

SLM CORP
Form 10-Q
November 04, 2011

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, 2011

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)

300 Continental Drive, Newark, Delaware

(Address of principal executive offices)

52-2013874

(I.R.S. Employer

Identification No.)

19713

(Zip Code)

(302) 283-8000

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(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer 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, 2011
Voting common stock, \$.20 par value	508,736,576 shares

SLM CORPORATION

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September 30, 2011

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SLM CORPORATION

CONSOLIDATED BALANCE SHEETS

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

(Unaudited)

	September 30, 2011	December 31, 2010
Assets		
FFELP Loans (net of allowance for losses of \$189 and \$189, respectively)	\$ 140,659	\$ 148,649
Private Education Loans (net of allowance for losses of \$2,167 and \$2,022, respectively)	36,157	35,656
Investments		
Available-for-sale	76	83
Other	1,351	873
Total investments	1,427	956
Cash and cash equivalents	3,523	4,343
Restricted cash and investments	5,847	6,255
Goodwill and acquired intangible assets, net	484	478
Other assets	9,447	8,970
Total assets	\$ 197,544	\$ 205,307
Liabilities		
Short-term borrowings	\$ 31,745	\$ 33,616
Long-term borrowings	156,810	163,543
Other liabilities	4,207	3,136
Total liabilities	192,762	200,295
Commitments and contingencies		
Equity		
Preferred stock, par value \$.20 per share, 20 million shares authorized:		
Series A: 3.3 million and 3.3 million shares, respectively, issued at stated value of \$50 per share	165	165
Series B: 4 million and 4 million shares, respectively, issued at stated value of \$100 per share	400	400
Common stock, par value \$.20 per share, 1.125 billion shares authorized: 529 million and 595 million shares issued, respectively	106	119
Additional paid-in capital	4,127	5,940
Accumulated other comprehensive loss (net of tax benefit of \$12 and \$26, respectively)	(20)	(45)
Retained earnings	315	309
Total SLM Corporation stockholders' equity before treasury stock	5,093	6,888
Common stock held in treasury at cost: 20 million and 68 million shares, respectively	319	1,876
Total SLM Corporation stockholders' equity	4,774	5,012
Noncontrolling interest	8	
Total equity	4,782	5,012
Total liabilities and equity	\$ 197,544	\$ 205,307

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Supplemental information assets and liabilities of consolidated variable interest entities:

	September 30, 2011	December 31, 2010
FFELP Loans, net	\$ 138,230	\$ 145,750
Private Education Loans, net	24,793	24,355
Restricted cash and investments	5,638	5,983
Other assets	3,112	3,706
Short-term borrowings	22,224	24,484
Long-term borrowings	136,831	142,244
Net assets of consolidated variable interest entities	\$ 12,718	\$ 13,066

See accompanying notes to consolidated financial statements.

SLM CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

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

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Interest income:				
FFELP Loans	\$ 858	\$ 885	\$ 2,584	\$ 2,568
Private Education Loans	609	611	1,813	1,751
Other loans	5	7	17	23
Cash and investments	4	8	14	19
Total interest income	1,476	1,511	4,428	4,361
Total interest expense	591	639	1,777	1,739
Net interest income	885	872	2,651	2,622
Less: provisions for loan losses	409	358	1,003	1,099
Net interest income after provisions for loan losses	476	514	1,648	1,523
Other income (loss):				
Gains on sales of loans and securities, net		1		7
Gains (losses) on derivative and hedging activities, net	(480)	(344)	(1,231)	(331)
Servicing revenue	95	93	286	314
Contingency revenue	84	84	248	252
Gains on debt repurchases		18	38	199
Other	1	(4)	25	7
Total other income (loss)	(300)	(152)	(634)	448
Expenses:				
Salaries and benefits	138	138	398	426
Other operating expenses	147	164	459	473
Total operating expenses	285	302	857	899
Goodwill and acquired intangible assets impairment and amortization expense	6	670	18	689
Restructuring expenses	1	10	6	53
Total expenses	292	982	881	1,641
Income (loss) from continuing operations, before income tax expense (benefit)	(116)	(620)	133	330
Income tax expense (benefit)	(46)	(126)	44	232
Net income (loss) from continuing operations	(70)	(494)	89	98
Income (loss) from discontinued operations, net of tax expense (benefit)	23	(1)	33	(15)
Net income (loss)	(47)	(495)	122	83
Preferred stock dividends	5	19	13	56

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Net income (loss) attributable to common stock	\$ (52)	\$ (514)	\$ 109	\$ 27
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Basic earnings (loss) per common share: