



FBR Capital Markets 2008 Fall Investor Conference
December 2, 2008

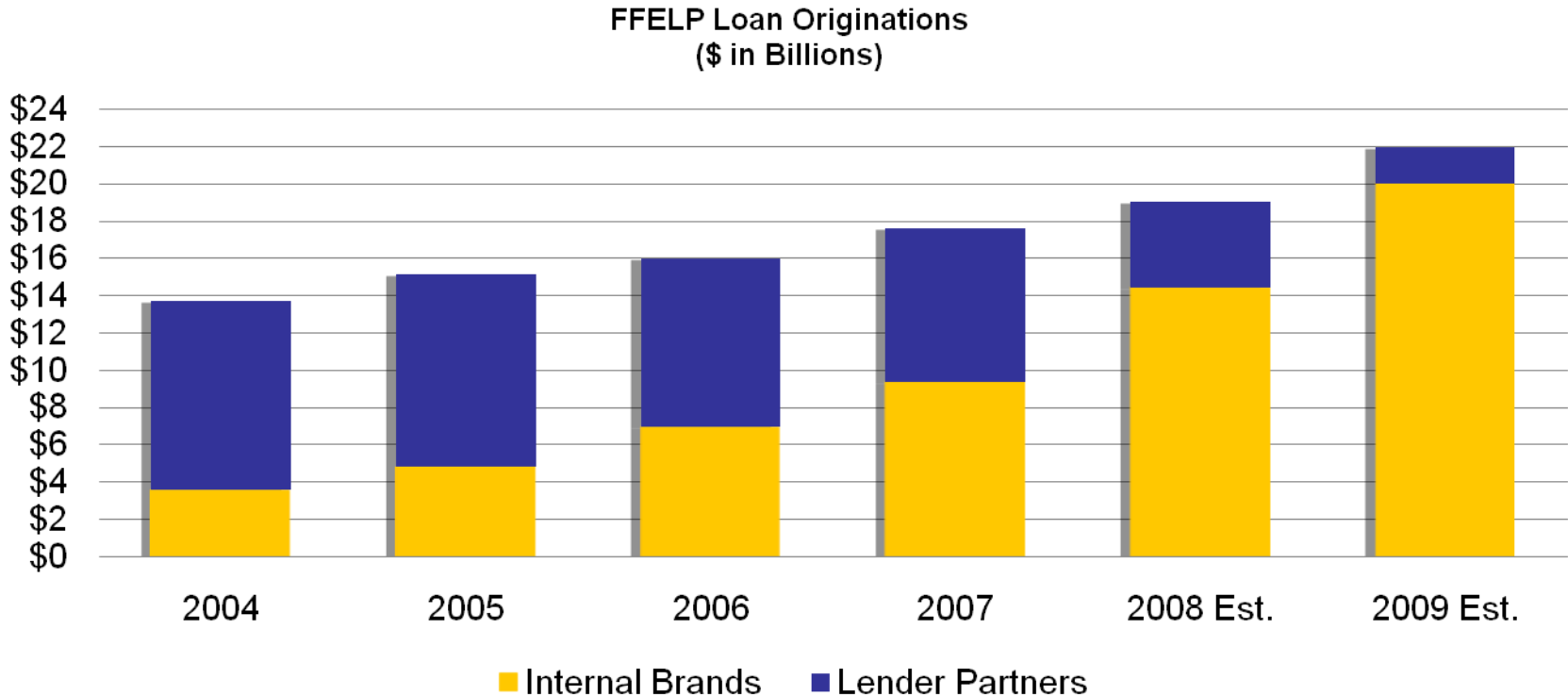
Forward-Looking Statements

This Presentation contains forward-looking statements and information based on management's current expectations as of the date of this presentation. Statements that are not historical facts, including statements about our beliefs or expectations and statements that assume or are dependent upon future events, are forward-looking statements. Forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause actual results to be materially different from those reflected in such forward-looking statements. These factors include, among others, the occurrence of any event, change or other circumstances that could give rise to our ability to cost-effectively refinance asset-backed financing facilities due February 2009, (collectively, the "2008 Asset-Backed Financing Facilities"), including any potential foreclosure on the student loans under those facilities following their termination; increased financing costs; limited liquidity; any adverse outcomes in any significant litigation to which we are a party; our derivative counterparties terminating their positions with the Company if permitted by their contracts and the Company substantially incurring additional costs to replace any terminated positions; changes in the terms of student loans and the educational credit marketplace (including changes resulting from new laws and regulations and from the implementation of applicable laws and regulations) which, among other things, may reduce the volume, average term and yields on student loans under the Federal Family Education Loan Program ("FFELP"), may result in loans being originated or refinanced under non-FFELP programs, or may affect the terms upon which banks and others agree to sell FFELP loans to the Company. The Company could also be affected by: the implementation of the Emergency Economic Stabilization Act of 2008, changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; incorrect estimates or assumptions by management in connection with the preparation of our consolidated financial statements; changes in the composition of our Managed FFELP and Private Education Loan portfolios; changes in the general interest rate environment and in the securitization markets for education loans, which may increase the costs or limit the availability of financings necessary to initiate, purchase or carry education loans; changes in projections of losses from loan defaults; changes in general economic conditions; changes in prepayment rates and credit spreads; and changes in the demand for debt management services and new laws or changes in existing laws that govern debt management services. All forward-looking statements contained in the Presentation are qualified by these cautionary statements and are made only as of the date of this Presentation. The Company does not undertake any obligation to update or revise these forward-looking statements to conform the statement to actual results or changes in the Company's expectations.

