SLM CORP
Form PRE 14A
March 24, 2008

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrantþ
Filed by a Party other than the Registranto
Check the appropriate box:

þ Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement

o Definitive Additional Materials
o Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

SLM CORPORATION

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Payment of Filing Fee (Check the appropriate box):

þ No fee required.

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(1) Title of each class of securities to which transaction applies:

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(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

12061 Bluemont Way
Reston, Virginia 20190

April 11, 2008

Dear Shareholder:

We cordially invite you to attend SLM Corporation s Annual Meeting of Shareholders on Thursday, May 8, 2008 at 11:00 a.m. at the Corporation s offices located at 12061 Bluemont Way, Reston, Virginia 20190.

At the meeting, shareholders will vote on a number of important matters. Please take the time to read carefully each of the proposals described in this proxy statement.

Thank you for your investment in Sallie Mae.

Sincerely,

Anthony P. Terracciano
Chairman of the Board of Directors

12061 Bluemont Way
Reston, Virginia 20190

April 11, 2008

SLM CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held On May 8, 2008

To our Shareholders:

The 2008 Annual Meeting of Shareholders of SLM Corporation will be held at the Corporation s offices, 12061 Bluemont Way, Reston, Virginia 20190 on Thursday, May 8, 2008 beginning at 11:00 a.m., local time. At the meeting, holders of the Corporation s outstanding common stock will consider and vote on the following matters:

Election of directors for a term of one year and until their successors have been elected or appointed;

Amendment to the SLM Corporation Certificate of Incorporation;

Ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for 2008; and

Any other matters that properly come before the meeting.

All record holders of shares of SLM Corporation common stock at the close of business on March 31, 2008 are entitled to vote at the meeting.

If you are a shareholder of record, your admission card is attached to your proxy card. You will need to bring it with you to the meeting.

If your shares are held by a bank or broker, please bring to the meeting your statement evidencing your beneficial ownership of SLM Corporation common stock and photo identification.

Your participation in the Annual Meeting is important. We urge you to vote your proxy at your earliest convenience. You may vote by mail, telephone or over the Internet, depending on how your share ownership is recorded. If you plan to attend the Annual Meeting, please advise my office directly at (703) 984-6785.

Mary F. Eure
Corporate Secretary

PROXY STATEMENT

Important Notice Regarding the Availability of Proxy Materials For the Annual Meeting of Shareholders to be Held on May 8, 2008

The proxy statement and annual report on Form 10-K are available at http://www.salliemae.com/about/investors/annualreports

The Board of Directors of SLM Corporation (the Corporation or Sallie Mae) solicits your proxy to conduct business at the Corporation s Annual Meeting to be held at the Corporation s offices, 12061 Bluemont Way, Reston, Virginia 20190 on Thursday, May 8, 2008 at 11:00 a.m., local time.

This proxy statement includes information about the Corporation s:

- Annual election of directors;
- Request of shareholders to amend the SLM Corporation Certificate of Incorporation;
- Corporate governance and board matters;
- Independent registered public accounting firm (the independent accountant);
- Compensation for executive officers and directors;
- Stock ownership for executive officers and directors; and
- Voting procedures.

We have also enclosed the Corporation s Annual Report on Form 10-K (the Form 10-K), which provides financial results for 2007. The proxy statement and Form 10-K are available at www.salliemae.com under Investors, Annual Reports. You may obtain additional copies by contacting the Office of the Corporate Secretary, SLM Corporation, 12061 Bluemont Way, Reston, Virginia, 20190.

This proxy statement, the Form 10-K, and the accompanying proxy card are being mailed to SLM Corporation shareholders beginning about April 11, 2008.

PROPOSAL 1 ELECTION OF DIRECTORS

At the 2008 Annual Meeting, 14 directors are to be elected to hold office until the 2009 Annual Meeting and until their successors have been elected or appointed. The 14 persons nominated by the Board for election at the 2008 Annual Meeting are listed below, with brief biographies. All of the 14 nominees are currently serving as Sallie Mae directors. Mr. Anthony P. Terracciano was appointed to the Board on January 9, 2008. On March 20, 2008, Mr. Charles L. Daley resigned from the Board and Messrs. Michael E. Martin and Frank C. Puleo were appointed to the Board on March 20, 2008. On March 24, 2008, Mr. Benjamin J. Lambert, III resigned from the Board. The Board wishes to thank Messrs. Daley and Lambert for their dedicated service to the Corporation. Messrs. Terracciano, Martin and Puleo were first identified as possible nominees by non-management directors.

We do not know of any reason why any of the nominees would be unable to serve. However, if any of the nominees should become unavailable to serve as a director; the Board may designate a substitute nominee or reduce the size of the Board. If the Board designates a substitute nominee, the persons named as proxies will vote FOR that substitute nominee.

Required Vote

As set forth in the Corporation By-laws, a majority of votes cast is required in the election of directors in an uncontested election. A nominee will be elected to the Board if the number of votes FOR the nominee exceeds the number of shares voted AGAINST the nominee s election. You may vote FOR or WITHHELD with respect to each nominee s election. You may cumulate your vote and cast all your votes FOR one nominee or you may distribute your votes among the nominees in any manner.

If cumulative voting is applied at the Annual Meeting, the persons named as proxies may cumulate votes and cast such votes in favor of the election of some or all of the Board s nominees in their sole discretion, except that a shareholder s votes will not be cast for a nominee as to whom such shareholder instructs that such votes be withheld or be cast AGAINST or ABSTAIN. For additional information, see General Information; About Voting below.

For elections at which the majority vote standard applies, the Nominations and Governance Committee has established procedures under which a currently serving director tenders his or her resignation which resignation shall be effective only if he or she is not re-elected, and the resignation is accepted by the Board. If any of the 14 nominees fails to receive a majority of the votes cast FOR his or her election, the Nominations and Governance Committee of the Board of Directors will make a recommendation to the Board on whether to accept or reject the nominee s resignation, which shall be automatically tendered upon the certification of the election results. The Board will act on the Committee s recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election results.

Unless marked to the contrary, proxies received will be voted FOR the nominees named in this proxy statement in order to elect all of the nominees or the maximum number possible.

Board Recommendation

The Board of Directors recommends a vote FOR the election of the 14 nominees named below. Proxies will be so voted unless shareholders specify a contrary choice on their proxy card.

Name and Age Service as a Director*	**Position, Principal Occupation, Business Experience and Directorships**
Ann Torre Bates 50 Director Since July 31, 1997	**Strategic and Financial Consultant** Strategic and Financial Consultant 1998 to present Executive Vice President, Chief Financial Officer and Treasurer, NHP Incorporated, a national real estate services firm 1995 to 1997 Vice President and Treasurer, US Airways 1991 to 1995, various finance positions 1988 to 1991 Directorships of Other Public Companies: U.S. Templeton Mutual Funds, Franklin Mutual Series and Recovery Funds and Allied Capital Corporation
William M. Diefenderfer, III 62 Director since May 20, 1999	**Partner, Diefenderfer, Hoover & Wood**

Partner, Diefenderfer, Hoover & Wood, a law firm, Pittsburgh, PA 1991 to present
Chief Executive Officer and President, enumerate Solutions, Inc., a privately-owned technology company 2000 to 2002.
Treasurer and Chief Financial Officer, Icarus Aircraft, Inc., a privately-owned aviation technology company 1992 to 1996
Deputy Director of the Office of Management and Budget 1989 to 1991
Directorships of Other Public Companies: U-Store-It Trust (Chairman)

Other Activities: Commission on the Future for America s Veterans

Name and Age Service as a Director*	Position, Principal Occupation, Business Experience and Directorships
Diane Suitt Gilleland 61 Director since March 25, 1994	**Associate Professor in Higher Education University of Arkansas, Little Rock** Associate Professor in Higher Education, University of Arkansas, Little Rock 2003 to present Deputy Director, Illinois Board of Higher Education 1999 to 2003 Senior Associate, Institute for Higher Education Policy 1998 to 1999 Senior Fellow, American Council on Education, Washington, DC 1997 Director, Arkansas Department of Higher Education 1990 to 1997 Chief Finance Officer, Arkansas Department of Higher Education 1986 to 1990 Other Activities: Director, University of Arkansas at Pine Bluff Foundation, University of Arkansas Foundation Board
Earl A. Goode 67 Director since July 31, 2000	**Chief of Staff to the Governor of Indiana**

Chief of Staff to the Governor of Indiana November 2006 to present, Deputy Chief of Staff to the Governor of Indiana April 2006 to November 2006

Commissioner, Department of Administration, State of Indiana January 2005 to April 2006

Chairman, Indiana Sports Corporation 2001 to 2006

President, GTE Information Services and GTE Directories Corporation 1994 to 2000, President, GTE Telephone Operations North and East 1990 to 1994, President, GTE Telephone Company of the Southwest 1988 to 1990

Other Activities: Trustee, Georgetown College

Ronald F. Hunt
64

Director since
July 5, 1995 **Attorney**

Attorney 1990 to present

Chairman, National Student Clearinghouse 1997 to 2004

Executive Vice President and General Counsel, Student Loan Marketing Association 1984 to 1990, various officer positions 1973 to 1984

Other Activities: Chairman, Warren Wilson College Board of Trustees

Albert L. Lord
62

Director since
July 5, 1995 **Vice Chairman and Chief Executive Officer, SLM Corporation**

Vice Chairman (since January 2008) and Chief Executive Officer (since December 2007), SLM Corporation

Chairman, SLM Corporation March 2005 to January 2008, Vice Chairman and Chief Executive Officer 1997 to May 2005

Member, Seneca Ridge Management, LLC, an investment company 2005 to present

President and principal shareholder, LCL Ltd. an investment and financial consulting firm 1994 to 1997

Executive Vice President and Chief Operating Officer, Student Loan Marketing Association 1990 to 1994, various officer positions 1981 to 1990

Directorships of Other Public Companies: Bearing Point, Inc.

Other Activities: Director, The National Academy Foundation, Children s Choice Learning Centers, Inc.

