SLM CORP
Form 10-Q
October 18, 2017

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

Form 10-Q

(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017
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	52-2013874
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

300 Continental Drive, Newark, Delaware	19713
(Address of principal executive offices)	(Zip Code)

(302) 451-0200
(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 þ No ¨

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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 þ No ¨

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

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 September 30, 2017
Common Stock, $0.20 par value	431,889,664 shares

SLM CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
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SLM CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	September 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$1,247,764	$1,918,793
Available-for-sale investments at fair value (cost of $236,018 and $211,406, respectively)	232,549	208,603
Loans held for investment (net of allowance for losses of $229,919 and $184,701, respectively)	18,040,465	15,137,922
Restricted cash and investments	66,625	53,717
Other interest-earning assets	31,303	49,114
Accrued interest receivable	1,019,735	766,106
Premises and equipment, net	88,975	87,063
Tax indemnification receivable	214,496	259,532
Other assets	74,258	52,153
Total assets	$21,016,170	$18,533,003
Liabilities		
Deposits	$15,034,052	$13,435,667
Short-term borrowings	300,000	—
Long-term borrowings	2,738,662	2,167,979
Income taxes payable, net	96,404	184,324
Upromise member accounts	245,094	256,041
Other liabilities	180,118	141,934
Total liabilities	18,594,330	16,185,945
Commitments and contingencies		
Equity		
Preferred stock, par value $0.20 per share, 20 million shares authorized:		
Series A: 0 and 3.3 million shares issued, respectively, at stated value of $50 per share	—	165,000
Series B: 4 million and 4 million shares issued, respectively, at stated value of $100 per share	400,000	400,000
Common stock, par value $0.20 per share, 1.125 billion shares authorized: 442.3 million and 436.6 million shares issued, respectively	88,458	87,327
Additional paid-in capital	1,213,198	1,175,564
Accumulated other comprehensive loss (net of tax benefit of $2,720 and $5,364, respectively)	(4,417)	(8,671)
Retained earnings	824,316	595,322
Total SLM Corporation stockholders' equity before treasury stock	2,521,555	2,414,542
Less: Common stock held in treasury at cost: 10.4 million and 7.7 million shares, respectively	(99,715)	(67,484)
Total equity	2,421,840	2,347,058
Total liabilities and equity	$21,016,170	$18,533,003

See accompanying notes to consolidated financial statements.

SLM CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Interest income:				
Loans	$359,610	$268,341	$1,021,106	$765,246
Investments	1,928	2,193	6,272	7,155
Cash and cash equivalents	4,686	2,003	10,429	4,832
Total interest income	366,224	272,537	1,037,807	777,233
Interest expense:				
Deposits	61,890	38,210	157,473	107,633
Interest expense on short-term borrowings	1,804	1,604	4,234	5,827
Interest expense on long-term borrowings	20,469	9,448	56,070	17,869
Total interest expense	84,163	49,262	217,777	131,329
Net interest income	282,061	223,275	820,030	645,904
Less: provisions for credit losses	54,930	41,784	130,441	116,179
Net interest income after provisions for credit losses	227,131	181,491	689,589	529,725
Non-interest income:				
Gains (losses) on derivatives and hedging activities, net	1,661	1,368	(7,326)	3,156
Other income	4,455	21,598	26,430	56,309
Total non-interest income	6,116	22,966	19,104	59,465
Non-interest expenses:				
Compensation and benefits	51,052	43,380	157,523	138,659
FDIC assessment fees	7,626	5,095	21,477	13,548
Other operating expenses	57,464	51,234	151,070	135,164
Total operating expenses	116,142	99,709	330,070	287,371
Acquired intangible asset amortization expense	117	226	351	747
Total non-interest expenses	116,259	99,935	330,421	288,118
Income before income tax expense	116,988	104,522	378,272	301,072
Income tax expense	40,617	47,557	136,341	120,987
Net income	76,371	56,965	241,931	180,085
Preferred stock dividends	3,028	5,316	12,577	15,698
Net income attributable to SLM Corporation common stock	$73,343	$51,649	$229,354	$164,387
Basic earnings per common share attributable to SLM Corporation	$0.17	$0.12	$0.53	$0.38
Average common shares outstanding	431,718	428,077	430,958	427,711
Diluted earnings per common share attributable to SLM Corporation	$0.17	$0.12	$0.52	$0.38
Average common and common equivalent shares outstanding	438,419	433,523	438,422	432,079

See accompanying notes to consolidated financial statements.

SLM CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	$76,371	$56,965	$241,931	$180,085
Other comprehensive income (loss):				
Unrealized gains (losses) on investments	734	406	(666)	4,723
Unrealized gains (losses) on cash flow hedges	4,814	9,324	7,564	(23,782)
Total unrealized gains (losses)	5,548	9,730	6,898	(19,059)
Income tax (expense) benefit	(2,113)	(3,690)	(2,644)	7,305
Other comprehensive income (loss), net of tax (expense) benefit	3,435	6,040	4,254	(11,754)
Total comprehensive income	$79,806	$63,005	$246,185	$168,331

See accompanying notes to consolidated financial statements.

SLM CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except share and per share amounts)
(Unaudited)

		Common Stock Shares								
	Preferred Stock Shares	Issued	Treasury	Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	T S
Balance at December 31, 2015	7,300,000	430,677,434	(4,374,190)	426,303,244	$565,000	$86,136	$1,135,860	$(16,059)	$366,609	$
Net income	—	—	—	—	—	—	—	—	180,085	–
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(11,754)	—	–
Total comprehensive income	—	—	—	—	—	—	—	—	—	–
Cash dividends:										
Preferred Stock, series A ($.87 per share)	—	—	—	—	—	—	—	—	(8,625)	–
Preferred Stock, series B ($.65 per share)	—	—	—	—	—	—	—	—	(7,073)	–
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	402	—	(402)	
Issuance of common shares	—	3,727,574	—	3,727,574	—	745	5,493	—	—	–
Tax benefit related to employee stock-based compensation	—	—	—	—	—	—	(2,457)	—	—	–
Stock-based compensation expense	—	—	—	—	—	—	17,950	—	—	–
Shares repurchased related to	—	—	(1,763,092)	(1,763,092)	—	—	—	—	—	(

employee stock-based compensation plans										
Balance at September 30, 2016	7,300,000	434,405,008	(6,137,282)	428,267,726	$565,000	$86,881	$1,157,248	$(27,813)	$530,594	$

See accompanying notes to consolidated financial statements.

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SLM CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except share and per share amounts)
(Unaudited)

	Preferred Stock Shares	Common Stock Shares Issued	Treasury	Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings
Balance at December 31, 2016	7,300,000	436,632,479	(7,728,920)	428,903,559	$565,000	$87,327	$1,175,564	$(8,671)	$595,322
Net income	—	—	—	—	—	—	—	—	241,931
Other comprehensive income, net of tax	—	—	—	—	—	—	—	4,254	—
Total comprehensive income	—	—	—	—	—	—	—	—	—
Cumulative effect of the new stock compensation standard	—	—	—	—	—	—	429	—	(264)
Cash dividends:									
Preferred Stock, series A ($1.74 per share)	—	—	—	—	—	—	—	—	(3,961)
Preferred Stock, series B ($2.15 per share)	—	—	—	—	—	—	—	—	(8,616)
Redemption of Series A Preferred Stock	(3,300,000)	—	—	—	(165,000)	—	—	—	—
Dividend equivalent units related to employee stock-based compensation	—	—	—	—	—	—	96	—	(96)

plans									
Issuance of common shares	—	5,652,886		5,652,886	—	1,131	15,336	—	—
Stock-based compensation expense	—	—	—	—	—	—	21,773	—	—
Shares repurchased related to employee stock-based compensation plans	—	—	(2,666,781)	(2,666,781)	—	—	—	—	—
Balance at September 30, 2017	4,000,000	442,285,365	(10,395,701)	431,889,664	$400,000	$88,458	$1,213,198	$(4,417)	$824,316

See accompanying notes to consolidated financial statements.

