 and December 31, 2012 by \$89 million and \$107 million, respectively.

(Dollars in billions)	Cash Flow		Fair Value		Trading		Total	
	Sept. 30, 2013	Dec. 31, 2012	Sept. 30, 2013	Dec. 31, 2012	Sept. 30, 2013	Dec. 31, 2012	Sept. 30, 2013	Dec. 31, 2012
Notional Values:								
Interest rate swaps	\$ 0.5	\$ 0.7	\$ 16.7	\$ 15.8	\$ 48.0	\$ 56.9	\$ 65.2	\$ 73.4
Floor Income Contracts					31.8	51.6	31.8	51.6
Cross-currency interest rate swaps			11.7	13.7	0.3	0.3	12.0	14.0
Other ⁽¹⁾					3.3	1.4	3.3	1.4
Total derivatives	\$ 0.5	\$ 0.7	\$ 28.4	\$ 29.5	\$ 83.4	\$ 110.2	\$ 112.3	\$ 140.4

⁽¹⁾ Other includes embedded derivatives bifurcated from securitization debt, as well as derivatives related to our Total Return Swap Facility and back to back private credit floors.

Impact of Derivatives on Consolidated Statements of Income

(Dollars in millions)	Three 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)	
	2013	2012	2013	2012	2013	2012	2013	2012
Fair Value Hedges:								
Interest rate swaps	\$ (36)	\$ 20	\$ 103	\$ 111	\$ 33	\$ (33)	\$ 100	\$ 98
Cross-currency interest rate swaps	482	203	29	37	(531)	(239)	(20)	1
Total fair value derivatives	446	223	132	148	(498)	(272)	80	99
Cash Flow Hedges:								
Interest rate swaps			(1)	(6)			(1)	(6)
Total cash flow derivatives			(1)	(6)			(1)	(6)
Trading:								

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Interest rate swaps	(8)	(6)	21	24			13	18
Floor Income Contracts	115	(12)	(201)	(206)			(86)	(218)
Cross-currency interest rate swaps	3	14		2			3	16
Other	(4)		(1)				(5)	
Total trading derivatives	106	(4)	(181)	(180)			(75)	(184)
Total	552	219	(50)	(38)	(498)	(272)	4	(91)
Less: realized gains (losses) recorded in interest expense			131	142			131	142
Gains (losses) on derivative and hedging activities, net	\$ 552	\$ 219	\$ (181)	\$ (180)	\$ (498)	\$ (272)	\$ (127)	\$ (233)

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

(2) Represents ineffectiveness related to cash flow hedges.

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

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

	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)	
	2013	2012	2013	2012	2013	2012	2013	2012
(Dollars in millions)								
Fair Value Hedges:								
Interest rate swaps	\$ (613)	\$ 66	\$ 317	\$ 339	\$ 671	\$ (98)	\$ 375	\$ 307
Cross-currency interest rate swaps	(40)	(260)	76	139	(58)	126	(22)	5
Total fair value derivatives	(653)	(194)	393	478	613	28	353	312
Cash Flow Hedges:								
Interest rate swaps		(1)	(6)	(21)			(6)	(22)
Total cash flow derivatives		(1)	(6)	(21)			(6)	(22)
Trading:								
Interest rate swaps	(85)	(55)	58	91			(27)	36
Floor Income Contracts	601	174	(612)	(643)			(11)	(469)
Cross-currency interest rate swaps	(76)	(9)	31	5			(45)	(4)
Other	(16)	5	(1)	(1)			(17)	4
Total trading derivatives	424	115	(524)	(548)			(100)	(433)
Total	(229)	(80)	(137)	(91)	613	28	247	(143)
Less: realized gains (losses) recorded in interest expense			387	457			387	457
Gains (losses) on derivative and hedging activities, net	\$ (229)	\$ (80)	\$ (524)	\$ (548)	\$ 613	\$ 28	\$ (140)	\$ (600)

⁽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.

Collateral

Collateral held and pledged related to derivative exposures between us and our derivative counterparties are detailed in the following table:

(Dollars in millions)

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	September 30, 2013	December 31, 2012
Collateral held:		
Cash (obligation to return cash collateral is recorded in short-term borrowings) ⁽¹⁾	\$ 804	\$ 1,423
Securities at fair value on-balance sheet securitization derivatives (not recorded in financial statements) ⁽²⁾	555	613
Total collateral held	\$ 1,359	\$ 2,036
Derivative asset at fair value including accrued interest	\$ 1,946	\$ 2,570
Collateral pledged to others:		
Cash (right to receive return of cash collateral is recorded in investments)	\$ 872	\$ 973
Total collateral pledged	\$ 872	\$ 973
Derivative liability at fair value including accrued interest and premium receivable	\$ 1,072	\$ 1,204

⁽¹⁾ At September 30, 2013 and December 31, 2012, \$0 and \$9 million, respectively, were held in restricted cash accounts.