Sallie Mae Proposition

- **Strong business fundamentals**
- **Competitive, scale franchise**
- **FFELP profitability assured through 2010**
- **Adequate liquidity to meet debt service**
- **DOE facility provides unlimited funding for new FFELP originations through AY 09/10**
- **Expanding deposit funding – provides funding for new Private Credit Originations**
- **Asset class performs well despite weakening consumer credit**

FFELP Originations



- **FFELP Internal Brand originations increased 51% in the 3rd quarter**
- **Originated \$1 billion of loans for third party servicing clients in the 3rd quarter**
- **Expecting \$20 billion in FFELP originations for AY 08/09**

FFELP Funding

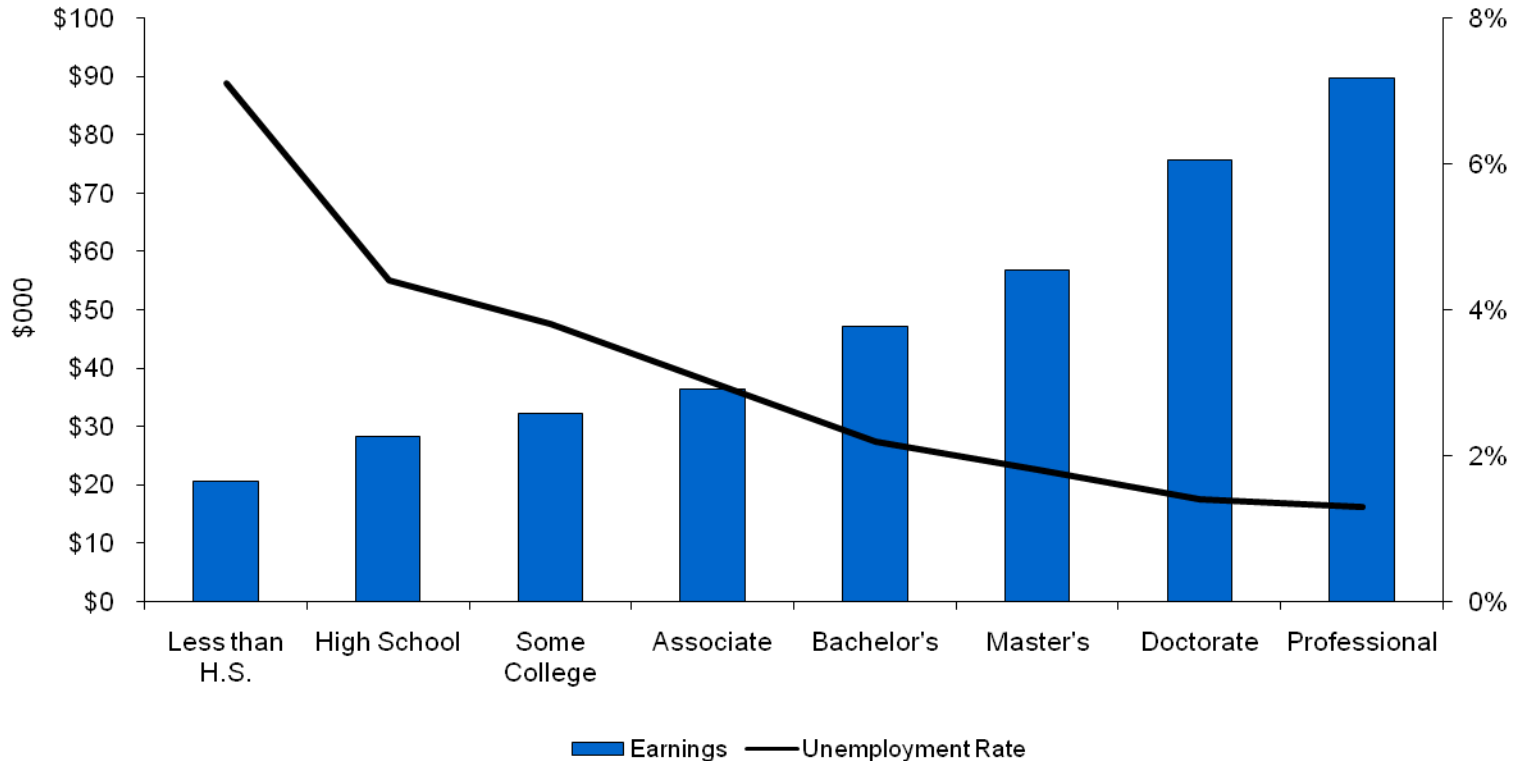
- **Sallie Mae has funded \$7 billion of loans through the ED Purchase and Participation Program at CP + 50 basis points**
- **Ensuring Continued Access to Student Loans Act of 2008 has been extended to accommodate lending in the 2009-2010 academic year**
- **Assured FFELP margin in 2009 and 2010**
- **Structuring Committee (SLM, C, MS, WB) are working to implement Government Supported Asset Backed Conduit by January 2009**
- **TALF proposed to “reopen” term AAA asset backed markets, including student loans**

Private Credit Originations

- **Originated \$2.1 billion in the 3rd quarter**
- **Average FICO score increased from prior year by 20 points to 733**
- **70% of new loan originations had co-borrowers, up from 50% in prior year**
- **Product pricing reflects current funding environment**
- **Increased deposit base by \$1 billion since September 30, 2008**

Recession Has Smaller Impact On College Grads

- Income and employment are strongly correlated to educational attainment

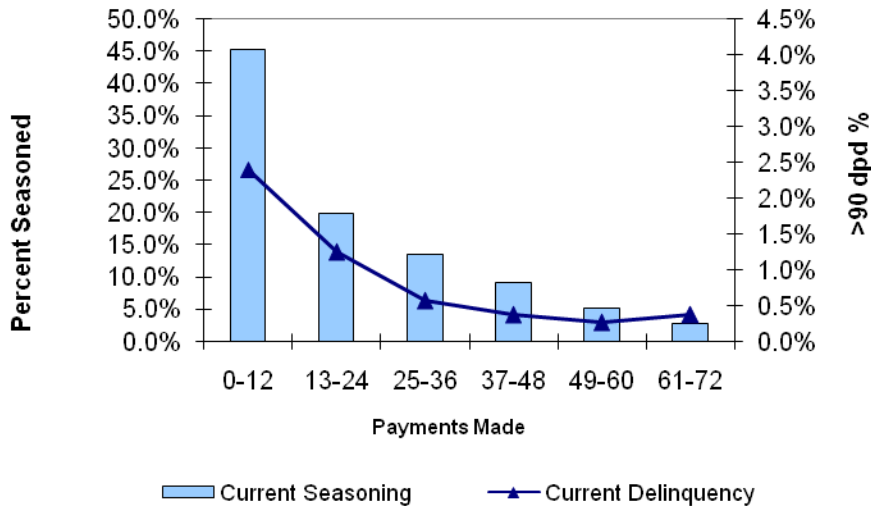


Source: U.S. Census Bureau, Current Population Survey, 2007 Annual Social and Economic Supplement. Represents median earnings for a full time, year-round worker over age 25. Unemployment data as of 2007. Represents unemployment for civilian noninstitutional population over age 25.

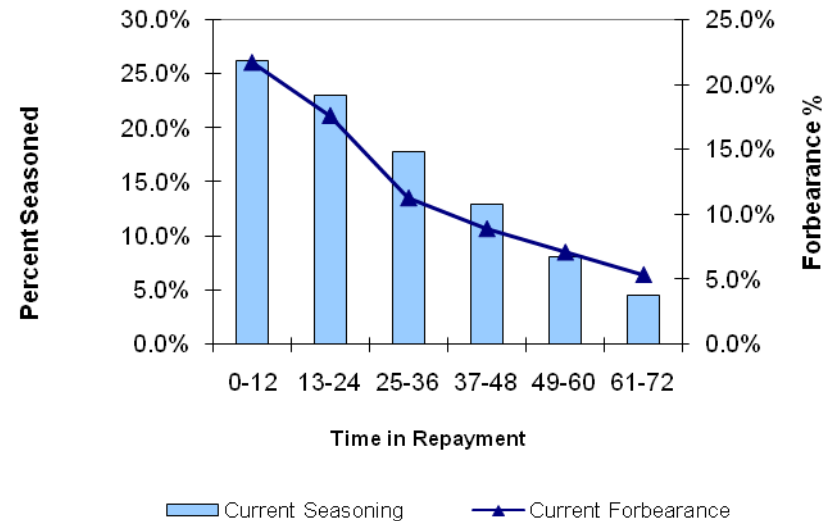
SLM Private Credit Delinquency and Forbearance Seasoning Trends