SLM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
Operating activities		
Net income	$241,931	$180,085
Adjustments to reconcile net income to net cash used in operating activities:		
Provisions for credit losses	130,441	116,179
Income tax expense	136,341	118,530
Amortization of brokered deposit placement fee	6,831	7,766
Amortization of ABCP Facility upfront fee	995	866
Amortization of deferred loan origination costs and fees, net	6,122	4,304
Net amortization of discount on investments	1,504	1,387
Loss (income) on tax indemnification receivable	311	(14,386)
Depreciation of premises and equipment	8,194	6,896
Amortization of acquired intangibles	351	747
Stock-based compensation expense	21,773	17,950
Unrealized losses (gains) on derivatives and hedging activities, net	6,931	(1,881)
Other adjustments to net income, net	4,601	2,540
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(506,451)	(430,441)
Decrease in restricted cash and investments, net	5,701	1,564
Decrease in other interest-earning assets	17,811	7,562
Decrease in tax indemnification receivable	44,725	44,725
Increase in other assets	(53,276)	(22,879)
Decrease in income taxes payable, net	(217,235)	(201,338)
Increase in accrued interest payable	15,240	10,202
(Decrease) increase in payable due to entity that is a subsidiary of Navient	(305)	658
Increase in other liabilities	6,143	7,131
Total adjustments	(363,252)	(321,918)
Total net cash used in operating activities	(121,321)	(141,833)
Investing activities		
Loans acquired and originated	(4,314,711)	(4,072,631)
Net proceeds from sales of loans held for investment	5,497	7,912
Proceeds from claim payments	34,759	49,742
Net decrease in loans held for investment	1,488,087	953,715
Increase in restricted cash and investments - variable interest entities	(18,608)	(11,840)
Purchases of available-for-sale securities	(55,569)	(40,767)
Proceeds from sales and maturities of available-for-sale securities	29,452	26,318
Total net cash used in investing activities	(2,831,093)	(3,087,551)
Financing activities		
Brokered deposit placement fee	(9,668)	(3,953)
Net increase in certificates of deposit	1,087,486	481,623
Net increase in other deposits	516,343	961,123
Issuance costs for collateralized borrowings	—	(1,351)

Borrowings collateralized by loans in securitization trusts - issued	767,245	1,104,551
Borrowings collateralized by loans in securitization trusts - repaid	(397,106)	(106,567)
Issuance costs for unsecured debt offering	(1,057)	—
Unsecured debt issued	197,000	—
Borrowings under ABCP Facility	300,000	376,325
Repayment of borrowings under ABCP Facility	—	(526,500)

Fees paid on ABCP Facility	(1,281)	(1,450)
Redemption of Preferred Stock Series A	(165,000)	—
Preferred stock dividends paid	(12,577)	(15,698)
Net cash provided by financing activities	2,281,385	2,268,103
Net decrease in cash and cash equivalents	(671,029)	(961,281)
Cash and cash equivalents at beginning of period	1,918,793	2,416,219
Cash and cash equivalents at end of period	$1,247,764	$1,454,938
Cash disbursements made for:		
Interest	$191,488	$119,812
Income taxes paid	$216,321	$201,218
Income taxes refunded	$(986)	$(86)

See accompanying notes to consolidated financial statements.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise noted)

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, consolidated financial statements of SLM Corporation ("Sallie Mae," "SLM," the "Company," "we," or "us") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all the information and footnotes required by GAAP for complete consolidated financial statements. The consolidated financial statements include the accounts of SLM Corporation and its majority-owned and controlled subsidiaries after eliminating the effects of intercompany accounts and transactions. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three and nine months ended September 30, 2017 are not necessarily indicative of the results for the year ending December 31, 2017 or for any other period. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2016 (the "2016 Form 10-K").

Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned and controlled subsidiaries after eliminating the effects of intercompany accounts and transactions.

We consolidate any variable interest entity ("VIE") where we have determined we are the primary beneficiary. The primary beneficiary is the entity which has both: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE.

Allowance for Loan Losses

We maintain an allowance for loan losses at an amount sufficient to absorb probable losses incurred in our portfolios at the reporting date based on a projection of estimated probable credit losses incurred in the portfolio. Please refer to Note 2, "Significant Accounting Policies - Allowance for Loan Losses - Allowance for Private Education Loan Losses" in the 2016 Form 10-K for a description of certain information we use in estimating allowance amounts for Private Education Loans (as hereafter defined).

Troubled Debt Restructurings ("TDRs")

For our TDR portfolio, we estimate an allowance amount sufficient to cover life-of-loan expected losses through an impairment calculation based on the difference between the loan's basis and the present value of expected future cash flows (which would include life-of-loan default and recovery assumptions) discounted at the loan's original effective interest rate. Our TDR portfolio is comprised mostly of loans with interest rate reductions and loans with forbearance usage greater than three months, as further described below.

We modify the terms of loans for certain borrowers when we believe such modifications may increase the ability and willingness of a borrower to make payments and thus increase the ultimate overall amount collected on a loan. These modifications generally take the form of a forbearance, a temporary interest rate reduction or an extended repayment plan. We generally consider a loan that is in full principal and interest repayment status which has received more than three months of forbearance in a 24-month period to be a TDR; however, during the first nine months after a loan has entered full principal and interest repayment status, we do not count up to the first six months of forbearance received during that period against the three-month policy limit.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
1. Significant Accounting Policies (Continued)

A loan also becomes a TDR when it is modified to reduce the interest rate on the loan (regardless of when such modification occurs and/or whether such interest rate reduction is temporary). The majority of our loans that are considered TDRs involve a temporary forbearance of payments and do not change the contractual interest rate of the loan. Once a loan qualifies for TDR status, it remains a TDR for allowance purposes for the remainder of its life. As of September 30, 2017 and December 31, 2016, approximately 69 percent of TDRs were classified as such due to their forbearance status.

Derivative Accounting

We account for our derivatives, consisting of interest rate swaps, at fair value on the consolidated balance sheets as either an asset or liability. Derivative positions are recorded as net positions by counterparty based on master netting arrangements (see Note 6, “Derivative Financial Instruments”), exclusive of accrued interest and cash collateral held or pledged. The Chicago Mercantile Exchange (“CME”) and the London Clearing House (“LCH”) made amendments to their respective rules that resulted in the prospective accounting treatment of certain daily payments historically treated as the posting of collateral (variation margin payments) being considered as the legal settlement of the outstanding exposure of the derivative. While the CME rule, which became effective in January 2017, is mandatory, the LCH allows a clearing member institution the option to adopt the rule changes on an individual contract or portfolio basis. As of September 30, 2017, $5.1 billion notional of our derivative contracts were cleared on the CME and $0.7 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 85.8 percent and 11.9 percent, respectively, of our total notional derivative contracts of $5.9 billion at September 30, 2017.

Under this new rule, for derivatives cleared through the CME, the net gain (loss) position includes the variation margin amounts as settlement of the derivative and not collateral against the fair value of the derivative. Interest income (expense) related to variation margin on derivatives that are not designated as hedging instruments or are designated as fair value relationships is recognized as a gain (loss) rather than as interest income (expense). Changes in fair value for derivatives not designated as hedging instruments will be presented as realized gains (losses).

Our LCH clearing member institution has elected not to adopt the new rule change. Therefore, there has been no change to the accounting for the derivatives cleared through the LCH, and variation margin payments required to be exchanged based on the fair value of these derivatives remain accounted for as collateral.

We determine the fair value for our derivative contracts primarily using pricing models that consider current market conditions and the contractual terms of the derivative contracts. These pricing models consider interest rates, time value, forward interest rate curves, and volatility factors. Inputs are generally from active financial markets.

The majority of our derivatives qualify as effective hedges. For these derivatives, the relationship between the hedging instrument and the hedged items (including the hedged risk and method for assessing effectiveness), as well as the risk management objective and strategy for undertaking various hedge transactions at the inception of the hedging relationship, is documented.