Name and Age Service as a Director*	Position, Principal Occupation, Business Experience and Directorships
Michael E. Martin 52 Director since March 20, 2008	**President, Brooklyn NY Holdings LLC** President, Brooklyn NY Holdings LLC, an asset and investment management firm 2006 to present Vice Chairman and Managing Director, UBS Investment Bank 2002 to 2006 Managing Director, Credit Suisse First Boston and First Boston Corporation August 1987 to 2002 Associate, Wachtell, Lipton, Rosen and Katz 1983 to 1987 Directorships of Other Public Companies: Chairman, BPW Acquisition Corp.
Barry A. Munitz 66 Director since July 31, 1997	**Trustee Professor California State University, LA** Trustee Professor, California State University, LA 2006 to present Chair, California P-16 Council, an organization that develops strategies to improve education in the State of California 2005 to present President and Chief Executive Officer, The J. Paul Getty Trust 1997 to 2006 Chancellor and Chief Executive Officer, California State University System 1991 to 1997 Other Activities: Fellow, The American Academy of Arts and Sciences; Director, Leeds Equity Partners Advisory Board, Broad Family Foundations, COTSEN Foundation
A. Alexander Porter, Jr. 69 Director since July 5, 1995	**Founder and Partner Porter Orlin Inc.** Founder and Partner, Porter Orlin Inc. (formerly named Porter Felleman, Inc.), an investment management company 1976 to present Other Activities: Founder and Director, Distribution Technology, Inc.; Trustee, Davidson College, The John Simon Guggenheim Memorial Foundation, Queens University of Charlotte, North Carolina, Library of America
Frank C. Puleo 62 Director since March 20, 2008	**Director, Apollo Investment Corporation** Director, Apollo Investment Corporation, an investment company principally invested in middle-market private companies February 2008 to present Director, Commercial Industrial Finance Corporation, a specialized credit asset management company 2007 to present Co-Chair, Global Finance Group, Milbank, Tweed, Hadley & McCloy LLP 1995 to 2006, Partner 1978 to 2006 Directorships of Other Public Companies: Apollo Investment Corporation
Wolfgang Schoellkopf 75 Director since July 31, 1997	**Managing Partner Lykos Capital Management, LLC** Managing Partner, Lykos Capital Management, LLC, a private equity management company 2003 to present Chief Executive Officer, Bank Austria Group s U.S. operations 2000 to 2001 Vice Chairman and Chief Financial Officer, First Fidelity Bancorporation 1990 to 1996 Executive Vice President and Treasurer, The Chase Manhattan Bank 1979 to 1988, various officer positions 1963 to 1988 Directorships of Other Public Companies: BPW Acquisition Corp. Other Activities: Chairman, UniCredit Cayman Islands Ltd.

Name and Age Service as a Director*	Position, Principal Occupation, Business Experience and Directorships
Steven L. Shapiro 67 Director since July 5, 1995	**Certified Public Accountant and Personal Financial Specialist** Certified Public Accountant and Personal Financial Specialist, Alloy, Silverstein, Shapiro, Adams, Mulford, Cicalese, Wilson & Co., an accounting firm, Chairman 1995 to present, various positions 1960 to present Other Activities: Director, MetLife Bank; Member, Rutgers University Executive Advisory Council, American Institute of Certified Public Accountants, New Jersey and Pennsylvania Societies of CPAs; Trustee, Virtua Health and Hospital Foundation Board
Anthony P. Terracciano 68 Director since January 7, 2008	**Chairman, SLM Corporation** Chairman, SLM Corporation January 2008 to present Chairman, Riggs National Corporation 2004 to 2005 Vice Chairman, American Water Works Company Inc. 1998 to 2003 Chairman of Dime Bancorp 2000 to 2002 President, First Union Corporation (now Wachovia); Chairman and CEO, First Fidelity Bancorp; President Mellon Bank Corp.; Vice Chairman and Chief Financial officer, Chase Manhattan Bank Directorships of Other Public Companies: IKON Office Solutions Other Activities: Director, Avaya, Inc. Trustee, Monmouth Medical Center, University of Medicine & Dentistry of New Jersey, New Jersey State Investment Council
Barry L. Williams 63 Director since July 31, 2000	**Founder, President and Director Williams Pacific Ventures, Inc.** President, Williams Pacific Ventures, Inc., a consulting and investment company 1987 to present Interim President and CEO, the American Management Association International 2000 to 2001 Bechtel Group, Managing Principal, Bechtel Investments, Inc. 1979 to 1987 Directorships of Other Public Companies: PG&E Corporation, R.H. Donnelly & Company, CH2M Hill Companies, Northwestern Mutual Life Insurance Company, Simpson Manufacturing Co., Inc. Other Activities: Trustee, American Conservatory Theater, American Management Association, Resources Legacy Foundation; Chair, Management Leadership for Tomorrow, African American Experience Fund

* Includes service on the Board of the Student Loan Marketing Association (SLMA) for the period of time that SLMA was the predecessor of SLM Corporation. Does not include service on the Board of SLMA for the period of time that SLMA was a subsidiary of SLM Corporation.

PROPOSAL 2 AMENDMENT TO THE SLM CORPORATION CERTIFICATE OF INCORPORATION

At the Annual Meeting, shareholders will be asked to approve amending Article Six of the Company s Certificate of Incorporation (the Charter) to increase the maximum Board size from fifteen (15) to sixteen (16). The Board of Directors has approved the proposed amendment and declared it to be advisable.

The proposed amendment is set forth in italics in a portion of the Charter that is attached as Attachment A. A summary of the proposed amendment is described below. Shareholders are urged to read carefully Attachment A. A copy of the complete Charter is available from the Corporate Secretary.

Summary of Proposed Amendment

Article Six of the Charter currently provides, in part, that the number of directors shall be not less than eleven (11) and no more than fifteen (15). The proposed amendment to the Charter would instead permit the number of directors to be no more than sixteen (16).

Reason for the Proposal

The Board has determined that it is in the best interest of shareholders to bring new talent to the Board. As set forth in Proposal 1 Election of Directors, the Board recently appointed two individuals, Messrs. Martin and Puleo, for initial Board service with skills and experience that will enhance the governance of the Corporation. The amendment to the Charter will enable the Board to further enhance the governance of the Corporation by adding an additional Board member at a later time. While the Nominations and Governance Committee is evaluating several potential director candidates, it has not as of the date of this proxy statement selected any persons who would be named as directors if the proposed amendment to the Charter is approved.

Required Vote

The affirmative vote of the holders of a majority of the shares of common stock outstanding on March 31, 2008, is required to approve this proposal, provided that a majority of shares outstanding vote on this matter. Unless marked to the contrary, proxies received will be voted FOR this proposal.

Board Recommendation

The Board of Directors recommends a vote FOR the approval of the Amendment to the SLM Corporation Certificate of Incorporation.

CORPORATE GOVERNANCE

Role and Responsibilities of the Board of Directors

The role of the Board of Directors is to promote sustainable, long-term growth of the Corporation in the interest of its shareholders. The primary responsibilities of the Board are:

- Selecting, evaluating and compensating the Chief Executive Officer (CEO);
- Planning for succession of the CEO and members of the executive management team;
- Reviewing and approving the Corporation s annual business plan and reviewing the Corporation s long-term strategic plan;
- Monitoring management s performance against the annual business plan;
- Reviewing and approving major transactions;
- Through its Audit Committee, selecting and overseeing the Corporation s independent accountant;

Evaluating the Corporation s overall risk control environment;

Recommending director candidates for election by shareholders; and

Evaluating its own effectiveness.

To guide and assist the Board in performing its responsibilities, the Board has adopted governance guidelines and established Board committees. These governance tools are discussed below.

Board Governance Guidelines

The Board s governance has been guided by a set of principles initially adopted in 1997. The Board s revised guidelines are published at www.salliemae.com under About Us, Investors, Corporate Governance and a written copy may be obtained by contacting the Corporate Secretary. The Board reviews the guidelines annually. Among other matters, the guidelines provide the following:

A majority of the members of the Board must be independent directors and all members of the Audit, Nominations and Governance, and Compensation and Personnel Committees must be independent.

All directors stand for re-election every year. Directors are elected under a majority vote standard in uncontested elections and shareholders are entitled to cumulate their shares for the election of directors. Directors are not eligible to stand for re-election after reaching age 75. The Board waived this requirement for Wolfgang Schoellkopf, who has been asked by the Board to serve another year.

The Board has established the position of Lead Independent Director, currently held by Mr. Schoellkopf. In January 2009, the Board named an independent director as Chairman, Mr. Terracciano.

Each regularly scheduled Board meeting concludes with two executive sessions. The first such session is of all members of the Board, including the CEO and Vice Chairman, Mr. Lord. The second session, a session of independent directors, excludes Mr. Lord and is presided over by either Mr. Schoellkopf, the Lead Independent Director or Mr. Terracciano, the Independent Chairman. Each regularly scheduled committee meeting concludes with an executive session presided over by the committee chair.

Board compensation includes Sallie Mae stock or other equity-linked compensation.

The Board undertakes an annual review of Board and committee processes and procedures.

Board members have open communications with all members of management.

The Board may engage its own advisors.

Director Independence

For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Corporation. The Board has established guidelines to assist it in determining director independence, which conform with and in some cases are more stringent than the independence requirements of the New York Stock Exchange (NYSE) listing standards. The Corporation s director independence guidelines are included in the Board s governance guidelines that are published at www.salliemae.com under About Us, Investors, Corporate Governance and are listed below.

