I. SUMMARY TERM SHEET — QUESTIONS AND ANSWERS

We are offering certain employees a limited opportunity to elect to exchange certain employee stock options for replacement stock options generally covering a lesser number of shares of our common stock. We refer to this offer as the “Offer.” It is described in and subject to the terms and conditions set forth in this document, which we refer to as the “Offer to Exchange,” and other documents to which we may refer you. The following questions and answers seek to address some of the questions that you may have about our employee stock option exchange program and the Offer.

We urge you to read carefully the entire Offer to Exchange for additional details not addressed in this summary. Some of the responses in this summary include cross-references to sections of this Offer to Exchange where you can find a more complete description of the topics discussed in this summary. References to “Sallie Mae,” the “Company,” “we,” “our” and “us” mean SLM Corporation.

Overview of the Option Exchange Program

Q1. What is the Option Exchange Program?

In our employee stock option exchange program (the “Option Exchange Program”), we are offering “Eligible Employees” (described in Question 3) the voluntary opportunity to elect prior to the expiration of the Offer to exchange some or all of their “Eligible Options” (described in Question 2) for replacement stock options that in most cases will cover a lesser number of shares of our common stock, which we refer to as “Replacement Options.” The Option Exchange Program is not a one-for-one exchange. Instead, the number of shares subject to a Replacement Option granted in exchange for each Eligible Option will be determined by an exchange ratio (described in Question 5). All Replacement Options granted pursuant to the Option Exchange Program will have an exercise price equal to the closing price of our common stock as reported by the NYSE on the grant date for the Replacement Options (described in Question 12). Replacement Options will not be immediately exercisable and will be subject to a new vesting schedule (described in Question 10), even if the Eligible Options exchanged currently are fully vested.

Participation in the Option Exchange Program is voluntary, and there are no penalties for electing not to participate. If you choose not to participate in the Option Exchange Program, you will not receive any Replacement Options, and your Eligible Options will remain outstanding in accordance with their current terms and conditions.

Q2. Which employee stock options are eligible to be exchanged in the Option Exchange Program?

Eligible Options are stock options on shares of the Company’s common stock that:

- were granted on or before January 31, 2008;
- have an exercise price that is greater than or equal to $20.94 per share, which is 150% of the fifty-two week high trading price of the Company’s common stock as of the commencement of the Offer;
- have a remaining term that expires after January 1, 2011;
- were not granted under a stock swap program permitting the issuance of additional “replacement options” in the context of stock-for-stock exercises; and
- are outstanding (that is, are not previously exercised, expired, terminated or forfeited) as of the start date of the Offer and at the time the Offer expires.

To help you review your outstanding Eligible Options and give you information that can assist you in making an informed decision, please refer to the information available on the Offer Website at www.salliemaeexchange.com, which lists your Eligible Option grants and related information, including the number of shares subject to each grant, the option expiration date and the exercise price of your options. You may also confirm this information by contacting Global Shares via telephone at (877) 231-1697. For more information, see Section III.1 of this Offer to Exchange.
Q3. Who is eligible to participate in the Option Exchange Program?

Each employee of the Company or one of our affiliates is an Eligible Employee who may participate in the Offer if he or she:

- is employed by the Company or one of our affiliates on the date we commence the Offer, and continues to be employed by the Company or one of our affiliates through the expiration of the Offer;
- holds Eligible Options; and
- is not a current or former member of our Board of Directors and is not a “named executive officer” (that is, one of the executive officers named in the compensation tables included in the 2010 proxy statement that we filed with the U.S. Securities and Exchange Commission (the “SEC”)).

If you are on a leave of absence, you are an Eligible Employee. For more information, see Section III.1 of this Offer to Exchange.

Q4. Why should I consider participating in the Offer?

Eligible Options represent a current or potential future right (depending on vesting status) to purchase our common stock at a specified price. Due to market fluctuations over time, the market price of our common stock can be greater than, equal to or less than the exercise price of an Eligible Option. When the market price of our common stock is greater than the exercise price of an option (also known as an option being “in the money”), exercising the option would result in an economic benefit because you are able to buy the shares at less than the then-prevailing market price of the shares, which you may then choose to sell for the higher market price. When the market price of our common stock is less than the exercise price of the option (also known as the option being “out of the money” or “underwater”), exercising the stock option and selling the purchased shares would result in an economic loss.