Each derivative is designated to a specific (or pool of) liability(ies) on the consolidated balance sheets, and is designated as either a “fair value” hedge or a “cash flow” hedge. Fair value hedges are designed to hedge our exposure to the changes in fair value of a fixed-rate liability. For effective fair value hedges, both the hedge and the hedged item (for the risk being hedged) are recorded at fair value with any difference reflecting ineffectiveness recorded immediately in the consolidated statements of income. Cash flow hedges are designed to hedge our exposure to variability in cash flows related to variable-rate deposits. The assessment of the hedge’s effectiveness is performed at inception and on an ongoing basis, using regression testing. For hedges of a pool of liabilities, tests are performed to demonstrate the similarity of individual instruments of the pool. When it is determined that a derivative is not currently an effective hedge, ineffectiveness is recognized for the full change in fair value of the derivative with no offsetting amount from the hedged item since the last time it was effective. If it is also determined the hedge will not be effective in the future, we discontinue the hedge accounting prospectively and begin amortization of any basis adjustments that exist related to the hedged item.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
1. Significant Accounting Policies (Continued)

Stock-Based Compensation

We recognize stock-based compensation cost in our consolidated statements of income using the fair value method. Under this method, we determine the fair value of the stock-based compensation at the time of the grant and recognize the resulting compensation expense over the vesting period of the stock-based grant. On January 1, 2017, we adopted the Financial Accounting Standards Board's ("FASB's") Accounting Standards Update ("ASU") 2016-09 "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." This new guidance requires that we record all excess tax benefits/deficiencies related to the settlement of employee stock-based compensation to the income tax expense line item on our consolidated statements of income, under a modified retrospective basis. In the nine months ended September 30, 2017, we recorded a $7.3 million benefit in income tax expense because of this new standard. We previously recorded the excess tax benefits/deficiencies to the additional paid-in capital line item on our consolidated balance sheets. Under the new guidance, we also elected the option to no longer apply a forfeiture rate to our stock-based compensation expense, but to record forfeitures when they occur, and, as a result, under a modified retrospective basis we recorded a cumulative effect of the new stock compensation standard in total equity of $0.2 million, net of tax, in the first quarter of 2017.

Recently Issued but Not Yet Adopted Accounting Pronouncements

On August 28, 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities," which improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and make certain targeted improvements to simplify the application of the hedge accounting guidance. The guidance expands the ability to hedge nonfinancial and financial risk components, reduces complexity in fair value hedges of interest rate risk, eliminates the requirement to separately measure and report hedge ineffectiveness, as well as eases certain hedge effectiveness assessment requirements. The effective date for the standard is January 1, 2019, with early adoption permitted. We are currently evaluating if we will adopt this standard prior to its final effective date, and we currently do not expect the adoption to materially affect our consolidated financial statements.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)

2. Loans Held for Investment

Loans held for investment consist of Private Education Loans, FFELP Loans and Personal Loans. We use “Private Education Loans” to mean education loans to students or their families that are not made, insured or guaranteed by any state or federal government. Private Education Loans do not include loans insured or guaranteed under the previously existing Federal Family Education Loan Program (“FFELP”). We use “Personal Loans” to mean those unsecured loans to individuals that may be used for non-educational purposes. We began to opportunistically acquire Personal Loans in the fourth quarter of 2016.

Our Private Education Loans are made largely to bridge the gap between the cost of higher education and the amount funded through financial aid, government loans and customers’ resources. Private Education Loans bear the full credit risk of the customer. We manage this risk through risk-performance underwriting strategies and qualified cosigners. Private Education Loans may be fixed rate or may carry a variable interest rate indexed to LIBOR. As of September 30, 2017 and December 31, 2016, 78.2 percent and 81.4 percent, respectively, of all of our Private Education Loans were indexed to LIBOR. We provide incentives for customers to include a cosigner on the loan, and the vast majority of loans in our portfolio are cosigned. We also provide total cost incentives for customers to make payments while in school.

FFELP Loans are insured as to their principal and accrued interest in the event of default, subject to a risk sharing level based on the date of loan disbursement. These insurance obligations are supported by contractual rights against the United States. For loans disbursed on or after July 1, 2006, we receive 97 percent reimbursement on all qualifying claims. For loans disbursed after October 1, 1993, and before July 1, 2006, we receive 98 percent reimbursement on all qualifying claims. For loans disbursed prior to October 1, 1993, we receive 100 percent reimbursement on all qualifying claims.

Loans held for investment are summarized as follows:

	September 30, 2017	December 31, 2016
Private Education Loans	$17,132,907	$14,251,675
Deferred origination costs	53,501	44,206
Allowance for loan losses	(227,167)	(182,472)
Total Private Education Loans, net	16,959,241	14,113,409
FFELP Loans	949,180	1,010,908
Unamortized acquisition costs, net	2,696	2,941
Allowance for loan losses	(1,352)	(2,171)
Total FFELP Loans, net	950,524	1,011,678
Personal Loans	132,100	12,893
Allowance for loan losses	(1,400)	(58)
Total Personal Loans, net	130,700	12,835
Loans held for investment, net	$18,040,465	$15,137,922

The estimated weighted average life of education loans in our portfolio was approximately 5.6 years and 6.0 years at September 30, 2017 and December 31, 2016, respectively.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
2. Loans Held for Investment (Continued)

The average balance and the respective weighted average interest rates of loans in our portfolio are summarized as follows:

	Three Months Ended September 30,			
	2017		2016	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	$16,228,751	8.50 %	$12,881,890	8.00 %
FFELP Loans	960,185	4.02	1,049,803	3.52
Personal Loans	86,441	9.66	—	—
Total portfolio	$17,275,377		$13,931,693	

	Nine Months Ended September 30,			
	2017		2016	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	$15,791,557	8.37 %	$12,307,932	8.00 %
FFELP Loans	981,106	3.86	1,076,394	3.48
Personal Loans	61,263	9.44	—	—
Total portfolio	$16,833,926		$13,384,326	

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)

3. Allowance for Loan Losses

Our provision for loan losses represents the periodic expense of maintaining an allowance sufficient to absorb incurred probable losses in the held-for-investment loan portfolios. The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. We believe the allowance for loan losses is appropriate to cover probable losses incurred in the loan portfolios. We began acquiring Personal Loans in the fourth quarter of 2016.

Allowance for Loan Losses Metrics

	Allowance for Loan Losses Three Months Ended September 30, 2017			
	FFELP Loans	Private Education Loans	Personal Loans	Total
Allowance for Loan Losses				
Beginning balance	$1,606	$205,024	$818	$207,448
Total provision	(73)	53,120	800	53,847
Net charge-offs:				
Charge-offs	(181)	(34,280)	(220)	(34,681)
Recoveries	—	4,560	2	4,562
Net charge-offs	(181)	(29,720)	(218)	(30,119)
Loan sales(1)	—	(1,257)	—	(1,257)
Ending Balance	$1,352	$227,167	$1,400	$229,919
Allowance:				
Ending balance: individually evaluated for impairment	$—	$100,999	$—	$100,999
Ending balance: collectively evaluated for impairment	$1,352	$126,168	$1,400	$128,920
Loans:				
Ending balance: individually evaluated for impairment	$—	$942,561	$—	$942,561
Ending balance: collectively evaluated for impairment	$949,180	$16,190,346	$132,100	$17,271,626
Net charge-offs as a percentage of average loans in repayment (annualized)(2)	0.10%	1.08%	0.96%	
Allowance as a percentage of the ending total loan balance	0.14%	1.33%	1.06%	
Allowance as a percentage of the ending loans in repayment(2)	0.20%	1.99%	1.06%	
Allowance coverage of net charge-offs (annualized)	1.87	1.91	1.60	
Ending total loans, gross	$949,180	$17,132,907	$132,100	
Average loans in repayment(2)	$734,613	$10,971,028	$90,850	
Ending loans in repayment(2)	$690,849	$11,406,581	$132,100	

(1) Represents fair value adjustments on loans sold.
(2) Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
3. Allowance for Loan Losses (Continued)

	Allowance for Loan Losses Three Months Ended September 30, 2016		
	FFELP Loans	Private Education Loans	Total
Allowance for Loan Losses			
Beginning balance	$2,297	$ 142,628	$144,925
Total provision	268	40,502	40,770
Net charge-offs:			
Charge-offs	(356)	(22,072)	(22,428)
Recoveries	—	2,973	2,973
Net charge-offs	(356)	(19,099)	(19,455)
Loan sales[1]	—	(1,401)	(1,401)
Ending Balance	$2,209	$ 162,630	$164,839
Allowance:			
Ending balance: individually evaluated for impairment	$—	$ 77,521	$77,521
Ending balance: collectively evaluated for impairment	$2,209	$ 85,109	$87,318
Loans:			
Ending balance: individually evaluated for impairment	$—	$ 503,632	$503,632
Ending balance: collectively evaluated for impairment	$1,033,929	$ 13,344,630	$14,378,559
Net charge-offs as a percentage of average loans in repayment (annualized)[2]	0.18 %	0.91 %	
Allowance as a percentage of the ending total loan balance	0.21 %	1.17 %	
Allowance as a percentage of the ending loans in repayment[2]	0.28 %	1.83 %	
Allowance coverage of net charge-offs (annualized)	1.55	2.13	
Ending total loans, gross	$1,033,929	$ 13,848,262	
Average loans in repayment[2]	$791,296	$ 8,420,625	
Ending loans in repayment[2]	$795,665	$ 8,905,812	