- Delinquency and forbearance are highest when loans enter repayment and diminish as loans season

90+ Day Delinquencies, % of Loans in Repayment
SLM Private Credit Trusts

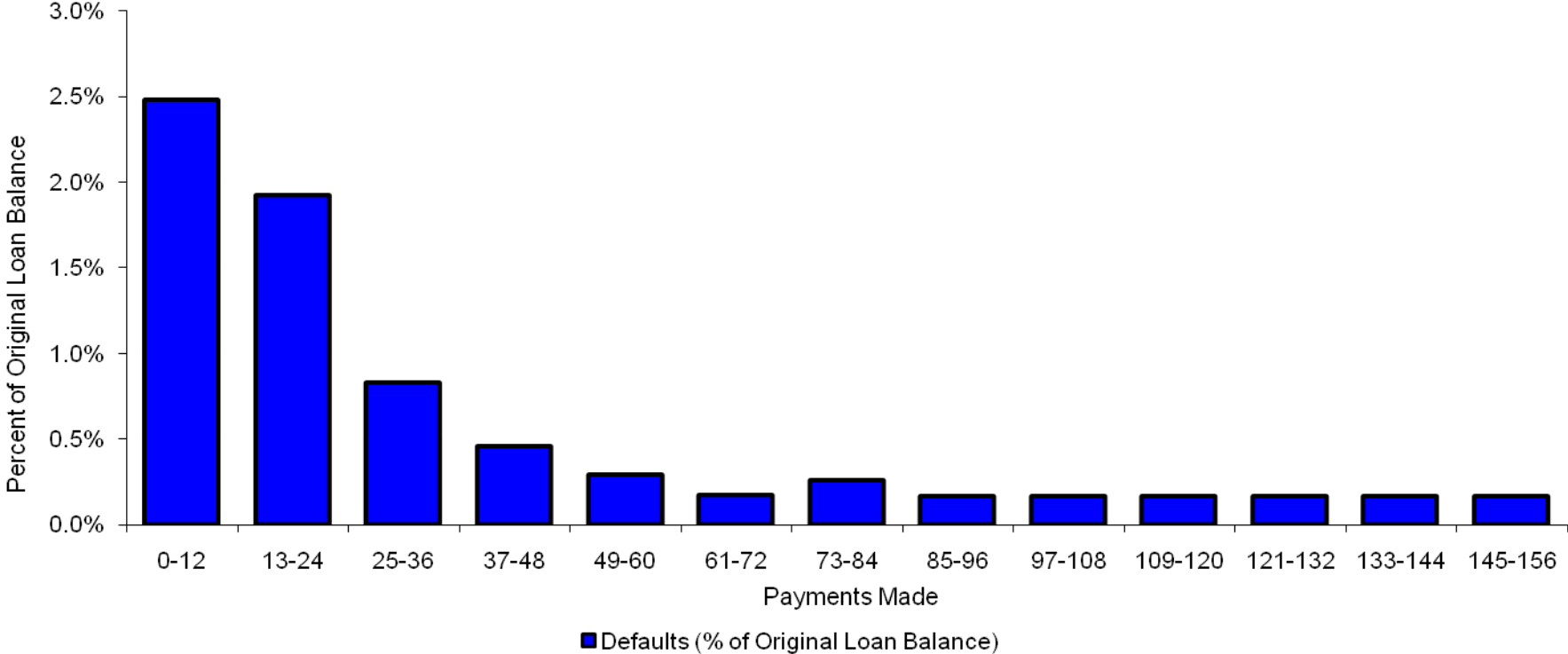


Forbearance, % of Loans in Repayment and
Forbearance
SLM Private Credit Trusts

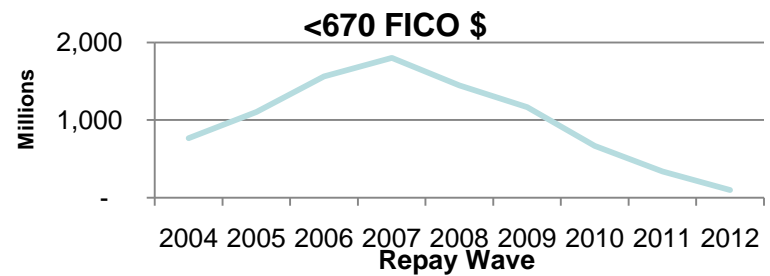
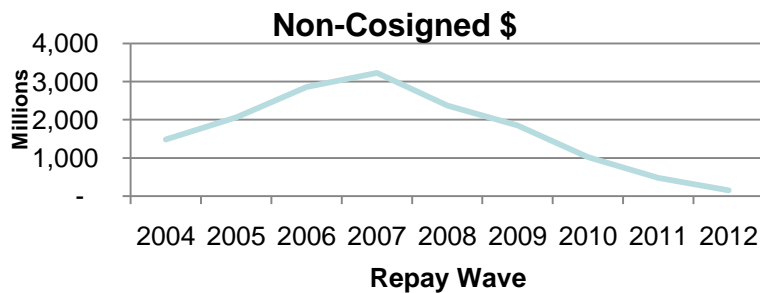
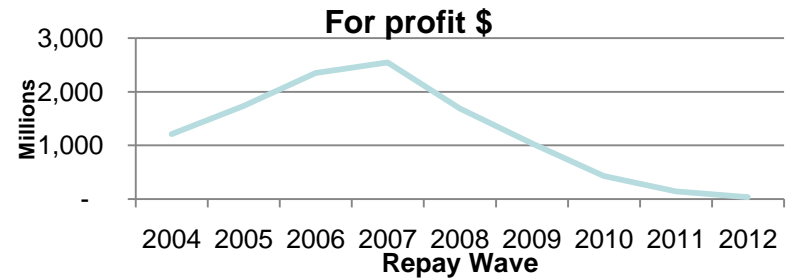