If you properly elect to exchange Eligible Options in the Offer and we accept your Eligible Options pursuant to the Offer, then promptly after the expiration of the Offer those Eligible Options will be cancelled and, provided that you remain an employee of SLM Corporation or one of our affiliates through the expiration of the Offer, you will be granted in exchange Replacement Options that are unvested and, if they become vested, in most cases will be exercisable for a lesser number of shares than the Eligible Options you exchanged, with an exercise price equal to the closing price of our common stock as reported by the New York Stock Exchange (the “NYSE”) on the grant date. This grant of Replacement Options may or may not be more valuable to you than continuing to hold your Eligible Options into the future. The future value of the Eligible Options depends on a number of factors that are not possible to predict, including the market performance of our common stock, the timing of such performance and your continued employment through relevant vesting dates.

We are not making any recommendation as to whether you should participate in the Offer, and we encourage you to talk to your personal legal counsel, accountant and/or financial advisor about whether you should exchange your Eligible Options. You should read and carefully consider all of the information in this Offer to Exchange, including the tax information and the risk factors discussed herein, before deciding to participate in the Offer.

Q5. How many Replacement Options will I receive in exchange for my Eligible Options?

The Option Exchange Program is not a one-for-one exchange. Eligible Employees electing to exchange outstanding Eligible Options will receive Replacement Options that are unvested and that, once vested, in most cases will be exercisable for a lesser number of shares of common stock with an exercise price equal to the closing price of our common stock on the date the Replacement Options are granted. Replacement Options will be granted under the SLM Corporation 2009-2012 Incentive Plan (the “2009-2012 Incentive Plan”).

The ratio of the number of shares underlying an Eligible Option for each share underlying a Replacement Option is referred to as the “exchange ratio.” Because Eligible Options with different exercise prices and expiration dates have different values, different grants of Eligible Options will have different exchange ratios. The exchange ratios, which are set forth on Schedule A to this Offer to Exchange document, show you how many Eligible Options you need to exchange to get one Replacement Option. The exchange ratio applicable to your Eligible Options and the number of Replacement Options that may be granted in exchange for your Eligible Options is set forth on the Offer Website, www.salliemaeexchange.com.
The exchange ratios for each grant of Eligible Options will be available when the Offer commences. If, as a result of changes in the factors used to calculate the fair value of Eligible Options and Replacement Options, the Company determines in good faith that, as of June 7, 2010, the aggregate fair values of all Eligible Options would be either $1 million more or $1 million less than the aggregate fair value of all Replacement Options (as calculated according to U.S. generally accepted accounting principles based on the exchange ratios announced upon commencement of the Offer and assuming for purposes of both valuations that all Eligible Options are elected to be exchanged), we may adjust the exchange ratios in order to more closely align the aggregate grant date fair value of Replacement Options with the fair value of Eligible Options. Adjusting the exchange ratios in this manner will help ensure that the value-for-value objective of the Offer is satisfied nearer to the time when Replacement Options are granted. If we adjust the exchange ratios, we will notify Eligible Employees, and you will have at least two (2) business days to consider the adjusted ratios before the Offer expires. The Offer Website will be updated to reflect any adjustment to the exchange ratios. We currently intend to inform you of announcements regarding the Offer by email to your Company email address and by posting the announcement on the Offer Website. In addition, you can contact the Global Shares call center at (877) 231-1697 at any time to determine if there have been any announcements regarding the Option Exchange Program. For more information, see Section III.2 and Schedule A of this Offer to Exchange.

**Q6. Why is the Company conducting the Option Exchange Program?**

The Company originally granted the Eligible Options to provide an incentive to valued employees, create stockholder value and share with employees the stockholder value that they helped create. We believe that the Option Exchange Program is important to re-incentivize our employees and re-align their interests with those of shareholders in light of factors that have affected our stock price over the last several years. We recognize that the majority of our employee stock options are “underwater,” or “out of the money.” Moreover, many of our employee stock options vest and become exercisable when our stock price reaches a certain target, expressed as a premium to the option’s exercise price, for a specified period of days, and thus many employee stock options have never become exercisable. We believe that having significantly “underwater” stock options does not provide effective performance or retention incentives. At the same time, we believe we must continue to maintain competitive incentive programs in order to retain remaining valuable employees and promote long-term shareholder value. The Option Exchange Program allows us to provide renewed incentives to our employees who participate in the Option Exchange Program. It provides you with the opportunity to obtain the benefit associated with Replacement Options with a new, lower exercise price, in lieu of the less certain, but potentially more valuable, benefit you could receive if you elect to retain your Eligible Options. The decision to participate in the Offer is yours, and you are free to reject the Offer. For more information, see Section III.3 of this Offer to Exchange.

**Q7. Are there any conditions to the Offer?**

The Offer is subject to a number of customary conditions with regard to events that could occur prior to the expiration of the Offer and which are more fully described in Section III.10 of this Offer to Exchange. If any of the events described in Section III.10 occur, we may elect to terminate, extend or amend the Offer at any time prior to the expiration of the Offer.

**Q8. How were the exchange ratios set?**

The exchange ratios were set in a manner intended to result in the grant of Replacement Options that have a fair value (as determined under applicable accounting rules) that is approximately equal to or less than the fair value of the Eligible Options they replace, as of the time the exchange ratios were set.

The exchange ratios are based on the fair value of the Eligible Options and the fair value of the Replacement Options determined as of May 10, 2010, calculated using the Black-Scholes option pricing model, which takes into account a number of factors, including the exercise prices of the Eligible Options, the estimated remaining terms of the Eligible Options and the Replacement Options, prevailing interest rates and the volatility of our stock price. The Black-Scholes option pricing model is the same valuation model that we use to value compensatory options for accounting purposes.

In order to establish the exchange ratios, the fair value of each Eligible Option was calculated as of May 10, 2010 using the Black-Scholes option pricing model, and these values were compared to the estimated fair values of Replacement Options. After calculating the fair values of the Eligible Options and the Replacement Options under the Black-Scholes option pricing model using the factors listed above and others, we divided the value of the Replacement Options by the value of the Eligible Options to obtain a ratio. For example, if an Eligible Option is exercisable for 250 shares and the Eligible Option has a fair value of $4 per share, and a Replacement Option has a fair value of $10 per share, the ratio of Eligible Options to Replacement Options is 2.5 to 1 (that is, $10 divided by $4), so the Eligible Option could be exchanged for a Replacement Option covering 100 shares (250 shares divided by 2.5 rounded down to the nearest whole share). For more information on how we valued Replacement Options and Eligible Options for purposes of determining each exchange ratio, see Section III.2 of this Offer to Exchange.
As explained in Question 5 above, we may adjust the exchange ratios prior to the expiration of the Offer in order to more closely align the aggregate grant date fair value of Replacement Options with the fair value of Eligible Options. If we adjust the exchange ratios, we will notify Eligible Employees and you will have at least two (2) business days to consider the adjusted ratios before the Offer period closes.

Terms of the Replacement Options

Q9. What are the terms of the Replacement Options?

Each Replacement Option will be subject to substantially the same terms and conditions that we currently apply to awards granted under the 2009-2012 Incentive Plan. These terms and conditions may differ from those applicable to your Eligible Options. None of the Replacement Options will qualify as incentive stock options for U.S. income tax purposes. The form of the grant agreement setting forth the terms and conditions that will be applicable to the Replacement Options is available on the Offer Website, www.salliemaeexchange.com, and the Merrill Lynch website, www.benefits.ml.com, and the applicable form is provided on the Sallie Mae Intranet site at http://salliemaecentral.com/legal/esop/plandocs.htm.

Your election to exchange Eligible Options for Replacement Options constitutes your acceptance of the terms and conditions of the Replacement Options. In addition to any differences between the standard terms and conditions applicable to any Eligible Option and the standard terms and conditions applicable to a Replacement Option, the Replacement Options will have the following terms:

- Each Replacement Option will have an exercise price equal to the closing price of our common stock on the date the Replacement Options are granted, which will occur on the same day that the Offer expires (see Question 12);
- Subject to satisfaction of vesting requirements, each Replacement Option will in most cases be exercisable for a lesser number of shares than were subject to the Eligible Option for which it is exchanged (see Question 5);
- Each Replacement Option will not be vested and will not be exercisable on the date it is granted, and will have a new vesting condition (see Question 10); and
- Each Replacement Option will maintain the original term of the Eligible Option for which it was exchanged (see Question 11).