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(1) Represents fair value adjustments on loans sold.
(2) Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

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SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
3. Allowance for Loan Losses (Continued)

	Allowance for Loan Losses Nine Months Ended September 30, 2017			
	FFELP Loans	Private Education Loans	Personal Loans	Total
Allowance for Loan Losses				
Beginning balance	$2,171	$182,472	$58	$184,701
Total provision	(161)	129,105	1,580	130,524
Net charge-offs:				
Charge-offs	(658)	(93,235)	(240)	(94,133)
Recoveries	—	12,216	2	12,218
Net charge-offs	(658)	(81,019)	(238)	(81,915)
Loan sales[1]	—	(3,391)	—	(3,391)
Ending Balance	$1,352	$227,167	$1,400	$229,919
Allowance:				
Ending balance: individually evaluated for impairment	$—	$100,999	$—	$100,999
Ending balance: collectively evaluated for impairment	$1,352	$126,168	$1,400	$128,920
Loans:				
Ending balance: individually evaluated for impairment	$—	$942,561	$—	$942,561
Ending balance: collectively evaluated for impairment	$949,180	$16,190,346	$132,100	$17,271,626
Net charge-offs as a percentage of average loans in repayment (annualized)[2]	0.12 %	1.02 %	0.51 %	
Allowance as a percentage of the ending total loan balance	0.14 %	1.33 %	1.06 %	
Allowance as a percentage of the ending loans in repayment[2]	0.20 %	1.99 %	1.06 %	
Allowance coverage of net charge-offs (annualized)	1.54	2.10	4.41	
Ending total loans, gross	$949,180	$17,132,907	$132,100	
Average loans in repayment[2]	$752,990	$10,589,725	$62,747	
Ending loans in repayment[2]	$690,849	$11,406,581	$132,100	

———————

(1) Represents fair value adjustments on loans sold.
(2) Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
3. Allowance for Loan Losses (Continued)

	Allowance for Loan Losses Nine Months Ended September 30, 2016		
	FFELP Loans	Private Education Loans	Total
Allowance for Loan Losses			
Beginning balance	$3,691	$ 108,816	$112,507
Total provision	(396)	116,703	116,307
Net charge-offs:			
Charge-offs	(1,086)	(64,979)	(66,065)
Recoveries	—	7,098	7,098
Net charge-offs	(1,086)	(57,881)	(58,967)
Loan sales[1]	—	(5,008)	(5,008)
Ending Balance	$2,209	$ 162,630	$164,839
Allowance:			
Ending balance: individually evaluated for impairment	$—	$ 77,521	$77,521
Ending balance: collectively evaluated for impairment	$2,209	$ 85,109	$87,318
Loans:			
Ending balance: individually evaluated for impairment	$—	$ 503,632	$503,632
Ending balance: collectively evaluated for impairment	$1,033,929	$ 13,344,630	$14,378,559
Net charge-offs as a percentage of average loans in repayment (annualized)[2]	0.18%	0.97%	
Allowance as a percentage of the ending total loan balance	0.21%	1.17%	
Allowance as a percentage of the ending loans in repayment[2]	0.28%	1.83%	
Allowance coverage of net charge-offs (annualized)	1.53	2.11	
Ending total loans, gross	$1,033,929	$ 13,848,262	
Average loans in repayment[2]	$795,452	$ 7,952,469	
Ending loans in repayment[2]	$795,665	$ 8,905,812	

(1) Represents fair value adjustments on loans sold.
(2) Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

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SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
3. Allowance for Loan Losses (Continued)

Troubled Debt Restructurings

All of our loans are collectively assessed for impairment, except for loans classified as TDRs (where we conduct individual assessments of impairment). We modify the terms of loans for certain borrowers when we believe such modifications may increase the ability and willingness of a borrower to make payments and thus increase the ultimate overall amount collected on a loan. These modifications generally take the form of a forbearance, a temporary interest rate reduction or an extended repayment plan. The majority of our loans that are considered TDRs involve a temporary forbearance of payments and do not change the contractual interest rate of the loan. As of September 30, 2017 and December 31, 2016, approximately 69 percent of TDRs were classified as such due to their forbearance status. For additional information, see Note 6, "Allowance for Loan Losses" in our 2016 Form 10-K.

Within the Private Education Loan portfolio, loans greater than 90 days past due are considered to be nonperforming. FFELP Loans are at least 97 percent guaranteed as to their principal and accrued interest by the federal government in the event of default and, therefore, we do not deem FFELP Loans as nonperforming from a credit risk perspective at any point in their life cycle prior to claim payment, and continue to accrue interest on those loans through the date of claim.

At September 30, 2017 and December 31, 2016, all TDR loans had a related allowance recorded. The following table provides the recorded investment, unpaid principal balance and related allowance for our TDR loans.

	Recorded Investment	Unpaid Principal Balance	Allowance
September 30, 2017			
TDR Loans	$ 957,605	$942,561	$ 100,999
December 31, 2016			
TDR Loans	$ 620,991	$612,606	$ 86,930

The following table provides the average recorded investment and interest income recognized for our TDR loans.

	Three Months Ended September 30,			
	2017		2016	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
TDR Loans	$877,011	$ 16,517	$454,395	$ 8,116

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
3. Allowance for Loan Losses (Continued)

	Nine Months Ended September 30,			
	2017		2016	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
TDR Loans	$772,362	$ 43,084	$373,747	$ 20,396

The following table provides information regarding the loan status and aging of TDR loans.

	September 30, 2017		December 31, 2016	
	Balance	%	Balance	%
TDR loans in in-school/grace/deferment[1]	$49,287		$24,185	
TDR loans in forbearance[2]	118,034		71,851	
TDR loans in repayment[3] and percentage of each status:				
Loans current	692,282	89.3 %	462,187	89.5 %
Loans delinquent 31-60 days[4]	43,362	5.6	28,452	5.5
Loans delinquent 61-90 days[4]	25,268	3.3	17,326	3.4
Loans delinquent greater than 90 days[4]	14,328	1.8	8,605	1.6
Total TDR loans in repayment	775,240	100.0%	516,570	100.0%
Total TDR loans, gross	$942,561		$612,606	

(1) Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on the loans (e.g., residency periods for medical students or a grace period for bar exam preparation).
(2) Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.
(3) Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.
(4) The period of delinquency is based on the number of days scheduled payments are contractually past due.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
3. Allowance for Loan Losses (Continued)

The following table provides the amount of modified loans (which include forbearance and reductions in interest rates) that became TDRs in the periods presented. Additionally, for the periods presented, the table summarizes charge-offs occurring in the TDR portfolio, as well as TDRs for which a payment default occurred in the relevant period presented and within 12 months of the loan first being designated as a TDR. We define payment default as more than 60 days past due for this disclosure.

	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
	Modified Loans[1]	Charge-offs	Payment-Default	Modified Loans[1]	Charge-offs	Payment-Default
TDR Loans	$168,645	$ 12,227	$ 28,275	$116,419	$ 5,925	$ 23,326

	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2016		
	Modified Loans[1]	Charge-offs	Payment-Default	Modified Loans[1]	Charge-offs	Payment-Default
TDR Loans	$415,341	$ 34,965	$ 77,248	$270,266	$ 16,357	$ 70,401

[1] Represents the principal balance of loans that have been modified during the period and resulted in a TDR.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
3. Allowance for Loan Losses (Continued)

Key Credit Quality Indicators
For Private Education Loans, the key credit quality indicators are FICO scores, the existence of a cosigner, the loan status and loan seasoning. The FICO scores are assessed at original approval and periodically refreshed/updated through the loan's term. The following table highlights the gross principal balance of our Private Education Loan portfolio stratified by key credit quality indicators.