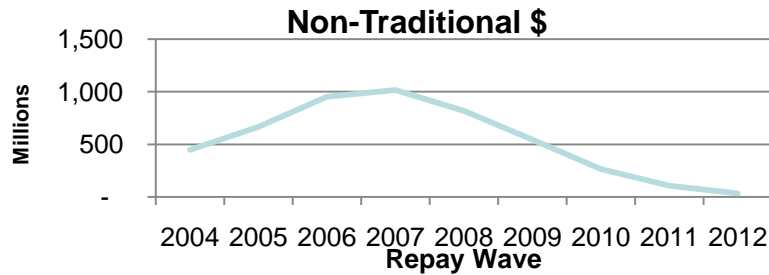


SLM Private Credit Default Emergence Profile – Payments Made

**Loss Emergence Timing
Sallie Mae Signature Loans**



Portfolio Quality Increasing

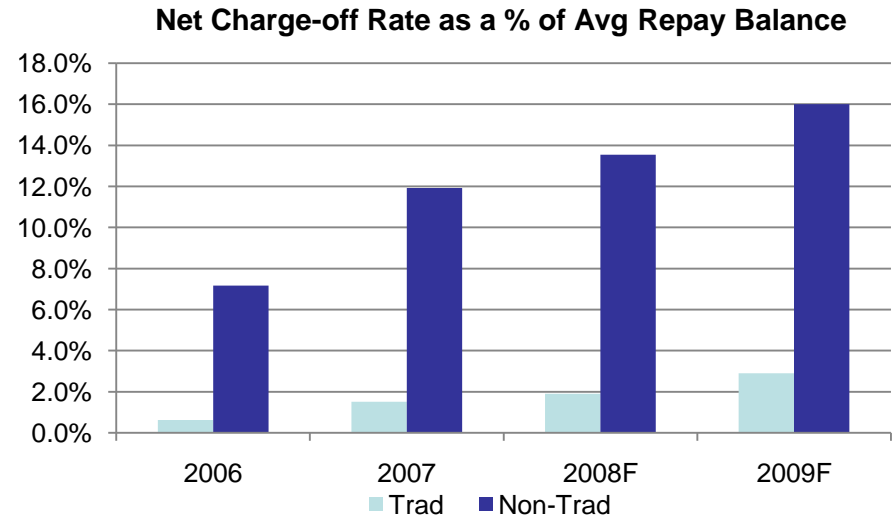
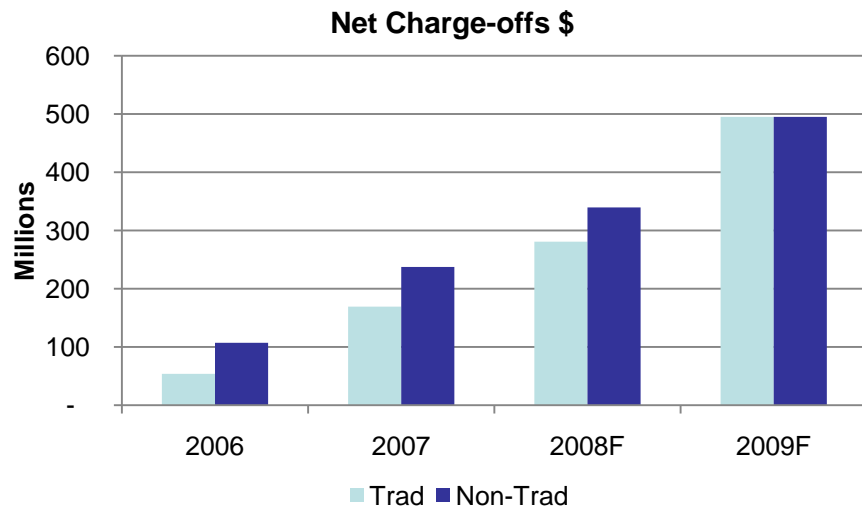


Amounts shown above do not include future originations of loans that will enter repayment in the above years.