For more information, see Section III.2 of this Offer to Exchange.

Q10. When are the Replacement Options exercisable?

None of the Replacement Options will be vested on the date of grant. Replacement Options will vest in six months, twelve months or two annual installments following the grant date, depending on the original vesting terms of the Eligible Options. Many of the Eligible Options vest and become exercisable when our stock price reaches a certain target, expressed as a premium to the option’s exercise price, for a specified period of days. Replacement Options received in exchange for Eligible Options containing time-vesting requirements and which are not vested on the date Replacement Options are granted will vest twelve months from the date Replacement Options are granted. Replacement Options received in exchange for Eligible Options containing price-vesting requirements and which are not vested on the Expiration Date will vest in two equal annual installments, one installment per year. Replacement Options will vest as described regardless of the extent to which the corresponding Eligible Options were vested upon exchange.

You should also keep in mind that if you exchange Eligible Options for Replacement Options and you cease to be employed by the Company or one of our affiliates before the Replacement Options vest, you will forfeit any unvested portion of your Replacement Options, even if the Eligible Options that you exchanged to receive the Replacement Options were vested at the time the Eligible Options were exchanged (see Question 14).
The following chart summarizes the vesting schedule and, assuming a June 14, 2010 grant date, vesting dates applicable to Replacement Options:

<table>
<thead>
<tr>
<th>Eligible Option Vesting Status on Expiration Date</th>
<th>Replacement Option Vesting Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Vested</td>
<td>The Replacement Options will vest six months from the grant date, on December 14, 2010.</td>
</tr>
<tr>
<td>Price Vested</td>
<td>The Replacement Options will vest twelve months from the grant date, on June 14, 2011.</td>
</tr>
<tr>
<td>Time Vested</td>
<td>The Replacement Options will vest over a two-year vesting schedule: 50% will vest on June 14, 2011, and 50% will vest on June 14, 2012.</td>
</tr>
</tbody>
</table>

Q11. **What will be the term of the Replacement Options?**

Each Replacement Option will maintain the original term of the Eligible Option for which it was exchanged. Pursuant to the terms of Replacement Options, the expiration of a Replacement Option is accelerated upon your termination of employment with the Company.

Q12. **What will be the exercise price per share of the Replacement Options?**

All Replacement Options granted pursuant to the Option Exchange Program will have an exercise price equal to the closing price of our common stock as reported by the NYSE on the grant date for the Replacement Options. The Replacement Options will be granted on the same day that the Offer expires. The Offer will extend for at least twenty (20) business days from the date it commenced.

We cannot predict the exercise price per share of the Replacement Options. We recommend that you obtain current market quotations for our common stock when deciding whether to elect to exchange your Eligible Options.

Q13. **What if my employment with the Company terminates before the expiration of the Offer?**

To be an Eligible Employee, you must be employed by the Company or one of our affiliates through the expiration of the Offer. If you cease to be employed by us for any reason before the Offer expires, then you will no longer be eligible to participate in the Offer, and we will not accept your Eligible Options for exchange, regardless of whether you elected to exchange the Eligible Options before your termination of employment. Please note that if your employment with the Company terminates before the Offer expires, the existing terms of your option agreements and the plans under which your options were granted will govern the impact of employment termination on your options. If an employee stock option that you hold (either vested or unvested) expires, terminates or is forfeited before the expiration of the Offer, whether because of termination of your employment or otherwise, that stock option will not be an “Eligible Option.” Only stock options that have not expired, terminated or been forfeited, that remain outstanding on the expiration of the Offer and that are held by a Company employee will be “Eligible Options.”

Elections to exchange options that do not qualify as “Eligible Options” will not be accepted. For example, if your employment terminates during the Offer period, the Company will not accept any election to exchange such options. The Company will determine whether options are Eligible Options for purposes of the Offer. For more information, see Section III.1 of this Offer to Exchange.

The information on Offer Website, located at www.salliemaeexchange.com, may not be updated to reflect employment terminations after May 17, 2010 and access to the Offer Website for terminated employees may be blocked. In addition, under the terms of the 2009-2012 Incentive Plan, you must be an employee of the Company or one of our affiliates on the grant date of the Replacement Options, which will occur on the same day that the Offer expires.
Q14. What happens to my Replacement Options if I terminate employment with the Company?

If an Eligible Employee ceases to be employed by us for reasons other than death or disability, any Replacement Option held by such employee will not continue to vest and any unvested portion of the Replacement Option will be cancelled as of the Eligible Employee’s date of termination. Each Replacement Option will be granted under the 2009-2012 Incentive Plan and will be subject to substantially the same terms and conditions that we currently apply to options granted under the 2009-2012 Incentive Plan. The form of the option grant agreement for Replacement Options, setting forth the terms and conditions that will be applicable to the Replacement Options, is included as an exhibit to the Schedule TO that we have filed with the SEC and is available to Eligible Employees on the Offer Website, www.salliemaeexchange.com, and on the Merrill Lynch website, www.benefits.ml.com, and the applicable form is provided on the Sallie Mae Intranet site at http://salliemaecentral.com/legal/esop/plandocs.htm. For more information, see Section III.2 of this Offer to Exchange.

Nothing in the Offer should be construed to confer upon you the right to remain an employee of the Company or one of our affiliates. The terms of your employment with us are not affected or changed by the Offer. We cannot guarantee or provide you with any assurance that you will not be subject to involuntary termination or that you will otherwise remain an employee of the Company or one of our affiliates until the grant or vesting date for the Replacement Options or thereafter.

Participating in the Offer

Q15. What does it mean to “tender” my options?

In connection with the Offer, when we refer to you “tendering” your options, we are referring to your election to exchange your Eligible Options for Replacement Options on the terms and subject to the conditions set forth in this Offer to Exchange. By electing to exchange your Eligible Options, you are agreeing to the cancellation of your Eligible Options in exchange for Replacement Options on the terms and subject to the conditions set forth in this Offer to Exchange. At the conclusion of the Offer, subject to the satisfaction of the conditions in the Offer, we intend to accept for exchange all Eligible Options that have been properly tendered.

Q16. How do I participate in the Offer?

If you want to exchange any of your Eligible Options, you must submit your election so that it is received before this Offer expires. You may submit your election in the following ways:

- **By Internet.** Eligible Employees may submit an election to exchange Eligible Options online at the Offer Website, which is available at www.salliemaeexchange.com. Your online election **must be submitted and received** before the expiration of the Offer at 11:59 p.m., Eastern Time, on June 14, 2010 (or, if we extend the Offer, a later date that we will specify).

- **By Phone.** Eligible Employees may submit an election to exchange Eligible Options via telephone by contacting Global Shares at (877) 231-1697. Your telephone election **must be submitted and received** before the expiration of the Offer at 11:59 p.m., Eastern Time, on June 14, 2010 (or, if we extend the Offer, a later date that we will specify).

Whether or not you expect to elect to participate in the Option Exchange Program, if you are an Eligible Employee holding Eligible Options, we encourage you to log onto the Offer Website at www.salliemaeexchange.com and carefully evaluate whether to participate in the Offer. The Offer expires at 11:59 p.m., Eastern Time, on Monday, June 14, 2010. Unless we extend the Offer for all Eligible Employees, no exceptions will be made to this deadline. Although we do not currently intend to do so, we may, in our sole discretion, extend the expiration date of the Offer at any time. If we extend the Offer, we will publicly announce the extension and the new expiration date no later than 9:00 a.m., Eastern Time, on the next business day after the last previously scheduled or announced expiration date.

The proper submission of any election, change of election or withdrawal of election is your responsibility. Only responses that are complete and actually received before the time the Offer expires will be eligible to be accepted. If your election is not received by the Offer expiration time, you will be deemed to have rejected this Offer. We are under no obligation to contact you to confirm your election not to participate.

If you are subject to the Company’s trading window policy, it does not apply to your ability to make, change or withdraw any election under the Offer. You do not need to return your stock option agreements relating to any Eligible Options that you elect to exchange, as they automatically will be cancelled if we accept your Eligible Options for exchange.
We reserve the right to reject any or all elections that we determine are not in appropriate form or that we determine would be unlawful to accept. Subject to our rights to extend, terminate and amend the Offer, we expect upon expiration of the Offer to accept all Eligible Options that Eligible Employees properly elect to exchange. For more information, see Section III.4 of this Offer to Exchange.