⁽²⁾ The trusts do not have the ability to sell or re-pledge securities they hold as collateral. Our corporate derivatives contain credit contingent features. At our current unsecured credit rating, we have fully collateralized our corporate derivative liability position (including accrued interest and net of premiums receivable) of \$883 million with our counterparties. Further downgrades would not result in any additional

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

collateral requirements, except to increase the frequency of collateral calls. Two counterparties have the right to terminate the contracts with further downgrades. We currently have a liability position with these derivative counterparties (including accrued interest and net of premiums receivable) of \$203 million and have posted \$196 million of collateral to these counterparties. If the credit contingent feature was triggered for these two counterparties and the counterparties exercised their right to terminate, we would be required to deliver additional assets of \$7 million to settle the contracts. Trust related derivatives do not contain credit contingent features related to our or the trusts' credit ratings.

5. Other Assets

The following table provides the detail of our other assets.

(Dollars in millions)	September 30, 2013		December 31, 2012	
	Ending Balance	% of Balance	Ending Balance	% of Balance
Accrued interest receivable, net	\$ 2,167	29%	\$ 2,147	26%
Derivatives at fair value	1,729	23	2,241	27
Income tax asset, net current and deferred	1,344	18	1,478	18
Accounts receivable	873	12	1,111	13
Benefit and insurance-related investments	477	6	474	6
Fixed assets, net	240	3	215	3
Other loans, net	108	1	137	2
Other	482	8	470	5
Total	\$ 7,420	100%	\$ 8,273	100%

The Derivatives at fair value line in the above table represents the fair value of our derivatives in a gain position by counterparty, exclusive of accrued interest and collateral. At September 30, 2013 and December 31, 2012, these balances included \$1.8 billion and \$2.4 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, 2013 and December 31, 2012, the cumulative mark-to-market adjustment to the hedged debt was \$(2.2) billion and \$(2.8) billion, respectively.

Table of Contents**SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. Stockholders Equity**

The following table summarizes our common share repurchases and issuances.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Common shares repurchased ⁽¹⁾		7,643,999	19,316,948	48,184,145
Average purchase price per share ⁽²⁾	\$	\$ 15.81	\$ 20.72	\$ 15.16
Shares repurchased related to employee stock-based compensation plans ⁽³⁾	251,570	1,253,922	5,616,933	3,660,554
Average purchase price per share	\$ 24.73	\$ 16.13	\$ 21.23	\$ 15.56
Common shares issued ⁽⁴⁾	326,789	1,654,506	8,600,008	5,252,158

(1) Common shares purchased under our share repurchase program, of which \$400 million remained available as of September 30, 2013.

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

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

(4) Common shares issued under our various compensation and benefit plans.

The closing price of our common stock on September 30, 2013 was \$24.90.

Dividend and Share Repurchase Program

In the third quarter 2013, we paid a common stock dividend of \$0.15 per common share.

In July 2013, the Company authorized \$400 million to be utilized in a new common share repurchase program that does not have an expiration date. There were no share repurchases in the third-quarter 2013. We repurchased an aggregate of 19 million shares for \$400 million in the six months ended June 30, 2013, fully utilizing the Company's February 2013 share repurchase program.

In 2012, we authorized the repurchase of up to \$900 million of outstanding common stock in open market transactions and we repurchased 58 million shares for an aggregate purchase price of \$900 million.

Table of Contents**SLM CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. Earnings per Common Share**

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

(In millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Numerator:				
Net income attributable to SLM Corporation	\$ 260	\$ 188	\$ 1,149	\$ 591
Preferred stock dividends	5	5	15	15
Net income attributable to SLM Corporation common stock	\$ 255	\$ 183	\$ 1,134	\$ 576
Denominator:				
Weighted average shares used to compute basic EPS	436	464	442	483
Effect of dilutive securities:				
Dilutive effect of stock options, non-vested deferred compensation and restricted stock, restricted stock units and Employee Stock Purchase Plan (ESPP ⁽¹⁾)	9	7	8	7
Dilutive potential common shares ⁽²⁾	9	7	8	7
Weighted average shares used to compute diluted EPS	445	471	450	490
Basic earnings (loss) per common share attributable to SLM Corporation:				
Continuing operations	\$.56	\$.39	\$ 2.46	\$ 1.19
Discontinued operations	.02		.10	
Total	\$.58	\$.39	\$ 2.56	\$ 1.19
Diluted earnings (loss) per common share attributable to SLM Corporation:				
Continuing operations	\$.55	\$.39	\$ 2.42	\$ 1.18
Discontinued operations	.02		.10	
Total	\$.57	\$.39	\$ 2.52	\$ 1.18

(1) Includes the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options, non-vested deferred compensation and restricted stock, restricted stock units, and the outstanding commitment to issue shares under the ESPP, determined by the treasury stock method.

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- (2) For the three months ended September 30, 2013 and 2012, securities covering approximately 3 million and 10 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive. For the nine months ended September 30, 2013 and 2012, securities covering approximately 4 million and 13 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

8. Fair Value Measurements

We use estimates of fair value in applying various accounting standards in our financial statements.

We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. Please refer to Note 13 Fair Value Measurements in our 2012 Form 10-K for a full discussion.

During the three and nine months ended September 30, 2013, there were no significant transfers of financial instruments between levels, or changes in our methodology or assumptions used to value our financial instruments.

Table of Contents

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Fair Value Measurements (Continued)

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

	Fair Value Measurements on a Recurring Basis	
	September 30, 2013	December 31, 2012
(Dollars in millions)		