- The graphs above illustrate the dollar volume of loans that are scheduled to enter repayment each year

Default Trends – Mix of Traditional vs. Non-Traditional

- Private Credit Portfolio has performed within expectations
- Impact of economic downturn should be partially offset by improved credit quality



Liquidity Position Update

(\$ in billions)	<u>9/30/2008</u>	<u>6/30/2008</u>	<u>12/31/2007</u>
<u>Sources of Primary Liquidity:</u>			
ED Purchase and Participation Program	Unlimited	-	-
Unrestricted Cash & Liquid Investments	\$4.7	\$7.6	\$10.3
Unused Commercial Paper and Bank Lines of Credit ⁽¹⁾	6.2	6.5	6.5
2008 FFELP ABCP Facilities	1.2	4.5	-
2008 Private ABCP Facilities	0.1	0.9	-
ABCP Borrowing Capacity	-	-	5.9
Interim ABCP Facility Borrowing Capacity	=	=	<u>4.0</u>
Total Sources of Primary Liquidity	12.1	19.5	26.7
<u>Stand-by Liquidity:</u>			
Unencumbered FFELP Loans	<u>9.0</u>	<u>14.1</u>	<u>18.7</u>
Total Primary and Stand-by Liquidity ⁽²⁾	<u>\$21.2</u>	<u>\$33.6</u>	<u>\$45.5</u>

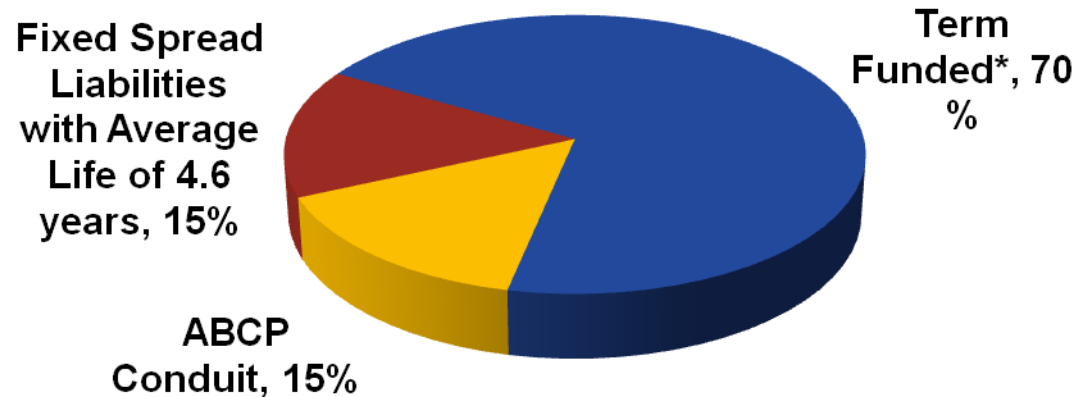
- **Unencumbered Private Education Loans totaled \$17.2 billion on September 30, 2008**

(1) At September 30, 2008 excludes \$328 million commitment from Lehman Brothers Bank, FSB, a subsidiary of Lehman Brothers Holdings Inc which declared bankruptcy on September 15, 2008. The Company has never drawn on these facilities. The facilities include a \$1.0 billion revolving credit facility that matured on October 23, 2008,

(2) Numbers may not add due to rounding

Funding Sources

\$178 Billion Managed Student Loan Portfolio As of September 30, 2008

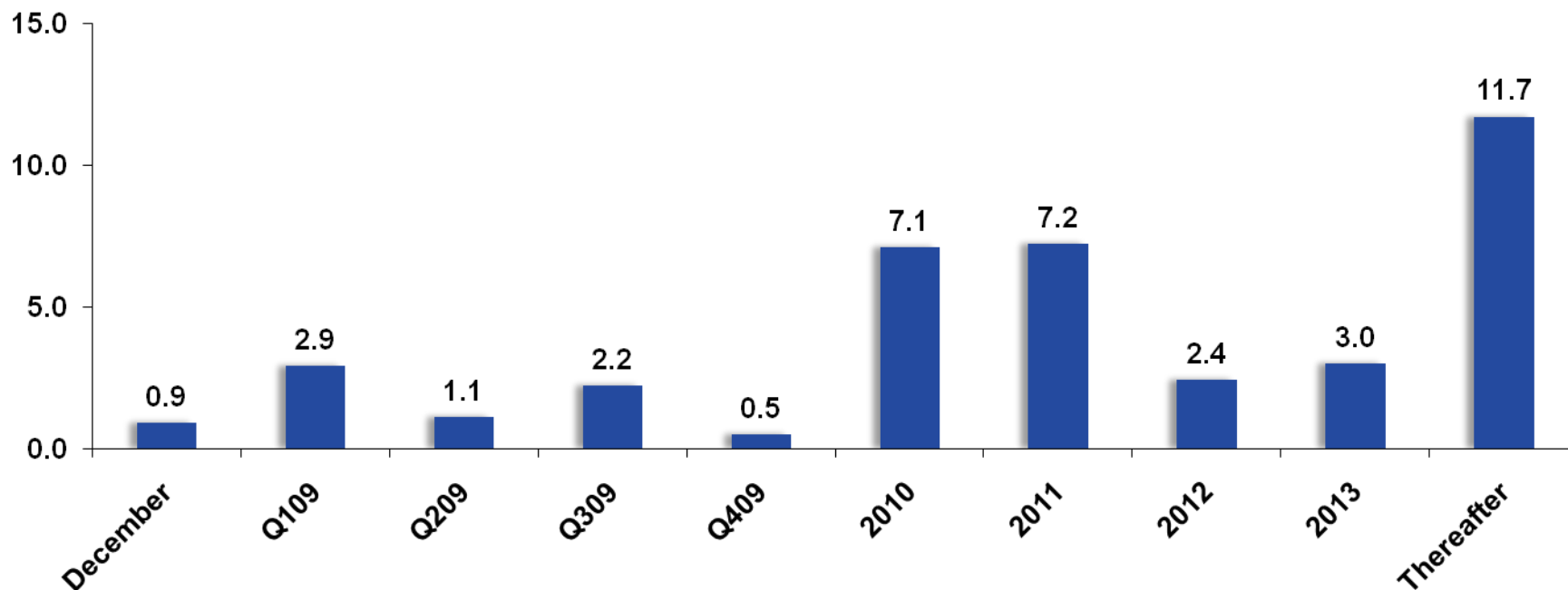


- Employ conservative long-term funding model

* Term Funded includes 2% or \$3.6 billion of advances outstanding under the ED Purchase and Participation Program

Unsecured Debt Maturities

As of November 30, 2008
(par value, \$ in billions)

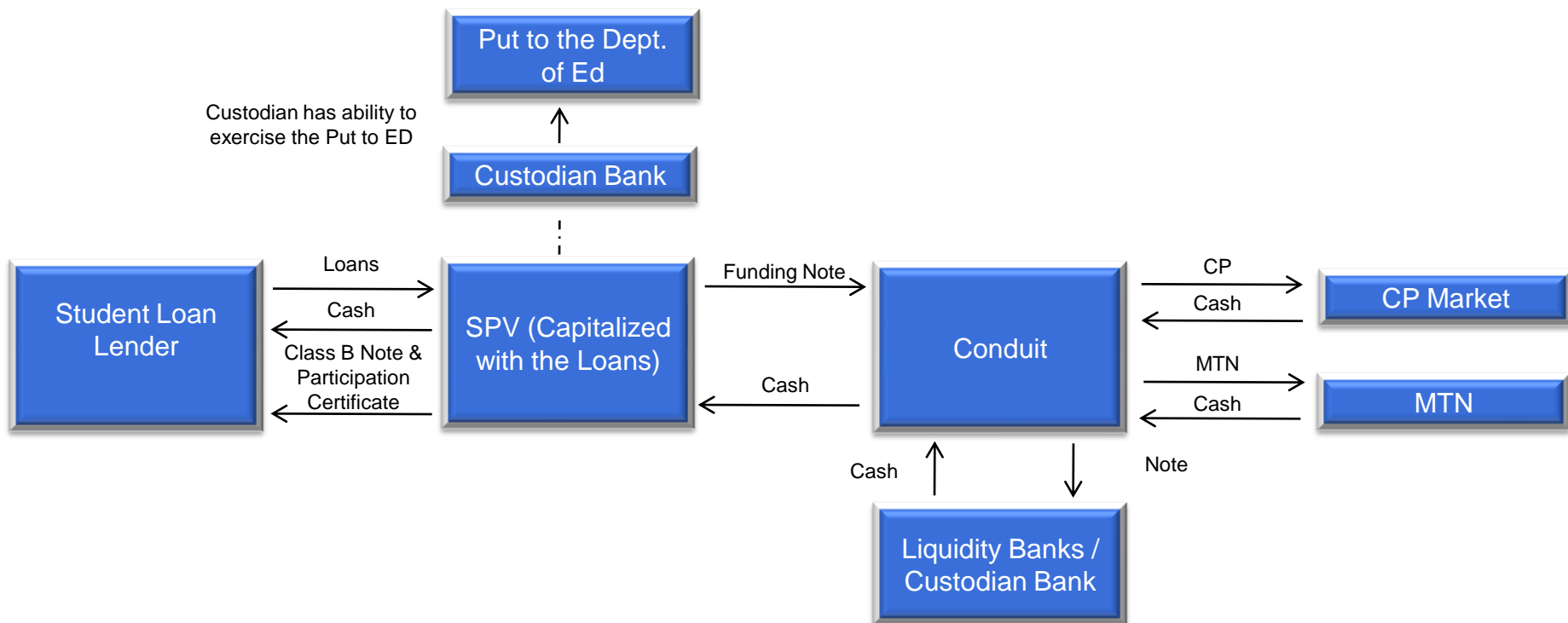


- On 11/04/08 Moody's affirmed our senior unsecured debt rating of Baa2
- On 11/25/08 S&P affirmed our senior unsecured debt rating of BBB-

Ensuring Continued Access to Student Loans Act of 2008 (ECASLA)

- Under the ECASLA Act ED will provide funding for AY 08/09 at CP + 50 basis points and allow loans to be put at par plus origination fees plus \$75 a loan
- ECASLA has been extended to the 2009-2010 academic year
- Will provide liquidity support to one or more conforming ABCP conduits to purchase and provide longer-term financing for FFELP loans originated between October 1, 2003 and July 1, 2009
- ED recently announced a plan to purchase up to \$6 billion of loans originated in the AY 07/08 at 97% of par value to provide bridge liquidity for FFELP lenders

Example of Government Backed Conduit Structure



- Student Lenders establish bankruptcy remote SPV to fund student loans
- CP is issued to fund student loans
- Student loans are putable to Department of Ed in the event CP cannot be rolled

Government Backed Conduit Funding

- **Loans originated between 10/1/2003 and 7/1/2009 will be eligible for the ABCP conduit**
- **Over \$16 billion of conduit eligible Stafford/Plus FFELP loans on SLM balance sheet**
- **Target Market for conduit – Government Money Market Funds exceeds \$1 trillion**

Term Asset –Backed Securities Loan Facility (TALF)

- **The Federal Reserve will make up to \$200 billion of loans under TALF**
- **Newly or recently originated AAA-rated FFELP Stafford, FFELP Consolidation and Private loans are considered eligible collateral**
- **SLM expects to fund a portion of existing portfolio through TALF**

Summary

- **Strong business fundamentals**
- **Competitive, scale franchise**
- **FFELP profitability assured through 2010**
- **Adequate liquidity to meet debt service and fund new originations**

GAAP to "Core Earnings" EPS Reconciliation

(\$ in thousands, except per share amounts)

	Quarters Ended					
	September 30, 2008		June 30, 2008		September 30, 2007	
	Dollars	Diluted EPS	Dollars	Diluted EPS	Dollars	Diluted EPS
GAAP net income (loss)	\$ (158,541)	\$ (0.40)	\$ 265,736	\$ 0.50	\$ (343,760)	\$ (0.85)
Adjustment from GAAP to "Core Earnings"						
Net impact of securitization accounting	148,121		246,506		157,050	
Net impact of derivative accounting	205,991		(450,609)		453,949	
Net impact of Floor Income	42,721		18,809		40,390	
Net impact of acquired intangibles	50,391		15,342		18,582	
Total "Core Earnings" Adjustments before income taxes and minority interest in net earnings of subsidiaries	447,224		(169,952)		669,971	
Net tax effect	(171,701)		59,858		(67,524)	
Total "Core Earnings" Adjustments	275,523		(110,094)		602,447	
"Core Earnings" net income	116,982	0.19	155,642	0.27	258,687	0.59
"Core Earning" net income adjusted for non-recurring items						
Merger-related financing fees	-		-		10,791	
Merger-related professional fees and other costs	-		-		2,580	
Restructuring Expenses	6,620		29,446		-	
Other reorganization-related asset impairments	226		3,779		-	
Impact to FFELP provision for loan losses due to legislative changes	-		-		27,726	
De-acceleration of premium amortization expense on loans	(74,138)		-		-	
Total after tax non-recurring items	(67,292)	(0.14)	33,225	0.08	41,097	0.10
"Core Earning" net income adjusted for non-recurring items	\$ 49,690	\$ 0.05	\$ 188,867	\$ 0.35	\$ 299,784	\$ 0.69