Q17. How can I find out what Eligible Options I hold?

Once you log in to the Offer Website, located at www.salliemaeexchange.com, by following the instructions that were emailed and sent to you, you will be able to view your options that qualify as Eligible Options (assuming they continue to be outstanding upon the expiration of the Offer). To help you recall your outstanding Eligible Options and give you the information that can assist you in making an informed decision, the Offer Website contains important information regarding your Eligible Options, including grant date, expiration date, exercise price per share, and total shares underlying each Eligible Option unvested/vested. The Offer Website also sets forth the exchange ratio applicable to each Eligible Option you hold. You may also confirm this information by contacting Global Shares via telephone at (877) 231-1697. The information provided regarding your Eligible Options may not be updated after May 17, 2010 to reflect any changes in the eligibility of the options that you hold if your employment terminates during the Offer, and your access to the Offer Website may be blocked.

Q18. If I elect to exchange Eligible Options in the Offer, can I change or withdraw my election?

Yes. You may change or withdraw your election at any time before the expiration of the Offer. If we extend the Offer beyond 11:59 p.m. Eastern Time, on June 14, 2010, you may change or withdraw your election of Eligible Options at any time until the expiration of the extended Offer. You may change your mind as many times as you wish, but you will be bound by the latest dated and properly submitted election we receive before the Offer expires on the expiration date. In addition, you may withdraw your election if we have not accepted the Eligible Options that you elect to exchange within forty (40) business days after the commencement of this Offer.

Regardless of the manner in which you submitted your original election, you may change or withdraw your election either (i) by returning to the Offer Website, www.salliemaeexchange.com, re-entering your elections to reflect the changes or withdrawals that you wish to make and submitting the revised election, or (ii) by contacting Global Shares via telephone at (877) 231-1697. Your election to change or withdraw a previous election must be received before the Offer expires. Your latest dated election that is properly completed and received before the expiration of the Offer will control. For more information, see Sections III.4 and III.5 of this Offer to Exchange.

Q19. Am I required to participate in the Offer?

No. Participation in the Offer is voluntary. If you choose not to participate, you will keep all your options and will not receive any Replacement Options under the Offer. No changes will be made to the terms of your current options. For more information on potential tax issues if you hold incentive stock options, see the tax discussion in Section III.9 of this Offer to Exchange.

Q20. If I participate in the Offer, do I need to elect to exchange all of my Eligible Options?

No. You may choose to exchange some, all or none of your Eligible Options on a grant-by-grant basis. You may not elect to exchange only a portion of an Eligible Option grant. However, you may elect to exchange options granted on one grant date but not another grant date. For more information, see Section III.4 of this Offer to Exchange.

Q21. Will my decision to participate in the Offer have any impact on my ability to receive options in the future?

No. Your decision to participate or not to participate in the Offer will not have any effect on whether or not you are eligible to receive future option grants or other equity awards. For more information, see Section III.1 of this Offer to Exchange.

Q22. How do I evaluate if I want to exchange my Eligible Options?

Because the Option Exchange Program generally results in fewer shares with a lower exercise price, you should evaluate each of your Eligible Option grants individually. When you log onto the Offer Website, www.salliemaeexchange.com, you can model each grant using the “Break Even Calculator” tool and determine the “break even” point, which may help you assess the potential value of each grant, based on various exchange ratios and stock price scenarios that you select to model.
To illustrate this, consider the following hypothetical situation:

Assume that you hold an Eligible Option to purchase 1,000 shares of common stock with an exercise price of $21.50 per share at a time when our common stock is trading at $12.00 per share. If the exchange ratio applicable to that option in the Offer is a 2-for-1 exchange ratio, you could exchange the Eligible Option covering 1,000 shares for a Replacement Option covering 500 shares. Even if fully vested, your Eligible Option has no currently realizable value to you until the stock price increases above $21.50 because it is out-of-the-money (i.e., the exercise price of the Eligible Option, $21.50 per share, is greater than the current hypothetical market price of our common stock, $12.00 per share). In this hypothetical situation, you must decide if you will maintain the original Eligible Option that covers 1,000 shares with an exercise price of $21.50 per share or elect to exchange that option for the grant of a Replacement Option for 500 shares with an exercise price equal to the closing price of our common stock as reported by the NYSE on the grant date for the Replacement Option. For more information, see the example in Section II of this Offer to Exchange.