	Private Education Loans Credit Quality Indicators					
	September 30, 2017			December 31, 2016		
Credit Quality Indicators:	Balance[1]	% of Balance		Balance[1]	% of Balance	
Cosigners:						
With cosigner	$15,395,579	90	%	$12,816,512	90	%
Without cosigner	1,737,328	10		1,435,163	10	
Total	$17,132,907	100	%	$14,251,675	100	%
FICO at Original Approval[2]:						
Less than 670	$1,119,376	6	%	$920,132	6	%
670-699	2,532,389	15		2,092,722	15	
700-749	5,605,519	33		4,639,958	33	
Greater than or equal to 750	7,875,623	46		6,598,863	46	
Total	$17,132,907	100	%	$14,251,675	100	%
Seasoning[3]:						
1-12 payments	$4,758,249	28	%	$3,737,110	26	%
13-24 payments	3,017,316	18		2,841,107	20	
25-36 payments	2,033,608	12		1,839,764	13	
37-48 payments	1,105,979	6		917,633	7	
More than 48 payments	865,084	5		726,106	5	
Not yet in repayment	5,352,671	31		4,189,955	29	
Total	$17,132,907	100	%	$14,251,675	100	%

(1) Balance represents gross Private Education Loans.
(2) Represents the higher credit score of the cosigner or the borrower.
(3) Number of months in active repayment (whether interest only payment, fixed payment, or full principal and interest payment status) for which a scheduled payment was due.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
3. Allowance for Loan Losses (Continued)

Key Credit Quality Indicators
For Personal Loans, the key credit quality indicators are FICO scores and loan seasoning. The FICO scores are assessed at original approval and periodically refreshed/updated through the loan's term. The following table highlights the gross principal balance of our Personal Loan portfolio stratified by key credit quality indicators.

	Personal Loans Credit Quality Indicators					
	September 30, 2017			December 31, 2016		
Credit Quality Indicators:	Balance[1]	% of Balance		Balance[1]	% of Balance	
FICO at Original Approval:						
Less than 670	$10,910	8	%	$1,189	9	%
670-699	38,330	29		3,139	24	
700-749	60,601	46		5,678	44	
Greater than or equal to 750	22,259	17		2,888	23	
Total	$132,100	100	%	$12,894	100	%
Seasoning[2]:						
0-12 payments	$132,100	100	%	$12,894	100	%
13-24 payments	—	—		—	—	
25-36 payments	—	—		—	—	
37-48 payments	—	—		—	—	
More than 48 payments	—	—		—	—	
Total	$132,100	100	%	$12,894	100	%

(1) Balance represents gross Personal Loans.
(2) Number of months in active repayment for which a scheduled payment was due.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
3. Allowance for Loan Losses (Continued)

The following table provides information regarding the loan status of our Private Education Loans. Loans in repayment include loans making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

	Private Education Loans			
	September 30, 2017		December 31, 2016	
	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$5,352,671		$4,189,955	
Loans in forbearance[2]	373,655		351,962	
Loans in repayment and percentage of each status:				
Loans current	11,115,697	97.4 %	9,509,394	97.9 %
Loans delinquent 31-60 days[3]	175,897	1.6	124,773	1.3
Loans delinquent 61-90 days[3]	82,095	0.7	51,423	0.5
Loans delinquent greater than 90 days[3]	32,892	0.3	24,168	0.3
Total Private Education Loans in repayment	11,406,581	100.0%	9,709,758	100.0%
Total Private Education Loans, gross	17,132,907		14,251,675	
Private Education Loans deferred origination costs	53,501		44,206	
Total Private Education Loans	17,186,408		14,295,881	
Private Education Loans allowance for losses	(227,167)		(182,472)	
Private Education Loans, net	$16,959,241		$14,113,409	
Percentage of Private Education Loans in repayment		66.6 %		68.1 %
Delinquencies as a percentage of Private Education Loans in repayment		2.6 %		2.1 %
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance		3.2 %		3.5 %

(1) Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on the loans (e.g., residency periods for medical students or a grace period for bar exam preparation).

(2) Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

(3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
3. Allowance for Loan Losses (Continued)

Accrued Interest Receivable

The following table provides information regarding accrued interest receivable on our Private Education Loans. The table also discloses the amount of accrued interest on loans greater than 90 days past due as compared to our allowance for uncollectible interest. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due Private Education Loan portfolio for all periods presented.

	Private Education Loan Accrued Interest Receivable		
	Total Interest Receivable	Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
September 30, 2017	$1,008,214	$1,216	$ 5,556
December 31, 2016	$739,847	$845	$ 2,898

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)

4. Deposits

The following table summarizes total deposits at September 30, 2017 and December 31, 2016.

	September 30, 2017	December 31, 2016
Deposits - interest bearing	$15,033,524	$13,434,990
Deposits - non-interest bearing	528	677
Total deposits	$15,034,052	$13,435,667

Interest bearing deposits as of September 30, 2017 and December 31, 2016 consisted of retail non-maturity savings deposits, retail and brokered non-maturity money market deposits ("MMDAs") and brokered and retail certificates of deposit ("CDs"). Interest bearing deposits include deposits from Educational 529 and Health Savings plans that diversify our funding sources and add deposits we consider to be core. These and other large omnibus accounts, aggregating the deposits of many individual depositors, represented $5.5 billion of our deposit total as of September 30, 2017.
Some of our deposit products are serviced by third-party providers. Placement fees associated with the brokered CDs are amortized into interest expense using the effective interest rate method. We recognized placement fee expense of $2.5 million and $2.6 million in the three months ended September 30, 2017 and 2016, respectively, and placement fee expense of $6.8 million and $7.8 million in the nine months ended September 30, 2017 and 2016, respectively. Fees paid to third-party brokers related to brokered CDs were $4.4 million and $1.1 million for the three months ended September 30, 2017 and 2016, respectively, and fees paid to third-party brokers related to brokered CDs were $9.7 million and $4.0 million for the nine months ended September 30, 2017 and 2016, respectively.
Interest bearing deposits at September 30, 2017 and December 31, 2016 are summarized as follows:

	September 30, 2017		December 31, 2016	
	Amount	Qtr.-End Weighted Average Stated Rate[1]	Amount	Year-End Weighted Average Stated Rate[1]
Money market	$7,656,169	1.72 %	$7,129,404	1.22 %
Savings	824,308	1.09	834,521	0.84
Certificates of deposit	6,553,047	1.83	5,471,065	1.41
Deposits - interest bearing	$15,033,524		$13,434,990	

(1) Includes the effect of interest rate swaps in effective hedge relationships.

As of September 30, 2017 and December 31, 2016, there were $422.4 million and $304.5 million, respectively, of deposits exceeding Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accrued interest on deposits was $28.2 million and $18.9 million at September 30, 2017 and December 31, 2016, respectively.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)

5. Borrowings

Outstanding borrowings consist of unsecured debt and secured borrowings issued through our term asset-backed securitization ("ABS") program and our asset-backed commercial paper ("ABCP") funding facility (the "ABCP Facility"). The following table summarizes our borrowings at September 30, 2017 and December 31, 2016.

	September 30, 2017			December 31, 2016		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt	$—	$196,337	$196,337	$—	$—	$—
Total unsecured borrowings	—	196,337	196,337	—	—	—
Secured borrowings:						
Private Education Loan term securitizations	$—	$2,542,325	$2,542,325	$—	$2,167,979	$2,167,979
ABCP Facility	300,000	—	300,000	—	—	—
Total secured borrowings	300,000	2,542,325	2,842,325	—	2,167,979	2,167,979
Total	$300,000	$2,738,662	$3,038,662	$—	$2,167,979	$2,167,979

Short-term Borrowings

Asset-Backed Commercial Paper Funding Facility

On February 25, 2016 and February 22, 2017, we amended and extended the maturity of our ABCP Facility. The amended ABCP Facility is a $750 million facility in which we no longer hold a participation interest. As a result, the full $750 million is available for us to draw. We hold 100 percent of the residual interest in the ABCP Facility trust. Under the amended ABCP Facility, we incur financing costs of between 0.35 percent and 0.45 percent on unused borrowing capacity and approximately 3 month LIBOR plus 0.90 percent on outstandings. The amended ABCP Facility extends the revolving period, during which we may borrow, repay and reborrow funds, until February 22, 2018. The scheduled amortization period, during which amounts outstanding under the ABCP Facility must be repaid, ends on February 22, 2019 (or earlier, if certain material adverse events occur). At September 30, 2017, there were $300 million borrowings outstanding under the ABCP Facility. We expect to amend and extend the ABCP Facility on an annual basis.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
5. Borrowings (Continued)

Long-term Borrowings

Unsecured Debt
On April 5, 2017, we issued an unsecured debt offering of $200 million of 5.125 percent Senior Notes due April 5, 2022 at par.

