

SLM CORP
Form 10-Q
November 08, 2010

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

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2010
- or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 001-13251

SLM Corporation

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

52-2013874

*(I.R.S. Employer
Identification No.)*

12061 Bluemont Way, Reston, Virginia

(Address of principal executive offices)

20190

(Zip Code)

(703) 810-3000

(Registrant's telephone number, including area code)

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

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

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

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

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

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

Class	Outstanding at October 31, 2010
Voting common stock, \$.20 par value	485,590,403 shares

SLM CORPORATION

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September 30, 2010

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EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

(1) Definitions for capitalized terms used in this document can be found in the Glossary at the end of this document.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

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

	September 30, 2010	December 31, 2009
Assets		
FFELP Stafford and Other Student Loans (net of allowance for losses of \$120,386 and \$104,219, respectively)	\$ 46,026,138	\$ 42,978,874
FFELP Stafford Loans Held-for-Sale	20,655,561	9,695,714
FFELP Consolidation Loans (net of allowance for losses of \$68,880 and \$56,949, respectively)	79,911,599	68,378,560
Private Education Loans (net of allowance for losses of \$2,035,034 and \$1,443,440, respectively)	35,541,640	22,753,462
Investments:		
Available-for-sale	203,125	1,273,275
Other	913,986	740,553
Total investments	1,117,111	2,013,828
Cash and cash equivalents	5,875,510	6,070,013
Restricted cash and investments	5,837,546	5,168,871
Retained Interest in off-balance sheet securitized loans		1,828,075
Goodwill and acquired intangible assets, net	488,220	1,177,310
Other assets	10,653,449	9,920,591
Total assets	\$ 206,106,774	\$ 169,985,298
Liabilities		
Short-term borrowings	\$ 45,388,432	\$ 30,896,811
Long-term borrowings	153,003,935	130,546,272
Other liabilities	3,140,330	3,263,593
Total liabilities	201,532,697	164,706,676
Commitments and contingencies		
Equity		
Preferred stock, par value \$.20 per share, 20,000 shares authorized:		
Series A: 3,300 and 3,300 shares, respectively, issued at stated value of \$50 per share	165,000	165,000
	400,000	400,000

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Series B: 4,000 and 4,000 shares, respectively, issued at stated value of \$100 per share		
Series C: 7.25% mandatory convertible preferred stock; 810 and 810 shares, respectively, issued at liquidation preference of \$1,000 per share	810,370	810,370
Common stock, par value \$.20 per share, 1,125,000 shares authorized: 553,787 and 552,220 shares issued, respectively	110,758	110,444
Additional paid-in capital	5,127,313	5,090,891
Accumulated other comprehensive loss (net of tax benefit of \$25,386 and \$23,448, respectively)	(44,159)	(40,825)
Retained earnings (loss)	(122,565)	604,467
Total SLM Corporation stockholders' equity before treasury stock	6,446,717	7,140,347
Common stock held in treasury at cost: 68,011 and 67,222 shares, respectively	1,872,640	1,861,738
Total SLM Corporation stockholders' equity	4,574,077	5,278,609
Noncontrolling interest		13
Total equity	4,574,077	5,278,622
Total liabilities and equity	\$ 206,106,774	\$ 169,985,298

Supplemental information assets and liabilities of consolidated variable interest entities:

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

See accompanying notes to consolidated financial statements.

Table of Contents**SLM CORPORATION**

CONSOLIDATED STATEMENTS OF INCOME
(Dollars and shares in thousands, except per share amounts)
(Unaudited)

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

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

See accompanying notes to consolidated financial statements.

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

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

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8,995

(30,876)

(30,876)

(5

1,849,295 (67,159,075) 474,690,220 \$ 1,577,370 \$ 108,362 \$ 4,862,071 \$ (44,143) \$ 346,347 \$ (1,860,9

3,571,384 (67,774,802) 485,796,582 \$ 1,375,370 \$ 110,715 \$ 5,122,583 \$ (43,333) \$ 391,169 \$ (1,869,7

(494,947)

(71)

(732)

(23)

(2,875)

(1,224)

(14,688)

215,962

215,962

43

2,417

(2,883)

5,196

(236,005)

(236,005)

(2,8

3,787,346 (68,010,807) 485,776,539 \$ 1,375,370 \$ 110,758 \$ 5,127,313 \$ (44,159) \$ (122,565) \$ (1,872,6

See accompanying notes to consolidated financial statements.

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