The Board has determined that the following individuals (that is, all of the nominees standing for election at the 2008 Annual Meeting, other than Mr. Lord) are independent of the Corporation because such nominees have no material relationships with the Corporation: Mses. Bates and Gilleland and Messrs. Diefenderfer, Goode, Hunt, Martin, Munitz, Porter, Puleo, Schoellkopf, Shapiro, Terracciano and Williams. The Board made this determination based on the following:

No nominee, other than Mr. Lord, is currently or within the past three years has been an employee of the Corporation;

No nominee has an immediate family member who is an officer of the Corporation or, other than Mr. Lord, has any current or recent material relationship with the Corporation;

No nominee has a personal services contract with the Corporation, in any amount;

No nominee is an employee or owner of a firm that is one of the Corporation s paid advisors or consultants;

No nominee is employed by a business that directly competes against the Corporation;

No executive officer of the Corporation serves on either the board of directors or the compensation committee of any corporation that employs either a nominee or a member of the immediate family of any nominee;

No nominee or immediate family member of a nominee serves as an executive officer of any entity with which the Corporation s annual sales or purchases exceeded $1,000,000 or two percent, whichever is greater, of that company s annual revenues for the last fiscal year; and

No nominee or spouse of a nominee is an employee of a charitable organization, foundation or university that received in any one year from the Corporation, in the form of charitable contributions, grants or endowments, more than the greater of (i) $1,000,000 or (ii) two percent of the organization s total annual receipts.

In making its determination regarding independence, the Board took into account the following relationships: Mr. Hunt was an executive officer of the predecessor of the Corporation until 1990; Messrs. Goode, Hunt and Shapiro serve as board members or trustees of charitable organizations that received charitable gifts under the Corporation s charitable gift program described in this proxy statement. None of these individuals, or their spouses, are employed by the organizations and the gifts were well below the thresholds in the Board s independence standards. Mr. Lord is not independent because of his employment relationship with the Corporation.

Board Meetings

During 2007, the Board of Directors met 24 times. Each of the incumbent directors attended at least 75 percent of the total number of meetings of the Board and committees on which they serve. Directors are expected to attend the Annual Meeting and all members of the Board, other than Mr. Munitz, attended the Annual Meeting in May 2007.

Board Committees

The Board has established the following committees (the Core Standing Committees) to assist in its oversight responsibilities:

Audit Committee

Compensation and Personnel Committee

Nominations and Governance Committee

Finance and Operations Committee

Each committee has a Board-approved written charter, which sets forth the respective committee s functions and responsibilities. Committee charters are published at www.salliemae.com under About Us, Investors, Corporate Governance. Shareholders may obtain a written copy of a committee charter by contacting the Corporate Secretary.

An annual work plan is created from the charters of each Core Standing Committee so that responsibilities of the committees are addressed at appropriate times throughout the year. Agendas for meetings are based on each committee s annual work plan and any other current matter the

Committee Chair or management believes should be addressed at the meeting. The work of each committee is regularly reported to the full Board by the Committee Chair.

In addition to the Core Standing Committees, the Board has established several additional committees: the Executive Committee, which meets at least quarterly with the Audit Committee to review the Corporation s earnings prior to their release to the public and on an as-needed basis; the Preferred Stock Committee, which meets at least once each year to oversee the interests of the Corporation s preferred stock holders; and during 2007, the Board established the Transaction Committee to assist the Board in the evaluation and negotiation of a merger of the Corporation.

The current membership of the Core Standing Committees, and the number of meetings held in 2007, is as follows:

Audit Committee	**Compensation & Personnel Committee**	**Finance & Operations Committee**	**Nominations & Governance Committee**
William M. Diefenderfer, III*	Earl A. Goode*	Barry L. Williams*	Steven L. Shapiro*
Ann Torre Bates	Diane Suitt Gilleland	Diane Suitt Gilleland	Ann Torre Bates
Ronald F. Hunt	Barry A. Munitz	Earl A. Goode	William. Diefenderfer, III
A. Alexander Porter, Jr.	Wolfgang Schoellkopf	Barry A. Munitz	Ronald F. Hunt
Barry L. Williams	Steven L. Shapiro	A. Alexander Porter, Jr.	
		Wolfgang Schoellkopf	
Meetings Held: 12	Meetings Held: 12	Meetings Held: 3	Meetings Held: 3

* Committee Chairman

A description of the function of each committee follows.

Audit Committee. The Audit Committee represents and assists the Board in fulfilling its responsibilities by providing oversight relating to: (1) the assessment and management of certain business risks, including financial, operational, litigation and regulatory risks; (2) the integrity of the Corporation s financial reporting; (3) the Corporation s system of disclosure controls and system of internal controls regarding financial, accounting, legal compliance and ethics; (4) the independent accountant qualifications, independence and performance; (5) the performance of the Corporation s internal audit function; (6) the Corporation s compliance with legal and regulatory requirements; (7) the review of related persons transactions; and (8) the preparation of the report of the Committee for the Corporation s annual proxy statement, as required by the Securities and Exchange Commission (SEC).

The Board has determined that all the members of the Audit Committee are independent under the Corporation s governance guidelines and NYSE listing standards and that all members of the Audit Committee satisfy the heightened independence standards for audit committee members under the NYSE listing standards. In addition, the Board has determined that Ms. Bates and Messrs. Diefenderfer, Porter, and Williams qualify as audit committee financial experts within the meaning of the SEC regulations. None of the Committee members serves on the audit committee of more than three public companies.

Compensation and Personnel Committee. The Compensation and Personnel Committee (or the Compensation Committee): (1) assists the Board in fulfilling its responsibilities relating to human resources, compensation and benefit matters concerning the Corporation and its subsidiaries; (2) discharges the Board s responsibilities relating to compensation of the Corporation s executives; (3) considers and makes recommendations to the Board with respect to its own compensation; and (4) prepares the report of the Committee for the Corporation s annual proxy statement, as required by the SEC.

The Board of Directors has determined that all Committee members are independent under the Corporation s governance guidelines and NYSE listing standards.

The Compensation Committee considers executive and director compensation on an annual basis, culminating in decisions in January of each year. Also, throughout the year, the Committee considers executive compensation as warranted by personnel changes.

The Board sets compensation for directors. The Compensation Committee sets compensation for officers at the level of Senior Vice President and above. The Chief Executive Officer or his delegate sets pay for all other employees.

The Compensation Committee retains a compensation consultant to advise it. The current compensation consultant is Semler Brossy Consulting Group LLC. The Committee has directed Semler Brossy to: (1) recommend a peer group of companies that may be used for benchmarking executive and director compensation (the Peer Group); (2) inform the Committee about the marketplace for the amount and form of director and executive compensation; (3) inform the Committee of trends in executive and director compensation; (4) update the Committee on legislative and regulatory changes that impact director and executive compensation; and (5) provide its views on the reasonableness of amounts and forms of director and executive compensation. At the request of the Committee, Semler Brossy is available to management to assist in determining how the Corporation s pay philosophy and program should apply to the Vice President level and below.

The processes to consider compensation for executive officers and directors are as follows:

Annual Executive Compensation: The process for the annual review of executive compensation is discussed on page 13 of this proxy statement.

Annual Director Compensation: The Compensation Committee annually reviews director compensation of the Peer Group. After discussion with the Committee s consultant and management, the Committee recommends director compensation to the Board.

Promotions/New Hires: Throughout the year, as the Corporation s executive talent needs change, promotions and/or new hires at the level of Senior Vice President and above may occur. In these cases, a Compensation Committee meeting is convened to consider the appropriate amount and form of compensation for each individual. Management recommends an arrangement to the Committee for its consideration. Typically, the Committee s consultant does not attend these meetings, but may give its input on the proposed arrangement to management and the Committee Chair.

Finance and Operations Committee. The Finance and Operations Committee assists the Board in fulfilling its responsibilities and providing oversight relating to capital management, financing strategy and the general operations of the business.

Nominations and Governance Committee. The Nominations and Governance Committee assists the Board in establishing appropriate standards for the governance of the Corporation, the operations of the Board and the qualifications of directors. The Committee also identifies individuals qualified to become Board members and recommends to the Board the director nominees for each annual meeting of shareholders.

The Board has determined that all of the members of the Nominations and Governance Committee are independent under the Corporation s governance guidelines and NYSE listing standards.

Nominations Process

The Nominations and Governance Committee considers director candidates recommended in good faith by shareholders. The Committee also receives suggestions for candidates from Board members. Candidates are evaluated based on the needs of the Board and the Corporation at that time, given the then-current mix of Board members. When evaluating a candidate, factors that the

Nominations and Governance Committee looks for and considers, include, but are not limited to, a nominee s:

Skills and experience, particularly in the areas of accounting, finance, banking, higher education, marketing and information technology, human resources and law;

Knowledge of the business of the Corporation;

Proven record of accomplishment;

Ability to commit the time necessary for Board service;

Ability to add diversity to the Board with regard to race, gender and geographic location;

Integrity and sound judgment in areas relevant to the business;

Impartiality in representing shareholders;

Ability to challenge and stimulate management; and

Independence.

To recommend a candidate, shareholders should send, in writing, the candidate s name, credentials, contact information, and his or her consent to be considered as a candidate to the Chairman of the Nominations and Governance Committee, in care of the Corporate Secretary at SLM Corporation, 12061 Bluemont Way, Reston, VA 20190. The shareholder should also include his or her contact information and a statement of his or her share ownership. The Nominations and Governance Committee considers and evaluates candidates recommended by shareholders in the same manner that it considers and evaluates other director candidates.

Shareholder Communications with the Board

Shareholders and other interested parties may submit communications to the Board of Directors, all non-management directors, the Lead Independent Director, the Chairman of the Board, or any other individual member of the Board by contacting the Chairman of the Board or the Lead Independent Director in writing at the following address: Office of the Chairman of the Board or Office of the Lead Independent Director, SLM Corporation, 12061 Bluemont Way, Reston, VA 20190. The Corporate Secretary will review all communications from our shareholders. Communications relevant to our business and operations, as determined by the Corporate Secretary, will be forwarded to the Board or individual members, as appropriate.

Related Persons Transactions

Review and Approval of Related Persons Transactions. The Corporation has a written policy regarding review and approval of related persons transactions. The policy is published at www.salliemae.com under About Us, Investors, Corporate Governance.

Transactions covered by the policy are transactions involving the Corporation in excess of $120,000 in any year in which any director, director nominee, executive officer, greater-than-5% beneficial owner, and their respective immediate family members has or have a direct or indirect interest (other than as a director or less-than-10% owner of an entity). Transactions that are considered routine are pre-approved under the policy. For example, certain loans made in the ordinary course of our business to executive officers, directors and their family members are considered related persons transactions and may require proxy disclosure, but are pre-approved under the policy.

The policy provides that the Audit Committee initially reviews a proposed related persons transaction and makes a recommendation to the full Board regarding whether to approve the transaction. In considering a transaction, the Audit Committee takes into account whether a transaction would be on terms generally available to an unaffiliated third party under the same or similar circumstances.

Transactions. The following transactions were entered into under the terms of the foregoing policy:

During 2007, the son of Thomas J. Fitzpatrick, CEO through May 22, 2007, was employed by a Corporation subsidiary as a regional sales manager and received a base salary of $65,000 and incentive compensation of $120,000.

In August, 2007, the Corporation sold to Mr. Fitzpatrick a townhouse property located in Reston, Virginia for $537,500. The Board of Directors approved the sale after determining that the sale was on terms no less favorable than terms generally available to an unaffiliated third-party under similar circumstances.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with management and the Corporation s independent accountant, PricewaterhouseCoopers LLP, the Corporation s audited financial statements as of and for the year ended December 31, 2007. The Committee also discussed with PricewaterhouseCoopers LLP, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T, and with and without management present, discussed and reviewed the results of the independent accountant s examination of the financial statements.

The Committee received and reviewed the written disclosures and the letter from PricewaterhouseCoopers LLP required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*), as adopted by the PCAOB in Rule 3600T, and has discussed with the accountant the accountant s independence, including relationships that may have an impact on the accountant s objectivity and independence.

Following the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the financial statements referred to above be included in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2007 for filing with the SEC.

Audit Committee
William M. Diefenderfer, III, Chairman
Ann Torre Bates
Ronald F. Hunt
A. Alexander Porter, Jr.
Barry L. Williams

PROPOSAL 3 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Corporation s independent accountant is selected by the Audit Committee. On January 31, 2008, the Audit Committee appointed PricewaterhouseCoopers LLP as the Corporation s independent accountant for 2008, subject to ratification by the Corporation s shareholders.

This proposal is put before the shareholders because the Board believes that it is a good corporate practice to seek shareholder ratification of the selection of the independent accountant. If the appointment of PricewaterhouseCoopers LLP is not ratified, the Audit Committee will evaluate the basis for the shareholders vote when determining whether to continue the firm s engagement.

Representatives of PricewaterhouseCoopers LLP are expected to attend the Annual Meeting and to respond to appropriate questions from shareholders present at the meeting and will have an opportunity to make a statement if they desire to do so.

Independent Accountant

Fees for services performed for the Corporation by its independent accountant, PricewaterhouseCoopers LLP, for fiscal year ended December 31, 2007, and for fiscal year ended December 31, 2006, are set forth below.

Principal Independent Accountant s Fees and Services

	2007	**2006**
Audit	$ 6,261,369	$ 6,114,947
Audit Related	3,079,060	3,494,830
Tax	31,300	157,815
All Other		
Total	$ 9,371,729	$ 9,767,592

Audit fees were for professional services rendered for the audits of the consolidated financial statements of the Corporation and statutory and subsidiary audits, issuance of comfort letters, consents, income tax provision procedures, and assistance with review of documents filed with the SEC.

Audit Related fees were for assurance and other services related to service provider compliance reports, trust servicing and administration reports, employee benefit plan audits, due diligence related to mergers and acquisitions, accounting consultations and audits in connection with acquisitions, internal control reviews, attest services that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards.

Tax fees were for services related to tax compliance, tax planning, and state tax assistance.

All Other fees for the years ended December 31, 2007 and December 31, 2006 were $0.

Auditor Fees Pre-approval Policy. In 2002, the Audit Committee adopted a formal policy concerning approval of audit and non-audit services to be provided by the independent accountant to the Corporation. The policy requires that all services to be provided by the Corporation s independent accountant be pre-approved by the Audit Committee or its Chair. Each approval must describe the non-audit services provided and set a dollar limit for the services. The Committee, or its Chair, pre-approved all audit and non-audit services provided by PricewaterhouseCoopers LLP during 2007. The Committee receives regular reports from management regarding the actual provision of non-audit services by PricewaterhouseCoopers LLP that have been pre-approved by the Committee.

Required Vote

The affirmative vote of the holders of a majority of the shares of common stock present or represented and entitled to be voted at the Annual Meeting is required to ratify the appointment of PricewaterhouseCoopers LLP. Unless marked to the contrary, proxies received will be voted FOR the ratification of the appointment of PricewaterhouseCoopers LLP as independent account for 2008.

Board Recommendation

The Board of Directors of the Corporation recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as independent accountant for 2008.

EXECUTIVE AND DIRECTOR COMPENSATION

Executive Compensation

Introduction

2007 presented many challenges to Sallie Mae and its executive management team. The Corporation entered into a merger agreement, which ultimately was not consummated. The College Cost Reduction and Access Act of 2007 was enacted, changing the profitability of the federally guaranteed student loan business. The Corporation began to curtail making non-traditional loans in response to losses in that business line. The credit markets came to a virtual standstill. A Public equity offering were executed during the last week of the year.

The executive management team itself experienced significant turnover. The Corporation was led by three different CEOs. Four of the five Named Executive Officers (the NEOs) for 2006 were not serving as executive officers at the end of 2007. The NEOs for 2007[1] were called to respond to shifting business objectives in the areas of corporate finance, sales and marketing, as well as increased demands on leadership, dedication and flexibility in managing the Corporation during a difficult time.

Several times during the year, the Corporation modified its business plan to reflect significant changes in its business environment. The Compensation Committee sought to balance the need to retain executives while recognizing that the final operating results for the year ended with underperformance in several key categories including core earnings[2] net income, fee income and the student loan spread. In addition to receiving lower than expected bonuses, the executive management team experienced significant loss in the value of outstanding equity awards that had been acquired and held over a number of years.

The remainder of this report explains the compensation decisions made for the NEOs reported in this proxy statement. The report provides context and perspective for the numerical information contained in the compensation tables that follow.

Compensation Reported in 2007: Process and Decisions Made

Process

The process for determining compensation reported in the tables that follow began in January 2007. At a meeting of the Compensation Committee in mid-January 2007, the Committee heard a report from its consultant, Semler Brossy, about executive pay at other companies, using data from a custom selected group (the Peer Group[3]) and a financial services industry survey (the Survey

[1] NEOs for 2007 are the individuals who served as principal executive officer and principal financial officer at any time during 2007, the three most highly compensated executive officers, other than the principal executive officer and principal financial officer who served in these capacities as of December 31, 2007, and two additional individuals who would have been among the highest compensated executive officers, except that they were not serving as executive officers at December 31, 2007. For this purpose, compensation means the amount disclosed in the Total column of the Summary Compensation table in this proxy statement less the amounts disclosed in the Change in Pension Value column of that same table.

[2] A description of core earnings treatment and a full reconciliation to the GAAP income statement can be found in the Company s Annual Report on Form 10-K at the Company s website as referenced on page 1 of this proxy statement.

[3] Sixteen companies comprise the Corporation s Peer Group. These companies are: Affiliated Computer Services, AFLAC, Inc., Bank of New York, BB&T Corp., Capital One, Charles Schwab & Co., Inc., CIT Group Inc., Countrywide Financial, Fannie Mae, Fifth Third Bancorp, First Data, Freddie Mac, Mellon Financial, PNC Financial Services, State Street Corporation and Sun Trust Banks, Inc. The companies are in the financial services and data processing sectors with revenues, assets, net income, market value and workforce size that are within a range of the Corporation s. The executive and director compensation data of the Peer Group is generally as reported in proxy statements filed in 2006, reporting pay for 2005. Semler Brossy makes adjustments and updates to the data as appropriate in their judgment.

Group [4].The nature and scope of Semler Brossy s role as a consultant and the material elements of the direction provided to Semler Brossy are disclosed in the Board Committees section of this proxy statement. The data were used to inform the Committee about the marketplace for executive pay and to determine if pay at the Corporation was fair and reasonable. The data were not used to set pay at the Corporation at a particular percentile relative to executive pay reported in the Peer Group or Survey Group.

After hearing the consultant s report and reviewing the Corporation s performance for 2006, a discussion regarding the performance of each member of the executive management team occurred between members of the Committee, the CEO and the Senior Vice President for Human Resources. The CEO made recommendations to the Committee for base salaries, equity awards and performance bonuses for other NEOs. As a result of this process, base salaries and equity awards for 2007, which are reported in the tables that follow, were set.

With respect to the base salary of the NEOs, the Committee considered the current salaries of each NEO, the extent to which an NEO had taken on additional responsibilities during 2006 or was expected to take on additional responsibilities in 2007, and based on internal pay equity made subjective adjustments as it determined appropriate. The adjustments made for each NEO are discussed in the Decisions Made section that follows.

The process for granting 2007 equity awards began with an evaluation of the Corporation s total equity budget. The Corporation has a policy of setting an annual equity budget of no more than two percent of the Corporation s common stock outstanding as an appropriate allocation of shareholders equity to the workforce. At December 31, 2006, 410.6 million shares were outstanding. For 2007, the Corporation s annual equity budget was 8.1 million shares.

The Corporation s annual equity grants generally are divided equally among management and rank-and-file employees. In 2007, total grants covering approximately 4.2 million shares were made to management employees. Grants were not made to rank-and-file employees because the Corporation signed the merger agreement with the J.C. Flowers investor group, which prohibited equity grants prior to the scheduled time for making the rank-and-file employee grants.

The 4.2 million shares allocated to the management group were further allocated across each officer level. The allocation was based on the amount of responsibility and risk associated with each officer level and the number of individuals in each officer level. The allocation resulted in a grant guideline that the Committee followed to determine actual awards. The grant guideline for stock options awards for the NEOs was 25,000 options. The grant guideline for performance stock was 6,500 shares. Disclosure about whether an NEO was granted more or less than the grant guideline and why is in the Decisions Made section that follows.

In January 2007, the Committee established the 2007 performance bonus plan (the 2007 Bonus Plan), in conjunction with the Board of Directors approval of the 2007 annual business plan. The 2007 Bonus Plan was established under the shareholder-approved SLM Corporation Incentive Plan.[5] All members of management, approximately 950 employees, were eligible to participate in the 2007 Bonus Plan.

