

SLM CORP
Form DEF 14A
April 07, 2009

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

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

SLM Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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**12061 Bluemont Way
Reston, Virginia 20190**

April 7, 2009

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
OF SLM CORPORATION
To Be Held On May 22, 2009**

To our Shareholders:

The 2009 Annual Meeting of Shareholders of SLM Corporation will be held at the Corporation's offices, 12061 Bluemont Way, Reston, Virginia 20190 on Friday, May 22, 2009 beginning at 11:00 a.m., local time. At the meeting, holders of the Corporation's common stock will consider and vote on the following matters:

Election of 16 directors for a term of one year and until their successors have been elected or appointed;

Adoption of an equity compensation plan for directors, the SLM Corporation Directors Equity Plan;

Adoption of an incentive plan for management and employees, the SLM Corporation 2009-2012 Incentive Plan;

Ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for 2009; 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 23, 2009 are entitled to vote at the meeting. If you wish to attend the meeting in person, you must bring evidence of your ownership as of March 23, 2009, or a valid proxy showing that you are representing a shareholder.

Your participation in the Annual Meeting is important. We urge you to take the time to read carefully the proposals described in the proxy statement and vote your proxy at your earliest convenience. You may vote by telephone, Internet or, if you request that proxy materials be mailed to you, by completing and signing the proxy card enclosed with those materials and returning it in the envelope provided. If you plan to attend the Annual Meeting, please advise the Corporate Secretary, Mary Eure, directly at (703) 984-6785.

Thank you for your investment in Sallie Mae.

Sincerely,

Anthony P. Terracciano
Chairman of the Board of Directors

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PROXY STATEMENT

Important Notice Regarding the Availability of Proxy Materials For the Annual Meeting of Shareholders to be Held on May 22, 2009

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

The Board of Directors of SLM Corporation (the Corporation or SLM) 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 Friday, May 22, 2009 at 11:00 a.m., local time.

This proxy statement includes information about the Corporation s:

Annual election of directors;

Corporate governance and board matters;

Independent registered public accounting firm (the independent accountant);

Compensation for certain executive officers and directors;

Stock ownership of executive officers and directors;

Request for shareholders to adopt the SLM Corporation Directors Equity Plan;

Request for shareholders to adopt the SLM Corporation 2009-2012 Incentive Plan;

Request for shareholders to ratify the appointment of PricewaterhouseCoopers LLP; and

Voting procedures.

PROPOSAL 1 ELECTION OF DIRECTORS

At the 2009 Annual Meeting, 16 directors are to be elected to hold office until the 2010 Annual Meeting and until their successors have been elected or appointed. The 16 persons nominated by the Board for election at the 2009 Annual Meeting are listed below, with brief biographies. All of the 16 nominees are currently serving as SLM directors. Mr. J. Terry Strange was recommended for nomination by the Chief Executive Officer and Vice Chairman of the Board, Albert L. Lord.

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, persons named as proxies will vote FOR that substitute nominee.

Required Vote

This election is an uncontested election because the number of nominees for election to the Board equals the number of directors to be elected. Accordingly, as set forth in the Corporation's By-laws, each nominee must receive more FOR votes than AGAINST votes to be elected to the Board.

As part of the nominations process, each nominee agreed to tender his or her resignation to the Board in the event the nominee fails to receive a majority of votes cast FOR his or her election. If any of the 16 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 will 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.

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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. The persons named as proxies by the Corporation will not exercise discretion to cumulate votes unless another shareholder cumulates its shares when voting for directors.

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 16 nominees named below. Proxies will be so voted unless shareholders specify a contrary choice in giving their proxies.

Name and Age Service as a Director*	Position, Principal Occupation, Business Experience and Directorships
<p>Ann Torre Bates 51 Director since July 31, 1997</p>	<p>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: Franklin Templeton Funds, Franklin Mutual Series Funds, Franklin Mutual Recovery Fund, Allied Capital Corporation</p>
<p>William M. Diefenderfer, III 63 Director since May 20, 1999</p>	<p>Partner, Diefenderfer, Hoover, Boyle & Wood Partner, Diefenderfer, Hoover, Boyle & 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: Chairman, U-Store-It Trust Diane Suitt Gilleland</p>
<p>62 Director since March 25, 1994</p>	<p>Associate Professor of Higher Education, University of Arkansas, Little Rock Associate Professor of 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</p>

Other Activities: Director, University of Arkansas at Pine Bluff Foundation, University of Arkansas Foundation Board

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**Name and Age
Service as a Director***

**Position, Principal Occupation,
Business Experience and Directorships**

Earl A. Goode
68

Chief of Staff to the Governor of Indiana

Director since
July 31, 2000

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

65

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

63

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

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: BearingPoint, Inc.

Other Activities: Chairman, Cesar Chavez Charter Schools; Director, Children's Choice Learning Centers, Inc.

Michael E. Martin

53

Director since
March 20, 2008

Partner, Warburg Pincus, LLC

Partner, Warburg Pincus, LLC, a private investment partnership 2009 to present

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President, Brooklyn NY Holdings LLC, an asset and investment management firm 2006 to 2009
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.
Other Activities: Director, Arena Media Networks, LLC

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**Name and Age
Service as a Director***

**Position, Principal Occupation,
Business Experience and Directorships**

Barry A. Munitz
67

Trustee Professor, California State University, LA

Director since
July 31, 1997

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

Howard H. Newman

62

Director since
March 31, 2008

President and Chief Executive Officer, Pine Brook Road Partners, LLC

President and Chief Executive Officer, Pine Brook Road Partners, LLC, a private equity firm 2006 to present
Vice Chairman and Senior Advisor, Warburg Pincus LLC, a private equity firm 1984 to 2006
Morgan Stanley & Co., various officer positions 1974 to 1983
Directorships of Other Public Companies: Newfield Exploration Company
Other Activities: Advisory Committee, JEN Partners, LLC; Trustee, Salk Institute for Biological Studies

A. Alexander Porter, Jr.

70

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

63

Director since
March 20, 2008

Attorney

Attorney 2006 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
Other Activities: Director, Commercial Industrial Finance Corporation, Capital Markets Research and Tracking, LLC

Wolfgang Schoellkopf

76

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., Sovereign Bank

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**Name and Age
Service as a Director***

**Position, Principal Occupation,
Business Experience and Directorships**

Steven L. Shapiro
68

Certified Public Accountant and Personal Financial Specialist

Director since
July 5, 1995

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

J. Terry Strange
65

Director Since
July 31, 2008

Retired Vice Chairman of KPMG, LLP

KPMG, LLP, a public accounting firm 1968 to May 2002

Directorships of Other Public Companies: BearingPoint, Inc., Group 1 Automotive, Inc., New Jersey Resources Corp., Newfield Exploration Company

Anthony P. Terracciano
69

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, Dime Bancorp 2000 to 2002

Prior to 2000, 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: Sovereign Bank

Other Activities: Trustee, Monmouth Medical Center

Barry L. Williams
64

Director since
July 31, 2000

Founder, President, 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; Trustee, African American Experience Fund; Chairman, Management Leadership for Tomorrow ; Director, Harvard Business School Alumni Association; American Management Association; Resources Legacy Foundation

* 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.

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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 to:

Select, evaluate and compensate the Chief Executive Officer (CEO);

Plan for succession of the CEO and members of the executive management team;

Review and approve the Corporation s annual business plan and review the Corporation s long-term strategies;

Monitor management s performance against the annual business plan;

Review and approve major transactions;

Through its Audit Committee, select and oversee the Corporation s independent accountant;

Evaluate the Corporation s overall risk control environment;

Recommend director candidates for election by shareholders; and

Evaluate its own effectiveness.

Board Governance Guidelines

The Board s governance guidelines are published at www.salliemae.com under the tab Investors, Corporate Governance and a written copy may be obtained by contacting the Corporate Secretary. Among the Corporation s governance practices are 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; however, the Board waived this requirement for Mr. Schoellkopf, who was asked by the Board to stand for re-election.

The Board has an independent director as Chairman, Mr. Terracciano, and a lead independent director, Mr. Schoellkopf.