Q23. If I choose to participate, what will happen to my options that I elect to exchange?

If you are an Eligible Employee and validly elect to exchange Eligible Options and you do not withdraw your election before the expiration of the Offer, those options will be cancelled if and when we accept them in exchange for Replacement Options. You will no longer have any rights with respect to any Eligible Options that are accepted and cancelled. Any obligations under the option agreement(s) underlying such Eligible Options also will lapse. For more information, see Sections III.7 and III.13 of this Offer to Exchange.

Q24. What happens to Eligible Options that I do not elect to exchange?

If you choose not to participate and do not validly elect to exchange Eligible Options or withdraw a previous election before the Offer expires, or your options are not accepted for exchange, your Eligible Options will (a) remain outstanding until they are exercised or cancelled or they expire by their original terms, (b) retain their current exercise price, (c) retain their current vesting schedule and (d) retain all of the other terms and conditions as set forth in the relevant agreement related to such option grant, except that, as more fully explained in Question 29 below, the future tax treatment of any Eligible Options that you hold that are incentive stock options may be affected by the Option Exchange Program. There is no action required if you elect to not participate. For more information, see Sections III.6 and III.9 of this Offer to Exchange.

Q25. When does the Offer expire? How will I know if the Offer is extended?

The Offer begins at 12:01 a.m., Eastern Time, on May 17, 2010 and is scheduled to expire at 11:59 p.m., Eastern Time, on June 14, 2010 (or, if we extend the Offer period, a later date that we will specify). We currently have no plans to extend the Offer beyond 11:59 p.m., Eastern Time, on June 14, 2010. However, if we do extend the Offer, we will announce the extension by making a public announcement no later than 9:00 a.m., Eastern Time, on the next business day following the previously scheduled expiration date. We currently intend to inform you of announcements regarding the Offer by email to your Company email address and by posting the announcement on the Offer Website. In addition, you can contact the Global Shares call center at (877) 231-1697 at any time to determine if there have been any announcements regarding the Option Exchange Program. For more information, see Sections III.1 and III.8 of this Offer to Exchange.

Q26. If I participate in the Offer and the Eligible Options that I elect to exchange are accepted, when will I receive my Replacement Options?

We expect to cancel all Eligible Options that are properly exchanged on the same day that the Offer expires. The Replacement Options will be granted on the same day that the Offer expires. The scheduled expiration date of the Offer is June 14, 2010, and we expect to accept and cancel all Eligible Options that are properly exchanged on June 14, 2010 and to grant Replacement Options no later than June 14, 2010. If the expiration date is extended, then the cancellation date and the Replacement Option grant date would be similarly extended. Information regarding your Replacement Options will be posted to your Merrill Lynch online account as soon as administratively practicable after they are granted. For more information, see Section III.7 of this Offer to Exchange.
Q27. If the Offer is extended, how does the extension affect when I will receive my Replacement Options?

If we extend the Offer and you validly submit an election to participate in the Offer prior to the expiration of the Offer, you will become entitled to your Replacement Options, and your Eligible Options will be cancelled, upon the final expiration of the Offer, assuming that you remain an Eligible Employee. You will continue to have the right to change or withdraw your election to participate during any such period that the Offer is extended. For more information, see Section III.8 of this Offer to Exchange.

Q28. Does participating in the Offer involve any risks? Are there risks in deciding not to participate?

Yes. Participating in the Offer involves a number of risks, including the risk that the price of our common stock may increase in the future to such an extent that the Eligible Options you exchanged might have been worth more than the Replacement Options you received. Conversely, there is risk associated with keeping your Eligible Options, because the share price of our common stock might increase at a rate that makes the Replacement Options more valuable. Either way, we can make no guarantees or predictions about the future price of our common stock. In evaluating this Offer, you should keep in mind that the future performance of our common stock and the value of your options will depend upon, among other factors, the overall economic environment, the performance of the overall stock market and our stock, and the performance of our business. Due to these factors, there is a possibility that your Eligible Options may remain underwater or that your Replacement Options may go underwater.

In addition, Replacement Options will have a new vesting schedule, and you must remain employed with the Company in order for the Replacement Options to become vested, subject to any exceptions provided for under the terms of the Replacement Options (such as upon death or disability).

For more information about these risks as well as risks relating to Company’s business in general, see Section II of this Offer to Exchange and the section entitled “Risk Factors” in our most recent Annual Report on Form 10-K and our most recent Quarterly Report on Form 10-Q, which are available at the SEC’s website at www.sec.gov. We also recommend that you read the discussion about our business contained in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our most recent Annual Report on Form 10-K and our most recent Quarterly Report on Form 10-Q. You also should review other developments relating to the Company and our business reported in Current Reports on Form 8-K, also filed with the SEC. Each of these filings is also on the investor page on the Company’s website at www.salliemae.com/investors. For more information about the reports we file with the SEC, see Section III.19 of this Offer to Exchange.

Other Information about the Option Exchange Program

Q29. Will I owe taxes if I exchange my Eligible Options in the Offer?

We believe the exchange of Eligible Options for Replacement Options should be treated as a non-taxable exchange and no income should be recognized for U.S. federal income tax purposes upon grant of the Replacement Options; however, we advise all Eligible Employees who may consider exchanging their Eligible Options to meet with their own tax advisors with respect to the federal, state, local and foreign tax consequences of participating in the Offer.

Please note that if any of your Eligible Options qualify as incentive stock options and you do not elect to exchange such Eligible Options in response to this Offer, those options will be treated as having been modified if the Offer extends for more than 30 calendar days and, as such, will be treated under the tax rules as having been re-granted. In those circumstances, the tax status of any incentive stock options that you hold may be affected. Any incentive stock options that cease to qualify as incentive stock options will be treated as nonqualified stock options. For more information, see Section III.9 of this Offer to Exchange.

Q30. Is it likely that an Offer similar to this one will be made in the future?

No. The Company is making this Offer, in part, due to the current economic environment and other special circumstances surrounding the recent decline in the Company’s stock price. While the Company evaluates its compensation programs periodically, it has no present intention to make a similar offer in the future.
Q31. What interests do the directors and executive officers of the Company have in the Option Exchange Program?

As described in the response to Question 3, current and former members of our Board of Directors and our named executive officers are not eligible to participate in the Option Exchange Program and may not elect to exchange Eligible Options in the Offer. The number of shares of common stock subject to Eligible Options held as of May 14, 2010 by our current executive officers who are eligible to participate in the Offer is set forth in Section III.12 of this Offer to Exchange.

Q32. Do the Company and the Board of Directors recommend that I participate in the Offer?

Although our Board of Directors has approved the Option Exchange Program and the Offer, neither the Company nor the Board of Directors makes any recommendation as to whether you should participate in the Offer. Similarly, neither the Company nor the Board of Directors makes any prediction about the future price of our common stock.

Q33. Can I access the Offer Website from home?

Yes, you can access the Offer Website from any computer with internet access at the following address: www.salliemaeexchange.com. Upon commencement of the Offer, you will be sent an email and paper materials with information describing how to log in to this website.

Q34. What if I am on vacation or leave of absence during the Offer period? Can I still participate?

Yes, but your election to participate must be submitted and received before the Offer expires at 11:59 p.m., Eastern Time, on June 14, 2010 (or, if we extend the Offer, a later date that we will specify). It is your responsibility to make sure that your election is received before the time the Offer expires.

Q35. How will I be notified of any changes to or new information regarding the Option Exchange Program?

We will notify you of any changes to or new information regarding the Option Exchange Program, including any extension of the expiration date and any adjustment of the exchange ratios, by sending you an email. The announcement will also be posted on the Offer Website at www.salliemaeexchange.com and the Stock Option section of the Sallie Mae Intranet. In addition, you can contact the Global Shares call center at (877) 231-1697 to determine if there have been any announcements regarding the Option Exchange Program. Lastly, any changes or new information will be filed with the SEC under a Schedule TO-I/A. You may obtain a copy of the Schedule TO-I/A on the Company’s website at the investor page, www.salliemae.com/investors, or at www.sec.gov.

Q36. What if I have additional questions?

You should direct questions about this Offer and requests for additional copies of this Offer to Exchange and other offer documents to Global Shares at (877) 231-1697 or via email at: salliemaeexchange@globalshares.com.