[4] Sixty-six companies in the financial services industry with assets greater than $50 billion comprise the Survey, which is a Towers Perrin executive compensation database. These companies include banks, insurance companies, payment processors, federally-chartered financial institutions and money managers. The Corporation purchases this survey data from Towers Perrin and Towers Perrin is not retained by the Corporation as a compensation consultant.

[5] In order to allow for tax deductibility of bonuses paid to the NEOs, the 2007 Bonus Plan set the achievement of positive core earnings net income and a maximum bonus that may be earned by any individual in a given year. The maximum individual bonus is the lesser of $5 million and one percent of the Corporation s core earnings net income for the year ($560 million for 2007). The Committee then used its discretion and paid bonuses less than that amount.

This tax-planning tool has been used since 1997 and frees the Committee to make decisions that it believes are appropriate from a business perspective, rather than decisions that are constrained or limited by the tax code.

At the time the original 2007 Bonus Plan was established, key measures for corporate success, which were adopted as performance metrics for the 2007 Bonus Plan, were determined to be:

- Growth in core earnings earnings per share;
- Growth in loan acquisitions;
- Growth in fee income;
- Expense management; and
- Student loan spread, before loan loss provision

These metrics were considered by management and the Board to be key operating drivers that reflect management s performance. Management reported these, and other business drivers, at the conclusion of each calendar quarter in the Corporation s earnings releases. Year-to-date performance as measured against the 2007 Bonus Plan was presented to the officers of the Corporation at semi-annual meetings and to the Compensation Committee throughout the year.

The purposes of establishing the 2007 Bonus Plan and communicating results against the Plan were to: 1) inform all management employees about the performance of the Corporation as a whole; 2) unite the workforce around common goals; and 3) set expectations about the level of bonus compensation that might be made at year end. As with past years, the 2007 Bonus Plan was not used to determine individual bonuses. Instead, individual bonuses were determined based primarily on individual performance, in the context of the extent to which the 2007 Bonus Plan targets were met.

The announcement of the merger agreement with the J.C. Flowers investor group had a significant impact on the Corporation s business, primarily its student loan spread. To respond to this, the Compensation Committee modified the 2007 Bonus Plan to take into account the expenses of the transaction and the importance of closing the transaction.

Throughout the year, directors had contact with members of the executive management team at one-on-one meetings to prepare for Board and Committee meetings, at Board and Committee meetings themselves, investor conferences, other corporate events, and on an ad hoc basis, as directors sought information from or gave guidance to members of management. This contact enabled directors to observe first hand the communication, analytical and leadership skills of the management team. Also, each regularly scheduled Board meeting included a session with the CEO during which time the CEO discussed the challenges of the business and how members of the management team were addressing the challenges. These sessions were followed by executive sessions of the independent directors, during which independent Board members discussed among themselves the CEO s performance. These interactions served to inform the Compensation Committee when they approached pay decisions in January 2008.

Two Compensation Committee meetings were held in January 2008, just as they had been in January 2007. At the first meeting in early January 2008, the Committee heard a report from its consultant on executive pay for the Peer Group and Survey Group. Final year-end results against the 2007 Bonus Plan were reported and discussed. A discussion occurred between the Committee, the CEO and the Senior Vice President for Human Resources regarding individual performance. A second meeting was held nine days later, at which time the Committee, among other things, awarded bonuses based on performance in 2007, which are reported in the tables that follow. As explained above, the Compensation Committee did not use the final 2007 Bonus Plan score, 34 percent out of a possible 100 percent, to make individual pay decisions. Rather, the Committee used this information to understand how well the management team performed against the 2007 Bonus Plan and to determine, in general, how large the bonuses should be in relation to the award guidelines for superior performance.

Decisions Made

Key considerations of each NEO s individual performance and how that performance resulted in pay decisions are as follows.

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Mr. Lord. Executive compensation decisions regarding Mr. Lord were out of the ordinary course of business and reflected the unique situation in which the Corporation found itself in the fourth quarter of 2007. There was uncertainty as to whether the transaction with the J.C. Flowers investor group would close. The credit markets were tightening. The impacts of the passage of the College Cost Reduction and Access Act of 2007 were being felt. A significant restructuring of the executive management team was underway. Given the circumstances, the Board of Directors believed it was imperative to re-engage Mr. Lord in the full-time management of the Corporation in the event the Flowers transaction did not close.

After consultation with the Board of Directors and Semler Brossy, the Compensation Committee set Mr. Lord s base salary at $250,000 per month and granted him 4.5 million stock appreciation rights. The Committee determined this to be appropriate compensation in light of the complexity of the situation and the possibility that the arrangement would be short-term, terminating at the close of the Flowers transaction. The uncertainty of the outcome of the Flowers transaction and the immediate need for a change in executive leadership overrode corporate tax and accounting goals that the Committee typically achieves in the Corporation s compensation program.

Two months later, the Flowers transaction had been terminated, public equity offerings had been executed, stabilizing the capital position of the Corporation, and the Board appointed a new Chairman. As the Corporation s situation had somewhat stabilized, the Compensation Committee normalized Mr. Lord s compensation. Mr. Lord s base salary was adjusted to $105,000 per month, an amount the Committee determined to be fair and reasonable based on Mr. Lord s responsibilities and experience, and he became eligible for a performance bonus of up to four times base salary. Mr. Lord tendered back to the Corporation the equity-based award and it was cancelled.

Mr. Andrews. In January 2007, Mr. Andrews base salary was set at $475,000 for his responsibilities as Chief Financial Officer. This base salary was in the lower one-half of his peer group and consistent with the Committee s philosophy of paying lower than market base salaries. In recognition of the responsibilities of the Chief Financial Officer and Mr. Andrews position as the second in command to the CEO, he received equity awards that were above the grant guidelines for executive vice presidents. Mr. Andrews received 40,000 stock options and 8,000 shares of performance stock.

During 2007, Mr. Andrews experienced an unusual year. He stepped up at a very difficult time and assumed the role of chief executive officer upon Mr. Fitzpatrick s departure in May 2007. The Corporation reported lower than expected financial results for the first quarter. Day-to-day operation of the Corporation was subject to covenants in the merger agreement with the J.C. Flowers investor group. Due diligence activity requested by the investor group added to management s responsibilities. Mr. Andrews met the challenges of working towards closing the transaction and running the business, at the same time. He accomplished this with the understanding that his future employment with the new owners was uncertain.

In recognition of Mr. Andrews assumption of the CEO duties, the Compensation Committee increased his annual base salary from $475,000 to $750,000 and set his bonus guideline at 3.3 times his base salary for the portion of the year that he served as CEO. Also, in recognition of the fact that his future as chief executive officer under the new owners was uncertain, the Compensation Committee enhanced his severance benefit upon a change in control.

In January 2008, the Compensation Committee awarded Mr. Andrews a performance bonus of $900,000 based on a revised target award of $1,700,000 for 2007, reflecting both his duties as Chief Financial Officer from January to May and as CEO from May to mid-December and the performance of the Corporation.

Mr. Fitzpatrick. Payments made to Mr. Fitzpatrick during 2007 were pursuant to the terms of the employment agreement entered into on May 19, 2005. This agreement is described on pages 28 and 39 of this proxy statement. No decisions were made in 2007 regarding compensation reported in this proxy statement.

Ms. McCormack. Ms. McCormack resigned her position as an executive officer in December 2007. Had Ms. McCormack been an executive officer at December 31, 2007, she would have been one of the highest paid executive officers in the Corporation, and, therefore, her compensation is reported in this proxy statement. Based on contributions she made throughout the year and negotiations in connection with her separation from the Corporation, her bonus for 2007 was $300,000, compared to $500,000 in 2006.

Mr. Moehn. Mr. Moehn resigned his position as an executive officer in December 2007. Had Mr. Moehn been an executive officer at December 31, 2007, he would have been one of the highest paid executive officers in the Corporation, and, therefore, his compensation is reported in this proxy statement. Based on contributions he made throughout the year and negotiations in connection with his separation from the Corporation, his bonus for 2007 was $285,000, compared to $425,000 in 2006.

Mr. Autor. In January 2007, the Committee set Mr. Autor s base salary at $350,000, below the median for the peer group and consistent with internal pay equity for executive vice presidents with similar levels of responsibilities. He was awarded equity grants slightly below the grant guideline, based on his level of responsibility at the end of 2006, which included management of the information technology division and corporate procurement, as well as leadership of the federal student loan consolidation line of business.

For most of 2007, Mr. Autor continued to be responsible for management of the information technology division and also became responsible for overseeing the call center division and corporate marketing. In December, upon the departure of several executives, including Ms. McCormack and Mr. Moehn, Mr. Autor s responsibilities were significantly increased to include originations, servicing, school implementations, technical sales, lender sales and the guarantor services line of business. He was awarded a bonus of $400,000 for 2007 that reflected his high level of performance but also the shortfall in the Corporation s overall performance.

Mr. Feierstein. In January 2007, Mr. Feierstein was promoted to senior vice president, with responsibility over private credit loan products. His base salary was set at $235,000, based on internal pay equity, his brief tenure with the Corporation and in his position. His equity awards were above the grant guidelines for senior vice presidents in recognition of the key revenue raising and risk management responsibilities of his new position.

Upon the departure of several executives in December 2007, he was appointed to lead the sales and marketing functions of the Corporation. In light of the increased contributions as a senior officer during 2007, Mr. Feierstein was awarded a bonus of $350,000, compared to $150,000 as a Vice President in 2006.

Mr. Lavet. In January 2007, the Committee set Mr. Lavet s base salary at $300,000, below the median for the peer group and consistent with internal pay equity for senior vice presidents with similar levels of responsibilities. He was awarded equity grants above the grant guidelines for senior vice presidents due to the level of risk and responsibilities of the general counsel position.