Each regularly scheduled Board meeting concludes with a session in which only members of the Board, including the CEO and Vice Chairman, Mr. Lord, participate. The second session excludes Mr. Lord and is presided over by Mr. Terracciano, or if he is not in attendance, Mr. Schoellkopf. Each regularly scheduled committee meeting concludes with an executive session presided over by the Committee Chair.

Board compensation includes SLM stock or other equity-linked compensation.

Board members have open communications with all members of management.

The Board and its Committees 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's governance guidelines include the standards for determining director independence. These guidelines conform

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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 standards are included within the Board's Governance Guidelines described above and published at www.salliemae.com under Investors, Corporate Governance and they are also listed below.

The Board has determined that the following individuals (that is, all of the individuals who served as a director during 2008, including Charles L. Daley and Benjamin J. Lambert III who both resigned from the Board in March 2008, and all nominees standing for election at the 2009 Annual Meeting, other than Mr. Lord) are independent of the Corporation because the nominees have no material relationships with the Corporation: Mses. Bates and Gilleland and Messrs. Daley, Diefenderfer, Goode, Hunt, Lambert, Martin, Munitz, Newman, Porter, Puleo, Schoellkopf, Shapiro, Strange, Terracciano and Williams. The Board made this determination based on the following:

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

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

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

No director or 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 director or nominee currently serves as an employee of and no immediate family member of a nominee currently 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 in any of the past three years; and

No director or nominee or spouse of a director or nominee is an employee of a charitable organization, foundation or university that received in any of the past three years 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, Porter 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 2008, the Board of Directors met 14 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 served. Directors are expected to attend the Annual Meeting and all members of the Board, other than Mr. Strange, who was first appointed to the Board on July 31, 2008, attended the Annual Meeting in May 2008.

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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 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.

The current membership of the Core Standing Committees and the number of meetings held in 2008 are as follows:

Audit Committee	Compensation & Personnel Committee	Nominations & Governance Committee	Finance & Operations Committee
Ann Torre Bates*	Wolfgang Schoellkopf*	A. Alexander Porter, Jr.*	Ronald F. Hunt*
Barry A. Munitz	Diane Suitt Gilleland	Diane Suitt Gilleland	William M. Diefenderfer
Frank C. Puleo	A. Alexander Porter, Jr.	Wolfgang Schoellkopf	Earl A. Goode
J. Terry Strange	Steven L. Shapiro	Steven L. Shapiro	Michael E. Martin
Barry L. Williams			Howard H. Newman
Meetings Held: 13	Meetings Held: 14	Meetings Held: 10	Meetings Held: 4

* Committee Chair

A description of the function of each committee follows.

Audit Committee. The Audit Committee assists the Board in fulfilling its responsibilities by providing oversight relating to: (1) the integrity of the Corporation's financial reporting; (2) the Corporation's system of disclosure controls and system of internal controls regarding financial, accounting, legal compliance and ethics; (3) the independent accountant's qualifications, independence and performance; (4) the performance of the Corporation's internal audit function; (5) the Corporation's compliance with legal and regulatory requirements; (6) the review of related persons transactions; (7) the Corporation's overall corporate risk assessment policies and risk management practices; 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 that all members of the Audit Committee also 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. Strange and Williams qualify as audit committee financial experts within the meaning of the SEC regulations. Except as described in the next sentence, none of the Committee members serves on the audit committee of more than three public companies. In addition to his service on the Audit Committee of the Corporation, Mr. Strange also serves on the audit committees of four other public companies. The Board has determined,

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however, that such simultaneous service does not impair Mr. Strange's ability to serve on the Corporation's Audit Committee.

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; (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. 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 delegates set pay for all other employees. See the Compensation Discussion and Analysis section of this proxy statement for more information regarding the Compensation Committee's processes.

The Compensation Committee retains a compensation consultant to advise it. The Compensation Committee's consultant for 2008 was Semler Brossy Consulting Group LLC. The Committee 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 affect 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 was available to management to assist in determining how the Corporation's pay philosophy and program should apply to the Vice President level and below. For 2009, the Compensation Committee's consultant will be Hewitt Associates, LLC.

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 beginning on page 12 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, the Compensation Committee meets to consider the appropriate amount and form of compensation for each individual. Management recommends an arrangement to the Committee for its consideration. The Committee's consultant may give its input on the proposed arrangement to management and the Committee Chair.

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.

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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.

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 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, information technology, human resources and law;

Knowledge of the business of the Corporation;

Proven record of accomplishment;

Willingness to commit the time necessary for Board service;

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. In order to have been timely for consideration at the 2009 Annual Meeting, a nomination must have been received by the Corporation on or after January 8, 2009 and on or before March 9, 2009. The Committee did not receive any such recommendations for director candidates for the 2009 Annual Meeting.

Shareholder Communications with the Board

Shareholders and other interested parties may submit communications to the Board of Directors, the non-management directors as a group, 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.

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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 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, nominee, executive officer, or greater-than-five percent beneficial owner of the Corporation, or any of their respective immediate family members, has or had a direct or indirect interest, other than as a director or less-than-ten percent owner of an entity involved in the transaction (Related Persons Transaction). 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 review a proposed Related Persons Transaction and make 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. Since the beginning of 2008, no Related Persons Transactions have been entered into and none are currently proposed.

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, 2008. 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 applicable requirements of the PCAOB regarding the independent accountant's communications with the Committee concerning independence and has discussed with PricewaterhouseCoopers LLP 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, 2008 for filing with the SEC.

Audit Committee

Ann Torre Bates, Chairman
Barry A. Munitz
Frank C. Puleo
J. Terry Strange
Barry L. Williams

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EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

Introduction

Management's Compensation Discussion and Analysis begins with a brief review of the Corporation's business results for 2008 and Board and executive management changes that occurred during the year. These events set the stage for the Compensation and Personnel Committee's decisions about 2008 bonus awards, terms and conditions for 2009 equity awards, and the 2009 bonus plan.

Review of 2008

The year 2008 was extraordinary for the Corporation and the financial services sector as a whole. Disruption in the credit markets and legislative changes in the economics of the federal student loan program resulted in challenges for the Corporation to fund new loans at positive spreads and to re-finance our existing portfolio. Because federally sponsored liquidity and funding programs became available, the Corporation was able to meet the demand for federal student loan originations for the 2008-2009 academic year. Our 2008 goal for federal student loan originations was \$15.3 billion; we originated \$17.9 billion. Our earnings on these and existing loans were less than expected under our business plan due primarily to a widening of the spread between interest rates on our earning assets, which are tied to market commercial paper rates, and interest rates on which our debt payments are based, which are tied to LIBOR.

Growth in our private credit lending business fell below our business plan due to funding constraints, including constraints in the asset-backed securitization market, and our implementation of higher credit standards for lending. The deteriorating economy led to higher default rates, which required us to make higher than expected provisions for loan losses.

During the year, we decided to exit our purchased paper businesses because they no longer offered the opportunity for expected synergies between these businesses and our traditional student loan collections business. Our decision to exit these businesses and further asset value deterioration led to impairment charges.

In response to changes in the economics of the federal student loan program and in order to position ourselves for the future, the Corporation underwent a restructuring program during the year, known internally as Project Pace, to improve efficiencies in our operations and reduce operating costs. During 2008, we reduced our operating expenses by over 20 percent in the fourth quarter of 2008 compared to the fourth quarter of 2007, after adjusting for restructuring costs, growth and other investments.

For the year, we reported positive core earnings¹ net income of \$526 million, a decrease from \$560 million in 2007.

Board and Management Changes

The Board of Directors made significant changes in its composition and that of executive management during 2008. Mr. Terracciano joined the Board as Chairman in January 2008. Messrs. Martin, Newman, Puleo and Strange joined shortly thereafter, adding credit markets, legal and risk management expertise to the Board.

Mr. Lord was re-appointed as Chief Executive Officer at the end of 2007. Mr. Lord recruited Mr. Remondi to rejoin the Corporation as Vice Chairman and Chief Financial Officer in January 2008. Mr. Remondi played a critical role during the year in creating liquidity and funding solutions in difficult market conditions. Mr. Lord recruited

Mr. Hewes in March 2008, who quickly assembled a senior team to restructure the private credit lending and collection business.