During 2007, Mr. Lavet was actively involved in three major initiatives: managing the Corporation s legal affairs while the J.C. Flowers investor group transaction was pending, the legislative process to re-authorize the federal student loan program, and federal and state investigations of the student lending industry. Mr. Lavet performed at a high level under the circumstance of uncertainty about his future employment under new ownership.

In evaluating Mr. Lavet s performance for the year, the Compensation Committee awarded him a regular performance bonus of $400,000, along with a special bonus of $150,000 for a total award of $550,000. In making this award, the Committee recognized the extraordinary legal challenges and external scrutinies which were skillfully responded to by Mr. Lavet and the legal team.

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Other Information

The following information outlines the objectives of the Corporation s executive compensation program and the individual elements of compensation that comprise the program.

Objectives of the Corporation s executive compensation program

The primary objective of the Corporation s executive compensation program is to drive corporate performance. Other objectives of the program are to: align the interests of executives with shareholders; attract and retain executives; offer competitive levels of total compensation; and recognize length of service with the Corporation.

The program rewards individual performance, in the context of the extent to which the goals of the annual performance bonus plan are achieved and share price performance is sustained.

Objectives of the elements of compensation

The executive compensation program includes seven elements of pay. Each element and the reason the Corporation pays the element is listed below.

Base salaries: The Corporation pays base salaries to attract and retain talented employees.

Annual performance bonuses: Annual performance bonuses are paid to reward individual performance, in the context of the extent to which the goals of the annual corporate performance plan are achieved.

Equity awards: Grants of equity awards are made to members of the executive management team and generally extend throughout the workforce. The Corporation makes equity awards to align shareholder and employee interest and to link pay to long-term corporate performance.

Retirement benefits: The Corporation offers a defined contribution savings program[6] and a defined benefit retirement program, which is being eliminated.[7] Individually negotiated retirement arrangements were in place with three NEOs, Messrs. Fitzpatrick and Andrews and Ms. McCormack. The Corporation provides retirement benefits to be competitive in the employment marketplace, to take advantage of corporate and individual tax benefits, and to assist NEOs in individual retirement planning.

Severance benefits: With the exception of the Change in Control Severance Plan described below, there are no formal severance arrangements for NEOs, with the exception of Mr. Fitzpatrick. In the event of involuntary terminations of other NEOs, severance arrangements are negotiated on a case-by-case basis.

The Change in Control Severance Plan applies to officers at the level of Senior Vice President and above. The plan is designed to reduce the possibility that executives might preemptively seek jobs at other corporations and to retain executives through the finalization and integration of a change in ownership of the Corporation, providing for continuity of management in the event of a change in control.

Upon a change in control, as defined in the plan, all outstanding and unvested equity awards held by participants become vested and non-forfeitable. If termination of employment for reasons defined in the plan occurs within 24 months of a change in control of the Corporation, the participant is entitled to receive a lump sum cash payment equal to two times his or her base salary and annual

[6] The Corporation s defined contribution savings program provides for contributions to tax-deferred, savings-style accounts from both the Corporation and employees. A tax-qualified plan and a non-qualified plan comprise the program. The investment risk of the program is born by employees.
[7] The Corporation s defined benefit retirement program is funded solely by corporate contributions. A tax-qualified plan and a non-qualified plan comprise the program. The Corporation bears the investment risk of this program.

performance bonus. A participant will also be entitled to receive a pro-rated portion of his or her target annual performance bonus for the year in which the termination occurs, as well as continuation of medical insurance benefits for a two-year period.

Opportunity to defer compensation: The Corporation offers management employees, including the NEOs, the opportunity to defer payment of a portion of their compensation into a non-qualified deferred compensation plan. The Corporation provides this benefit to be competitive and to assist management employees in their retirement planning.

Non-cash benefits: Non-cash benefits are provided in the form of charitable contributions for certain charitable gifts, coverage for out-of-pocket medical expenses under the Corporation s medical plan, an annual executive physical exam, and financial planning assistance. The Corporation also provided housing and automobile benefits to Mr. Fitzpatrick. The charitable gift program promotes the Corporation s community and business reputation.

The Corporation also provides benefit programs that are available to all full-time employees on the same terms and conditions, such as medical and dental benefits, life insurance, disability insurance and an employee stock purchase plan. Because these benefits are not a component of our executive compensation program, these benefits are not described in this CD&A.

Role of each element of compensation relative to the Corporation s overall compensation objectives and other elements

Seven elements of pay comprise the executive compensation program. How each of the seven elements of pay described above serves the Corporation s overall compensation objectives and how each element relates to other elements is described below.

Base salaries: Base salaries fit the compensation program objective of providing competitive pay as well as motivating and rewarding performance. Decisions about base salaries have an impact on the amount of retirement and cash severance benefits due to the NEOs because retirement and cash severance benefits are calculated by reference to base salaries. Since retirement and cash severance benefits are below the competitive median, the Committee does not re-visit the retirement and cash severance benefit programs each time base salaries are adjusted.

Annual performance bonuses: Annual performance bonuses fit the objective of pay for performance. Like base salaries, annual performance bonuses impact retirement and cash severance benefits. Since retirement and cash severance benefits are not significant in amount, the Committee does not re-visit these benefits each time annual performance bonuses are awarded.

Equity awards: Equity awards fit the objective of pay for performance. Equity awards do not impact retirement benefits. Equity awards vest upon certain termination of employment events, as explained in the Potential Payments upon Termination or Change in Control table in this proxy statement. Otherwise, unvested equity awards do not vest upon retirement.

Retirement benefits: Retirement benefits fit the objectives of providing competitive compensation and recognizing tenure. The Corporation does not emphasize retirement benefits. In May 2004, the Corporation determined to discontinue benefit accruals under the defined benefit retirement program on a phased-out basis, with the final phase-out set for July 1, 2009. At the same time, the maximum corporate contribution to the Corporation s defined contribution savings program was to be increased from six to eight percent of pay.

The Corporation s decision to end the accrual of benefits under the defined benefit retirement program is consistent with the compensation program s lack of emphasis on risk-free or safety-net pay.

Severance benefits: Severance benefits are, generally, individually negotiated at the time of severance and are tied to equity awards, base salary and annual performance bonuses. The Change in Control Severance plan meets the objective of retaining executives through the negotiation and implementation of a change in ownership of the Corporation. Mr. Fitzpatrick s severance arrangement also met the goal of securing his services as CEO in 2005, when his employment agreement was negotiated.

Opportunity to defer compensation: This benefit meets the objective of providing competitive compensation. The deferred compensation plan relates to other elements of pay in that base salary, annual performance bonuses, and performance stock may be deferred. The plan is considered a tax-planning strategy for executives, not a benefit provided by the Corporation. The Corporation does not make contributions to the deferred compensation plan or pay above market rates of return. The compensation expense of investment earnings that accrue under the plan is offset by a hedging investment strategy.

Non-cash benefits: Non-cash benefits fit the objective of providing competitive compensation. Decisions about *non-cash benefits* do not impact other pay.

Share ownership guidelines

The Corporation has share ownership guidelines for non-employee members of the Board of Directors and for officers at the level of Senior Vice President and above. Non-employee members of the Board are expected to own at least 15,000 shares of the Corporation s common stock. All of the non-employee board members meet this guideline.

The ownership guidelines for officers, which are expected to be achieved over a five-year period, are:

Title	**Guideline**
Chief Executive Officer	10 x Base Salary
Executive Vice President	5 x Base Salary
Senior Vice President	3 x Base Salary

The guidelines encourage continued ownership of a significant amount of the Corporation s common stock acquired through *equity awards*, tying stock-based compensation to the Corporation s objective of encouraging ownership.

The following shares and share units count towards the ownership guidelines: shares held in brokerage accounts; vested shares credited to deferred compensation accounts; shares credited to qualified retirement plan accounts; performance stock and performance stock units that vest upon the achievement of performance goals *count* upon vesting; on an after-tax basis, restricted stock and RSUs that vest solely upon the passage of time count upon grant; and on an after-tax basis, the extent to which vested stock options are in-the-money.

At February 29, 2008, one of the NEOs satisfied the ownership guidelines.

Equity grant practices

The Corporation grants stock options upon the following circumstances: annually, on a performance basis to eligible officers and employees (Annual Option Grants); upon initial hire; officer promotions; and acquisitions (Event Driven Option Grants).

Annual Option Grants: With the exception of Mr. Lord s 2007 grant, which was made upon the Board s decision to appoint him as Executive Chairman, all management Annual Grants were made at the regularly-scheduled January Committee meeting in conjunction with annual performance evaluations of the management team. In the case of all management Annual Grants, the grant price is equal to the Corporation s closing stock price on the date of the applicable meeting.

Until 2006, rank-and-file Annual Grants were made at year-end or at the conclusion of the Corporation s annual peak loan processing season. In all of these cases, the grant price was equal to the Corporation s closing stock price on the grant date. For 2006, options were granted in conjunction with annual performance reviews for the rank-and-file employees. The grant price was the Corporation s closing stock price the first trading day following the Corporation s effective date for merit reviews. A rank-and-file grant was not made in 2007 due to restrictions in the merger agreement with the J.C. Flowers investor group.

Event Driven Option Grants: In the case of Event Driven Grants, the grant price is equal to the Corporation s closing stock price on the date of the event. With regard to business acquisitions, the grant date for options is the date of the close of the acquisition.

Documentation of Option Grants: The Compensation Committee has authority to grant options under the plans. In certain cases, the Committee has delegated grant-making authority to a Plan Subcommittee. The Plan Subcommittee is currently comprised of Mr. Lord, in his role as Vice Chairman of the Board. An explanation of the types of grants made by the Compensation Committee and the Plan Subcommittee and the documentation process for each follows.

Grants by the Committee: The Compensation Committee makes the Annual Grant to all management employees and new hires and promotion grants to employees at the Senior Vice President level and above. The Compensation Committee makes these grants pursuant to its responsibilities to set executive management pay and in order to preserve the tax deductibility of option compensation.

Grants by the Subcommittee: The Plan Subcommittee makes grants typically in three situations: the Annual Grant to rank-and-file employees, upon acquisitions, and upon new hires and promotions below the Senior Vice President level. In all cases, the Plan Subcommittee has been previously authorized by the Compensation Committee to make these grants. This process is designed to use the regularly-scheduled meetings of the Compensation Committee for consideration of equity grants and to avoid the need to call interim Committee meetings for actual documentation of the grant.

Performance Stock Awards: The Committee typically awards performance stock at a regularly-scheduled January Committee meeting in conjunction with annual performance evaluations of the management team. Performance stock is granted based on the Corporation s closing stock price on the date of the applicable meeting.

Compensation and Personnel Committee Report

The Compensation and Personnel Committee of the Board of Directors has reviewed the Compensation Discussion and Analysis and discussed that Analysis with management. Based on its review and discussions with management, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Corporation s Annual Report on Form 10-K for 2007 and the Corporation s 2008 proxy statement.

Compensation and Personnel Committee
Earl A. Goode, Chairman
Diane Suitt Gilleland
Barry A. Munitz
Wolfgang Schoellkopf
Steven L. Shapiro

SUMMARY COMPENSATION TABLE

The table below summarizes certain information on compensation awarded to, earned by or paid to each of the NEOs for the fiscal year ended December 31, 2007. For those individuals who were also NEOs in 2006, compensation information for the year ended December 31, 2006 is included. For Mr. Lord s compensation prior to serving as CEO, see Director Compensation.

and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Stock Awards ($)(1)**	**Option Awards ($)(2)**	**Change in Pension Value ($)(3)**	**All Other Compensation ($)(4)**	**Tot ($**
L. Lord *pal Executive Officer* *ber 14 to December 31*	2007	$519,104	$0	$0	$587,275	542,631	$13,010	$1,66
ndrews *pal Financial Officer* *pal Executive Officer*	2007	629,711	900,000	310,743	262,617	130,241	92,547	2,32
2 to December 13	2006	400,043	360,000	370,018	202,936	136,661	88,984	1,55
s J. Fitzpatrick *pal Executive Officer* *y 1 to May 21*	2007	320,192	945,000	6,830,942	14,962,234	715,945	3,360,754	27,13
	2006	750,000	1,500,000	7,811,931	5,961,728	413,578	191,238	16,62
S. Autor *ive Vice President*	2007	349,039	400,000	367,991	163,017	44,441	33,691	1,35
. Feierstein *Vice President*	2007	234,451	350,000	61,493	188,763	0	24,471	85
S. Lavet *Vice President*	2007	300,000	550,000	311,714	135,517	57,143	31,787	1,38
I. McCormack *ive Vice President* *h December 11*	2007	424,038	300,000	677,743	292,025	893,475	3,059,823	5,64
	2006	400,088	300,000	531,599	289,716	254,150	59,370	1,83
F. Moehn *ive Vice President* *h* *ber 12*	2007	350,000	285,000	623,093	744,062	14,713	1,581,566	3,59
	2006	348,077	255,000	458,218	356,283	64,055	45,069	1,52

(1) Amounts disclosed as Stock Awards are the sum of the dollar amounts recognized for financial statement reporting purposes with respect to 2007 in accordance with FAS 123R (the Financial Accounting Standards Board s Statement of Financial Accounting Standard s No. 123(R), Share-Based Payment, FAS 123R Expense),

without regard to estimation of forfeitures, for two types of Stock Awards: Performance Stock Awards and RSUs. The fair value of performance stock awards is estimated on the date of grant based on the market price of the stock and is amortized to compensation cost on a straight-line basis over the related vesting periods. The chart below shows the 2007 FAS 123R Expense for each type of Stock Award.

Name	**Performance Stock Expense ($)(A)**	**RSU Expense ($)(B)**	**Total ($)**
Lord	$0	$0	$0
Andrews	310,743	0	310,743
Fitzpatrick	250,367	6,580,575	6,830,942
Autor	367,991	0	367,991
Feierstein	61,493	0	61,493
Lavet	311,714	0	311,714
McCormack	677,743	0	677,743
Moehn	623,093	0	623,093

(A) The FAS 123R Expense for Performance Stock Awards equals the sum of the amortized expense for 2007 for Performance Stock Awards granted in 2003, 2004, 2005, 2006 and 2007. Shares granted in 2007 as Performance Stock Awards are disclosed in the Equity Incentive Plan Awards column of the Grants of Plan-Based Awards table in this proxy statement. The grant date fair value of Performance Stock Awards granted in 2007 is disclosed in the Grant Date Fair Value of Stock and Option Awards column of the table. The terms of the Performance Stock Awards granted in 2007 are described in footnotes to the table.

(B) The FAS 123R Expense for RSUs equals the sum of the amortized expense for 2007 for RSUs granted each year from 2002 through 2007. The number of RSUs granted in 2007 is disclosed in the All Other Stock Awards column of the Grants of Plan-Based Awards table. The terms of the RSUs granted in 2007 are described in footnotes to the table.

(2) Amounts disclosed as Option Awards are the sum of the dollar amounts recognized for financial statement reporting purposes with respect to 2007 in accordance with FAS 123R Expense, without regard to estimation of forfeitures, of stock options granted in 2005, 2006 and 2007. Information on grant date fair value, applicable assumptions applied in valuing awards, and service period over which the FAS 123R Expense is recognized by the Corporation is reported in the table below:

Option Grant	Grant Date Fair Value ($)	Expected Term (years)	Risk-Free Interest Rate (%)	Expected Volatility (%)	Expected Dividend Rate (%)	Derived Service Period (years)
2007 Lord	$ 1.83[9]	2.45	3.29%	38.43%	0.00%	1.258 years at $52/share 1.278 years at $53/share 1.298 years at $54/share 1.321 years at $55/share 1.337 years at $56/share 1.357 years at $57/share 1.373 years at $58/share 1.385 years at $59/share 1.397 years at $60/share
2007 Fitzpatrick	$ 7.67	3	4.91%	21.08%	2.20%	2.35 years
2006 Fitzpatrick	$ 11.47	4	4.49%	21.33%	1.58%	2.35 years for one-third 3.35 years for two-thirds
2005 Fitzpatrick	$ 9.02	3.3	3.92%	21.66%	1.52%	3.21 for one-third 4.21 years for two-thirds
2006 Feierstein (9/22 Grant)	$ 8.56	3.19	4.58%	19.68%	1.94%	1.135 years
2005 Lavet (11/1 Grant)	$ 9.84	3.23	4.46%	21.83%	1.65%	1.0 year
2006 Moehn (11/20 grant)	$ 7.78	3.19	4.65%	19.82%	2.12%	1.0 year
2007 Other NEOs	$ 7.90	3.19	4.88%	21.08%	2.20%	1.337 years
2006 Other NEOs	$ 9.80	3.17	4.47%	20.39%	1.58%	1.123 years

2005 Other NEOs	$ 8.84	3.3	3.50%	21.45%	1.50%	1.123 years

(3) Amounts disclosed as Change in Pension Value are the aggregate change in the actuarial present value of the NEOs accumulated benefits under all defined benefit pension plans and arrangements (tax-qualified and non-qualified) from December 31, 2006 to December 31, 2007, using the assumptions disclosed on page F-70 of the Form 10-K. The Corporation does not pay any above market earnings on non-qualified deferred compensation plans.

(4) The components of All Other Compensation are as follows:

Name	Employer Contributions To Defined Contribution Plans[(B)]	Gifts to Charities (C)	Medical Benefits (D)	Personal Benefits Housing (E)	Auto (F)	Financial Planning (G)	Tax Gross-up on Financial Planning Benefit[(H)]	Severance (I)	Total ($)
Lord[(A)]	$ 12,692	$ 0	$ 318	$ 0	$ 0	$ 0	$ 0	$ 0	$ 13,010
Andrews	58,588	24,460	3,821	0	0	3,850	1,828	0	92,547
Fitzpatrick	58,688	56,000	3,821	10,437	9,992	5,550	4,052	3,212,214	3,360,754
Autor	21,051	6,375	3,821	0	0	1,700	744	0	33,691
Feierstein	18,000	2,186	3,821	0	0	305	159	0	24,471
Lavet	18,066	9,900	3,821	0	0	0	0	0	31,787
McCormack	25,618	9,832	3,821	0	0	0	0	3,020,552	3,059,823
Moehn	58,588	1,800	3,821	0	0	4,900	2,327	1,510,130	1,581,566

(A) Amounts contributed under the Corporation s charitable gift program are disclosed in the director compensation table.

(B) Amounts credited to the Corporation s tax-qualified defined contribution and non-qualified defined contribution plans.

The combination of both plans provides NEOs with a two percent employer contribution and up to a six percent charitable contribution on base salary and annual performance bonus, up to total covered compensation of $725,000, with the exception of Ms. McCormack, who was provided up to a six percent charitable contribution on total annual base salary.

(C) Amounts contributed under the Corporation s charitable gift program to charitable organizations. Under the charitable gift program in place in 2007, the Corporation contributed two dollars for each dollar contributed by a NEO (as well as all other officers of the Corporation) to post-secondary educational institutions, up to a total contribution by the Corporation of $25,000 per year. The Corporation contributed one dollar for each dollar contributed to a primary or secondary educational institution, or a civic, community, health or human service organization, up to a total

[9] Fair value at end of reporting period due to variable accounting treatment for liability-classified awards.

contribution by the Corporation of $10,000 per year. The Corporation contributed one dollar for each dollar contributed to an arts or cultural organization, the United Way, or a federated campaign, up to a total contribution by the Corporation of $5,000 per year. Notwithstanding the above limits for each category, aggregate charitable contributions by the Corporation are limited to $25,000 per officer in any single plan year. Messrs. Lord and Fitzpatrick participated in the director s charitable gift program, which is described in the Director Compensation section of this proxy statement.

(D) Amounts paid for insurance premiums for medical expenses not covered by the Corporation s all-employee health care plan. This benefit is provided to officers at the level of Vice President and above.

(E) Incremental cost to the Corporation for providing a townhouse in Reston, Virginia, valued based on maintenance costs that include: real estate taxes, homeowner s insurance, neighborhood association fees, repairs and improvements, utilities, lawn and housekeeping services, and pest control. The increase in the value of the property exceeded the Corporation s cost of funds to finance the property. Accordingly, the Corporation did not incur any incremental financing cost due to its ownership of the property.

(F) Incremental cost to the Corporation for providing a vehicle. The costs include: annual lease payment, insurance, personal property taxes and maintenance.

(G) The Corporation provides an annual financial planning benefit of up to $5,000 for Senior Vice Presidents and above and up to $10,000 for the CEO. Amounts paid on behalf of each NEO are listed above.

(H) The amount paid for the financial planning benefit is imputed as income and grossed up for all taxes.

(I) Severance payments are disclosed in the Actual Payments Upon Termination of Employment table in this proxy statement.

GRANTS OF PLAN-BASED AWARDS

Name	**Grant Date**	**Equity Incentive Plan Awards: Number of Shares of Stock or Units (#)**	**All Other Stock Awards: Number of Shares of Stock or Units (#)**	**All Other Stock Awards: Number of Securities Underlying Options (#)**	**Exercise or Base Price of Option Awards ($/Share)**	**Grant Date Fair Value of Stock and Option Award (6)**
Lord	11/26/2007			4,500,000(1)	$ 46.00	$ 8,235,000
Andrews	1/25/2007	8,000(2)				363,280
	1/25/2007			40,000(3)	45.41	316,160
Fitzpatrick	1/25/2007		10,000(4)			454,100
	1/25/2007			300,000(5)	45.41	2,299,770
Autor	1/25/2007	6,000(2)				272,460
	1/25/2007			20,000(3)	45.41	158,080
Feierstein	1/25/2007	2,500(2)				113,525

	1/25/2007		20,000[3]	45.41	158,080
Lavet	1/25/2007	5,000[2]			227,050
	1/25/2007		20,000[3]	45.41	158,080
McCormack	1/25/2007	7,000[2]			317,870
	1/25/2007		30,000[3]	45.41	237,120
Moehn	1/25/2007	5,000[2]			227,050
	1/25/2007		20,000[3]	45.41	158,080

(1) Mr. Lord was granted stock appreciation rights (SARs). Mr. Lord tendered the SARs back to the Corporation on March 3, 2008, and the SARs were cancelled. At the time of grant, the key terms of the SARs were as follows. The exercise price for the SARs was $46.00 per share, a substantial premium to the closing price for the Corporation s common stock of $36.87 per share on the date of grant. Twenty percent of the SARs would vest upon the share price trading for 10 consecutive days at $52.00 per share, 100 percent of the SARs would vest upon the share price trading for 10 consecutive days at $60.00 per share, and vesting would have been interpolated on a straight line basis if the share price traded for 10 consecutive days between $52.00 per share and $60.00 per share. If the share price targets were reached due to the announcement of an acquisition of the Corporation, vesting of the SARs would have been deferred until such an acquisition was consummated. To the extent the SARs were not vested by November 26, 2009, the SARs would have been forfeited. Once vested, SARs would have been exercisable over a 1-year period. The SARs did not vest upon termination of employment or upon a change in control of the Corporation.

(2) NEOs other than Messrs. Lord and Fitzpatrick were granted performance stock. Up to 25 percent of the performance stock vest upon the later of the first anniversary of the grant date and the date that the Corporation announces its 2007 fiscal year results and the number of shares vesting will be based on the extent to which the Corporation achieves its core earnings net income business plan target for the 2007 fiscal year of $1.269 billion; up to 25 percent vest upon the later of the second anniversary of the grant date and the date that the Corporation announces its 2008 fiscal year results and the number of shares vesting will be based on the extent to which the Corporation achieves its core earnings net income business plan target for the 2008 fiscal year; and up to 50 percent, plus any performance stock that remains unvested under the 2007 and 2008 vesting targets, vest upon the later of the third anniversary of the Grant Date and the date that the Corporation announces its 2009 fiscal year results and the number of shares vesting will be based on the extent to which the Corporation achieves its core earnings net income business plan target for the 2009 fiscal year, as established by the Compensation and Personnel Committee in that year. The extent of vesting of performance stock based on under achievement of the 2007 and 2008 core earnings net income business plan targets and the extent of vesting of any remaining unvested performance stock based on under or over-achievement of the 2009 core earnings net income business plan target will be interpolated on a straight-line basis. For example, if 90 percent of the target is achieved, 90 percent of the performance stock eligible to become vested will vest. Shares of unvested performance stock are forfeited upon the executive s termination of employment; however, unvested performance stock vests upon death, disability, job abolishment or change in control of the Corporation. Cash dividends are paid on unvested performance stock at the same time and in the same amount as dividends are declared on the Corporation s common stock.

(3) NEOs other than Messrs. Lord and Fitzpatrick were granted these options that vest upon Sallie Mae s common stock price reaching a closing price equal to or greater than 120% ($54.49) of the grant price for five days, but no sooner than 12 months from the grant date. The options vest on the eighth anniversary of their grant date so that the Corporation may use the Black-Scholes model to calculate fair value under FAS 123R. The options vest upon death, disability, job abolishment or change in control of the Corporation. The options have a 10-year term and a grant price equal to the closing price of the Corporation s common stock on the date of grant of the options.

(4) Pursuant to his employment agreement, Mr. Fitzpatrick was granted 10,000 RSUs. As reported in the Option Exercises and Stock Vested table, these RSUs vested in 2007 due to Mr. Fitzpatrick s termination of employment. The vesting schedule at the time of grant was as follows. The RSUs would vest on May 31, 2008 based on continuous employment, but vested shares would be subject to a hold until retirement provision. The RSUs would vest upon death, disability, change in control of the Corporation, termination by Mr. Fitzpatrick for good reason or termination by the Corporation without cause. Dividends would be credited at the same time and in the same amount as dividends would be declared on the Corporation s common stock, but would be subject to the same deferred delivery applied to shares issuable under the RSUs.

(5) Pursuant to his employment agreement, Mr. Fitzpatrick was granted options on 300,000 shares of SLM common stock. As reported in the Option Exercises and Stock Vested in Fiscal 2007 table, these options became vested in 2007 due to Mr. Fitzpatrick s termination of employment. The options have a 10-year term and a grant price equal to the closing price of SLM common stock on the date of grant of the options. The options may be exercised through their 10-year term. At grant, the terms of the options provided that the options would vest upon the Corporation s common stock price reaching a closing price equal to or greater than $56.76 for five trading days, but the options would not be exercisable until May 31, 2009. In any event, the options would vest on the eighth anniversary of their grant date so that the Corporation was able to use the Black-Scholes model to calculate fair value under FAS 123R. Also, the options would have vested upon death, disability, change in control of the Corporation.

(6) The grant date fair market value for stock options granted in 2007 and the assumptions used to calculate this value are disclosed in footnote (2) to the Summary Compensation Table in this proxy statement.

NARRATIVE DISCUSSION OF COMPENSATION ARRANGEMENTS

Individually-negotiated compensation arrangements were in force during 2007 for four NEOs: Messrs. Lord, Andrews and Fitzpatrick and Ms. McCormack. A summary of each of these arrangements follows:

Mr. Lord. On November 26, 2007, the Corporation entered into an agreement with Mr. Lord to serve as Executive Chairman for a two-year period. Mr. Lord s compensation arrangement under that agreement was annual cash compensation of $3,000,000 and stock appreciation rights (SARs) covering 4.5 million shares of SLM common stock with an exercise price of $46.00, a substantial premium to the closing price for the Corporation s common stock on the date of grant of $36.87. The vesting provisions of the SARs , which are tied primarily to stock price appreciation, are disclosed in a footnote to the Grants of Plan-Based Awards table in this proxy statement. Mr. Lord was not eligible for incentive compensation under the Corporation s Incentive Compensation Plan, but was eligible to participate in the Corporation s other benefit programs on the same terms and conditions of other officers. On December 14, 2007, Mr. Lord assumed the role of Chief Executive Officer and Vice

Chairman of the Board of Directors. On January 31, 2008, Mr. Lord s compensation arrangement was modified by reducing his annual cash compensation to $1,250,000, granting him eligibility for participation in the 2008 Bonus Plan at the chief executive officer level and entitling him to a severance arrangement comparable to the arrangements provided to previous chief executive officers. On March 3, 2008, Mr. Lord tendered to the Corporation the SARs and the SARs were cancelled. On March 20, 2008, the term of Mr. Lord s agreement was extended to December 31, 2008.

Mr. Fitzpatrick. On May 19, 2005 the Corporation entered into an employment agreement with Mr. Fitzpatrick to serve as Chief Executive Officer. The term of the agreement was for the three-year period beginning June 1, 2005 and ending May 31, 2008. The agreement superseded the employment agreement entered into in January 2002 between the Corporation and Mr. Fitzpatrick as Chief Operating Officer.

The material terms of the employment agreement provided for grants of equity awards. A total of 2,300,000 stock options and 200,000 RSUs were granted under the agreement. The material terms of these equity awards are described in footnotes to the Grants of Plan-Based Awards table and the Outstanding Equity Awards at 2007 Fiscal Year End table in this proxy statement.

The employment agreement provided for payments and benefits upon Mr. Fitzpatrick s termination of employment. These are described in the Pension Benefits and to the Actual Payments Upon Termination of Employment table in this proxy statement.

Mr. Andrews. Mr. Andrews is entitled to two individually-negotiated benefits: a retirement benefit, which is disclosed in the Pension Benefits at 2007 Fiscal Year End table in this proxy statement and an enhanced cash severance benefit under the Change in Control Severance Plan for Senior Officers, which is disclosed in the Potential Payments Upon Termination or Change in Control table in this proxy statement.

Ms. McCormack. Ms. McCormack was entitled to an individually-negotiated retirement benefit. The present value of this benefit, $173,000, was paid to Ms. McCormack upon her termination of employment and is disclosed in the Actual Payments Upon Termination of Employment table in this proxy statement.

OUTSTANDING EQUITY AWARDS AT 2007 FISCAL YEAR-END

The table below sets forth information regarding options and stock awards that were outstanding as of December 31, 2007.

	Option Awards	**Stock Awards**	
	Number of	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares,**