Secured Financings
On February 8, 2017, we executed our $772 million SMB Private Education Loan Trust 2017-A term ABS transaction, which was accounted for as a secured financing. We sold $772 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $768 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.27 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 0.93 percent. At September 30, 2017, $749 million of our Private Education Loans were encumbered as a result of this transaction.

Secured Financings at Issuance

Issue	Date Issued	Total Issued	Weighted Average Cost of Funds[1]	Weighted Average Life (in years)
Private Education:				
2015-B	July 2015	$630,800	1-month LIBOR plus 1.53%	4.82
Total notes issued in 2015		$630,800		
Total loan and accrued interest amount securitized at inception in 2015		$745,580		
2016-A	May 2016	$501,000	1-month LIBOR plus 1.38%	4.01
2016-B	July 2016	607,000	1-month LIBOR plus 1.36%	4.01
2016-C	October 2016	674,000	1-month LIBOR plus 1.15%	4.27
Total notes issued in 2016		$1,782,000		
Total loan and accrued interest amount securitized at inception in 2016		$2,107,042		
2017-A	February 2017	$772,000	1-month LIBOR plus 0.93%	4.27
Total notes issued in 2017		$772,000		

Total loan and accrued interest amount securitized at inception in 2017	$856,253

[1] Represents LIBOR equivalent cost of funds for floating and fixed rate bonds, excluding issuance costs.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
5. Borrowings (Continued)

Consolidated Funding Vehicles

We consolidate our financing entities that are VIEs as a result of our being the entities' primary beneficiary. As a result, these financing VIEs are accounted for as secured borrowings. We consolidate the following financing VIEs as of September 30, 2017 and December 31, 2016, respectively:

	September 30, 2017						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short-Term	Long-Term	Total	Loans	Restricted Cash	Other Assets(1)	Total
Secured borrowings:							
Private Education Loan term securitizations	$—	$2,542,325	$2,542,325	$3,067,431	$57,687	$229,797	$3,354,915
ABCP Facility	300,000	—	300,000	369,780	5,539	25,072	400,391
Total	$300,000	$2,542,325	$2,842,325	$3,437,211	$63,226	$254,869	$3,755,306

	December 31, 2016						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short-Term	Long-Term	Total	Loans	Restricted Cash	Other Assets(1)	Total
Secured borrowings:							
Private Education Loan term securitizations	$—	$2,167,979	$2,167,979	$2,562,156	$44,617	$160,783	$2,767,556
ABCP Facility	—	—	—	—	—	—	—
Total	$—	$2,167,979	$2,167,979	$2,562,156	$44,617	$160,783	$2,767,556

(1) Other assets primarily represent accrued interest receivable.

Other Borrowing Sources

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled $125 million at September 30, 2017. The interest rate we are charged on these lines of credit is priced at Fed Funds plus a spread at the time of borrowing, and is payable daily. We did not utilize these lines of credit in the three or nine months ended September 30, 2017 or in the year ended December 31, 2016.

We established an account at the Federal Reserve Bank ("FRB") to meet eligibility requirements for access to the Primary Credit borrowing facility at the FRB's Discount Window (the "Window"). The Primary Credit borrowing facility is a lending program available to depository institutions that are in generally sound financial condition. All borrowings at the Window must be fully collateralized. We can pledge to the FRB asset-backed and mortgage-backed securities, as well as FFELP Loans and Private Education Loans, as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At September 30, 2017 and December 31, 2016, the value of our pledged collateral at the FRB totaled $2.5 billion and $2.6 billion, respectively. The interest rate charged to us is the discount rate set by the FRB. We did not utilize this facility in the three or nine months ended September 30, 2017 or in the year ended December 31, 2016.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)

6. Derivative Financial Instruments

We maintain an overall interest rate risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate changes. Our goal is to manage interest rate sensitivity by modifying the repricing frequency and underlying index characteristics of certain balance sheet assets or liabilities so any adverse impacts related to movements in interest rates are managed within low to moderate limits. As a result of interest rate fluctuations, hedged balance sheet positions will appreciate or depreciate in market value or create variability in cash flows. Income or loss on the derivative instruments linked to the hedged item will generally offset the effect of this unrealized appreciation or depreciation or volatility in cash flows for the period the item is being hedged. We view this strategy as a prudent management of interest rate risk. Please refer to Note 11, "Derivative Financial Instruments" in our 2016 Form 10-K for a full discussion of our risk management strategy.

Although we use derivatives to reduce the risk of interest rate changes, the use of derivatives does expose us to both market and credit risk. Market risk is the chance of financial loss resulting from changes in interest rates and market liquidity. Credit risk is the risk that a counterparty will not perform its obligations under a contract and it is limited to the loss of the fair value gain in a derivative that the counterparty owes us less collateral held and plus collateral posted. When the fair value of a derivative contract less collateral held and plus collateral posted is negative, we owe the counterparty and, therefore, we have no credit risk exposure to the counterparty; however, the counterparty has exposure to us. We minimize the credit risk in derivative instruments by entering into transactions with reputable counterparties that are reviewed regularly by our Credit Department. We also maintain a policy of requiring that all derivative contracts be governed by an International Swaps and Derivatives Association, Inc. Master Agreement. Depending on the nature of the derivative transaction, bilateral collateral arrangements are required as well. When we have more than one outstanding derivative transaction with the counterparty, and there exists legally enforceable netting provisions with the counterparty (i.e., a legal right to offset receivable and payable derivative contracts), the "net" mark-to-market exposure, less collateral held and plus collateral posted, represents exposure with the counterparty. We refer to this as the "net position." When there is a net negative exposure, we consider our exposure to the counterparty and the net position to be zero.

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") requires all standardized derivatives, including most interest rate swaps, to be submitted for clearing to central counterparties to reduce counterparty risk. Two of the central counterparties we use are the CME and the LCH. The CME and the LCH made amendments to their respective rules that resulted in the prospective accounting treatment of certain daily variation margin payments being considered as the legal settlement of the outstanding exposure of the derivative instead of the posting of collateral. The CME rule changes, which became effective in January 2017, result in all variation margin payments on derivatives cleared through the CME being accounted for as legal settlement, while the LCH allows the clearing member institution the option to adopt the rule changes on an individual contract or portfolio basis. As of September 30, 2017, $5.1 billion notional of our derivative contracts were cleared on the CME and $0.7 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 85.8 percent and 11.9 percent, respectively, of our total notional derivative contracts of $5.9 billion at September 30, 2017.

Under this new rule, for derivatives cleared through the CME, the net gain (loss) position includes the variation margin amounts as settlement of the derivative and not collateral against the fair value of the derivative. Interest income (expense) related to variation margin on derivatives that are not designated as hedging instruments or are designated as fair value relationships is recognized as a gain (loss) rather than as interest income (expense). Changes in fair value for derivatives not designated as hedging instruments will be presented as realized gains (losses).

Our LCH clearing member institution has elected not to adopt the new rule change. Therefore, there has been no change to the accounting for the derivatives cleared through the LCH, and variation margin payments required to be exchanged based on the fair value of those derivatives remain accounted for as collateral.

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SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
6. Derivative Financial Instruments (Continued)

Our exposure is limited to the value of the derivative contracts in a gain position less any collateral held and plus any collateral posted. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At September 30, 2017 and December 31, 2016, we had a net positive exposure (derivative gain positions to us, less collateral held by us and plus collateral posted with counterparties) related to derivatives of $23.6 million and $44.6 million, respectively.

Summary of Derivative Financial Statement Impact
The following tables summarize the fair values and notional amounts of all derivative instruments at September 30, 2017 and December 31, 2016, and their impact on earnings and other comprehensive income for the nine months ended September 30, 2017 and 2016. Please refer to Note 11, "Derivative Financial Instruments" in our 2016 Form 10-K for a full discussion of cash flow hedges, fair value hedges, and trading activities. The net fair value of derivative instruments as of September 30, 2017 was a liability of $8.0 million, compared to the net fair value as of December 31, 2016 liability of $18.1 million. The change in the net fair value reflects a $2.0 million decrease in fair value offset by variation margin amounts of $12.1 million. The net position as of September 30, 2017 was $23.0 million, compared to $30.0 million as of December 31, 2016. The change in the net position reflects a $2.0 million decrease in fair value, $22.6 million decrease in collateral held and pledged (for contracts other than those cleared through the CME), offset by variation margin impacts of $17.6 million.

Impact of Derivatives on the Consolidated Balance Sheet

		Cash Flow Hedges		Fair Value Hedges		Trading		Total	
		September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Fair Values[1]	Hedged Risk Exposure								
Derivative Assets:[2]									
Interest rate swaps	Interest rate	$636	$—	$—	$7,808	$—	$—	$636	$7,808
Derivative Liabilities:[2]									
Interest rate swaps	Interest rate	(7,247)	(14,463)	(1,168)	(10,398)	(221)	(1,076)	(8,636)	(25,937)
Total net derivatives		$(6,611)	$(14,463)	$(1,168)	$(2,590)	$(221)	$(1,076)	$(8,000)	$(18,129)

(1) Except for instruments cleared through the CME, fair values reported are exclusive of collateral held and pledged and accrued interest. Assets and liabilities are presented without consideration of master netting agreements. Derivatives are carried on the balance sheet based on net position by counterparty under master netting agreements, and classified in other assets or other liabilities depending on whether in a net positive or negative position. The net position includes the variation margin as legal settlement of the derivative contract for instruments cleared through the CME.

(2) The following table reconciles gross positions with the impact of master netting agreements to the balance sheet classification:

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SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
6. Derivative Financial Instruments (Continued)

	Other Assets		Other Liabilities	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Gross position[1]	$636	$7,808	$(8,636)	$(25,937)
Impact of master netting agreement	(636)	(7,808)	636	7,808
Derivative values with impact of master netting agreements (as carried on balance sheet)	—	—	(8,000)	(18,129)
Cash collateral (held) pledged[2]	—	—	31,003	48,134
Net position	$—	$—	$23,003	$30,005

(1) Except for instruments cleared with the CME, gross position amounts are exclusive of accrued interest and collateral held and pledged.
(2) Cash collateral (held) pledged excludes amounts that represent legal settlement of the derivative contracts.

	Cash Flow		Fair Value		Trading		Total	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Notional Values								
Interest rate swaps	$1,440,220	$1,054,688	$3,480,365	$3,628,062	$966,542	$494,638	$5,887,127	$5,177,388

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
6. Derivative Financial Instruments (Continued)

Impact of Derivatives on the Consolidated Statements of Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Fair Value Hedges				
Interest rate swaps:				
Hedge ineffectiveness realized gains (losses) recorded in earnings[1]	$2,748	$3,199	$(5,130)	$2,000
Realized gains (losses) recorded in interest expense	154	6,944	7,582	21,593
Total	$2,902	$10,143	$2,452	$23,593
Cash Flow Hedges				
Interest rate swaps:				
Hedge ineffectiveness losses recorded in earnings[1]	$(1,025)	$(843)	$(1,172)	$(1,524)
Realized losses recorded in interest expense	(2,689)	(4,381)	(8,697)	(13,588)
Total	$(3,714)	$(5,224)	$(9,869)	$(15,112)
Trading				
Interest rate swaps:				
Interest reclassification	$185	$537	$165	$1,897
Realized gains (losses) recorded in earnings	(247)	(1,525)	(1,189)	783
Total[1]	(62)	(988)	(1,024)	2,680
Total	$(874)	$3,931	$(8,441)	$11,161

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(1) Amounts included in “gains (losses) on derivatives and hedging activities, net” in the consolidated statements of income.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
6. Derivative Financial Instruments (Continued)

Impact of Derivatives on the Statements of Changes in Stockholders' Equity

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Amount of gain (loss) recognized in other comprehensive income (loss)	$2,125	$4,943	$(1,133)	$(37,370)
Less: amount of gain (loss) reclassified in interest expense[1]	(2,689)	(4,381)	(8,697)	(13,588)
Total change in other comprehensive income (loss) for unrealized gains (losses) on derivatives, before income tax benefit (expense)	$4,814	$9,324	$7,564	$(23,782)

[1] Amounts included in "realized gains (losses) recorded in interest expense" in the "Impact of Derivatives on the Consolidated Statements of Income" table.

Cash Collateral

As of September 30, 2017, cash collateral held and pledged excludes amounts that represent legal settlement of the derivative contracts held with CME. Cash collateral held related to derivative exposure between us and our derivatives counterparties was $0.3 million and $1.0 million at September 30, 2017 and December 31, 2016, respectively. Collateral held is recorded in "Other Liabilities" on the consolidated balance sheets. Cash collateral pledged related to derivative exposure between us and our derivatives counterparties was $31.3 million and $49.1 million at September 30, 2017 and December 31, 2016, respectively. Collateral pledged is recorded in "Other interest-earning assets" on the consolidated balance sheets.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)

7. Stockholders' Equity

Preferred Stock

On May 5, 2017, we redeemed, with the proceeds of our unsecured debt offering, the outstanding 3.3 million shares of our 6.97 percent Cumulative Redeemable Preferred Stock, Series A (the "Series A Preferred Stock"). The Series A Preferred Stock was redeemed at a price of $50.00 per share, plus accrued and unpaid dividends from May 1, 2017 to, but excluding, the May 5, 2017 redemption date.

Common Stock

The following table summarizes our common share repurchases and issuances.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Shares and per share amounts in actuals)	2017	2016	2017	2016
Shares repurchased related to employee stock-based compensation plans[1][2]	81,817	371,165	2,666,781	1,763,092
Average purchase price per share	$10.93	$ 7.22	$12.09	$ 6.35
Common shares issued[3]	423,112	561,100	5,652,883	6,727,574

(1) Comprised of shares withheld from stock option exercises and vesting of restricted stock for employees' tax withholding obligations and shares tendered by employees to satisfy option exercise costs.
(2) At the present time, we do not intend to initiate a publicly announced share repurchase program.
(3) Common shares issued under our various compensation and benefit plans.

The closing price of our common stock on September 29, 2017 was $11.47.

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SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)

8. Earnings per Common Share

Basic earnings per common share ("EPS") are calculated using the weighted average number of shares of common stock outstanding during each period. A reconciliation of the numerators and denominators of the basic and diluted EPS calculations follows.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(In thousands, except per share data)	2017	2016	2017	2016
Numerator:				
Net income	$76,371	$56,965	$241,931	$180,085
Preferred stock dividends	3,028	5,316	12,577	15,698
Net income attributable to SLM Corporation common stock	$73,343	$51,649	$229,354	$164,387
Denominator:				
Weighted average shares used to compute basic EPS	431,718	428,077	430,958	427,711
Effect of dilutive securities:				
Dilutive effect of stock options, restricted stock, restricted stock units and Employee Stock Purchase Plan ("ESPP")[(1)(2)]	6,701	5,446	7,464	4,368
Weighted average shares used to compute diluted EPS	438,419	433,523	438,422	432,079
Basic earnings per common share attributable to SLM Corporation	$0.17	$0.12	$0.53	$0.38
Diluted earnings per common share attributable to SLM Corporation	$0.17	$0.12	$0.52	$0.38

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(1) Includes the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options, restricted stock, restricted stock units, and the outstanding commitment to issue shares under the ESPP, determined by the treasury stock method.

(2) For the three months ended September 30, 2017 and 2016, securities covering approximately 0 and 1 million shares, respectively, and for the nine months ended September 30, 2017 and 2016, securities covering approximately 0 and 1 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)

9. Fair Value Measurements

We use estimates of fair value in applying various accounting standards for our financial statements.

We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. For additional information regarding our policies for determining fair value and the hierarchical framework, see Note 2, “Significant Accounting Policies - Fair Value Measurement” in our 2016 Form 10-K.

During the three and nine months ended September 30, 2017, there were no significant transfers of financial instruments between levels or changes in our methodology or assumptions used to value our financial instruments.

The following table summarizes the valuation of our financial instruments that are marked to fair value on a recurring basis.

	Fair Value Measurements on a Recurring Basis							
	September 30, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Available-for-sale investments	$ —	$232,549	$ —	$232,549	$ —	$208,603	$ —	$208,603
Derivative instruments	—	636	—	636	—	7,808	—	7,808
Total	$ —	$233,185	$ —	$233,185	$ —	$216,411	$ —	$216,411
Liabilities								
Derivative instruments	$ —	$(8,636)	$ —	$(8,636)	$ —	$(25,937)	$ —	$(25,937)
Total	$ —	$(8,636)	$ —	$(8,636)	$ —	$(25,937)	$ —	$(25,937)

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
9. Fair Value Measurements (Continued)

The following table summarizes the fair values of our financial assets and liabilities, including derivative financial instruments.

	September 30, 2017			December 31, 2016		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets						
Loans held for investment, net	$20,013,518	$18,040,465	$1,973,053	$16,520,786	$15,137,922	$1,382,864
Cash and cash equivalents	1,247,764	1,247,764	—	1,918,793	1,918,793	—
Available-for-sale investments	232,549	232,549	—	208,603	208,603	—
Accrued interest receivable	1,019,735	1,019,735	—	766,106	766,106	—
Tax indemnification receivable	214,496	214,496	—	259,532	259,532	—
Derivative instruments	636	636	—	7,808	7,808	—
Total earning assets	$22,728,698	$20,755,645	$1,973,053	$19,681,628	$18,298,764	$1,382,864
Interest-bearing liabilities						
Money-market and savings accounts	$8,480,477	$8,480,477	$—	$7,963,925	$7,963,925	$—
Certificates of deposit	6,569,956	6,553,047	(16,909)	5,510,504	5,471,065	(39,439)
Short-term borrowings	300,000	300,000	—	—	—	—
Long-term borrowings	2,764,427	2,738,662	(25,765)	2,160,105	2,167,979	7,874
Accrued interest payable	36,299	36,299	—	21,058	21,058	—
Derivative instruments	8,636	8,636	—	25,937	25,937	—
Total interest-bearing liabilities	$18,159,795	$18,117,121	$(42,674)	$15,681,529	$15,649,964	$(31,565)
Excess of net asset fair value over carrying value			$1,930,379			$1,351,299

Please refer to Note 15, "Fair Value Measurements" in our 2016 Form 10-K for a full discussion of the methods and assumptions used to estimate the fair value of each class of financial instruments.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)

10. Arrangements with Navient Corporation

In connection with the separation of Navient Corporation (“Navient”) from SLM (“the Spin-Off”), we entered into a separation and distribution agreement (the “Separation and Distribution Agreement”) and other ancillary agreements with Navient. Please refer to Note 16, “Arrangements with Navient Corporation” in our 2016 Form 10-K for a full discussion of these agreements.

Indemnification Obligations

Navient is responsible for, and has agreed to indemnify us against, all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM Corporation (“pre-Spin-Off SLM”) occurring prior to the Spin-Off other than those specifically excluded in the Separation and Distribution Agreement. Some significant examples of the types of indemnification obligations Navient has under the Separation and Distribution Agreement and related ancillary agreements include:

- Navient will indemnify the Company and Sallie Mae Bank, a Utah industrial bank subsidiary of the Company (the “Bank”), for any liabilities, costs or expenses they may incur arising from any action or threatened action related to the servicing, operations and collections activities of pre-Spin-Off SLM and its subsidiaries with respect to Private Education Loans and FFELP Loans that were assets of the Bank or Navient at the time of the Spin-Off; provided that written notice is provided to Navient on or prior to April 30, 2017, the third anniversary date of the Spin-Off. Navient will not indemnify for changes in law or changes in prior existing interpretations of law that occur on or after April 30, 2014.

- Pursuant to a tax sharing agreement, Navient has agreed to indemnify us for $283 million in deferred taxes that the Company will be legally responsible for but that relate to gains recognized by the Company’s predecessor on debt repurchases made prior to the Spin-Off. The remaining amount of this indemnification at September 30, 2017 was $73 million. In connection with the Spin-Off, we also recorded a liability related to uncertain tax positions of $27 million for which we are indemnified by Navient. As of September 30, 2017, the remaining balance of the indemnification receivable related to those uncertain tax positions was $26 million. In addition, we believe we are indemnified by Navient for uncertain tax positions relating to historical transactions among entities that are now subsidiaries of Navient that should have been recorded at the time of the Spin-Off. The remaining balance of the indemnification receivable related to those uncertain tax positions was $115 million at September 30, 2017.

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SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)

11. Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by the FDIC and the Utah Department of Financial Institutions. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on our business, results of operation and financial condition. Under the FDIC's regulations implementing the Basel III capital framework ("U.S. Basel III") and the regulatory framework for prompt corrective action, the Bank must meet specific capital standards that involve quantitative measures of its assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and its classification under the prompt corrective action framework are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors.

The Bank is required to report regulatory capital and ratios in accordance with U.S. Basel III. Among other things, U.S. Basel III establishes Common Equity Tier 1 as a new tier of capital, modifies methods for calculating risk-weighted assets, introduces a new capital conservation buffer (which is being phased in over several years), and revises the capital thresholds of the prompt corrective action framework, including the "well capitalized" standard.

"Well capitalized" regulatory requirements are the quantitative measures established by regulation to ensure capital adequacy. To qualify as "well capitalized," the Bank must maintain minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1, Tier 1 and Total capital to risk-weighted assets and of Tier 1 capital to average assets. The following capital amounts and ratios are based upon the Bank's assets.

	Actual		"Well Capitalized" Regulatory Requirements	
	Amount	Ratio	Amount	Ratio
As of September 30, 2017:				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$2,285,767	11.8%	$1,255,438	>6.5 %
Tier 1 Capital (to Risk-Weighted Assets)	$2,285,767	11.8%	$1,545,155	>8.0 %
Total Capital (to Risk-Weighted Assets)	$2,517,317	13.0%	$1,931,444	>10.0%
Tier 1 Capital (to Average Assets)	$2,285,767	11.4%	$1,000,262	>5.0 %
As of December 31, 2016:				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$2,011,583	12.6%	$1,038,638	>6.5 %
Tier 1 Capital (to Risk-Weighted Assets)	$2,011,583	12.6%	$1,278,323	>8.0 %
Total Capital (to Risk-Weighted Assets)	$2,197,997	13.8%	$1,597,904	>10.0%
Tier 1 Capital (to Average Assets)	$2,011,583	11.1%	$907,565	>5.0 %

Bank Dividends

The Bank is chartered under the laws of the State of Utah and its deposits are insured by the FDIC. The Bank's ability to pay dividends is subject to the laws of Utah and the regulations of the FDIC. Generally, under Utah's industrial bank laws and regulations as well as FDIC regulations, the Bank may pay dividends from its net profits without regulatory approval if, following the payment of the dividend, the Bank's capital and surplus would not be impaired. The Bank paid no dividends for the three and nine months ended September 30, 2017 and September 30, 2016.

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)

12. Commitments, Contingencies and Guarantees

Commitments

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of such approval, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). At September 30, 2017, we had $1.9 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2017/2018 academic year. At September 30, 2017, we had a $1.6 million reserve recorded in “Other Liabilities” to cover expected losses that we conclude are probable to occur during the one year loss emergence period on these unfunded commitments.

Regulatory Matters

On May 13, 2014, the Bank reached settlements with (a) the FDIC regarding disclosures and assessments of certain late fees, as well as compliance with the Servicemembers’ Civil Relief Act (“SCRA”) and (b) the Department of Justice (the “DOJ”) regarding compliance with the SCRA. In connection with the settlements, the Bank became subject to a Consent Order, Order to Pay Restitution, and Order to Pay Civil Money Penalty dated May 13, 2014 issued by the FDIC (“the FDIC Consent Order”) and a DOJ Consent Order (“the DOJ Consent Order”), which was approved by the U.S. District Court for the District of Delaware on September 29, 2014. Under the terms of the Separation and Distribution Agreement, Navient is responsible for funding all liabilities under the regulatory orders and, as of the date hereof, has funded all liabilities other than fines directly levied against the Bank in connection with these matters which the Bank is required to pay.

On March 27, 2017, the Bank received confirmation from the FDIC that effective March 23, 2017, the FDIC terminated the FDIC Consent Order. The termination was issued with no conditions.

The Bank continues to be in full compliance with the DOJ Consent Order, including policy and procedure updates. Pursuant to the terms of the DOJ Consent Order, the Bank will remain subject to certain DOJ reporting and record-keeping requirements until September 29, 2018.

In May 2014, the Bank received a Civil Investigative Demand (“CID”) from the Consumer Financial Protection Bureau (the “CFPB”) as part of the CFPB’s separate investigation relating to customer complaints, fees and charges assessed in connection with the servicing of student loans and related collection practices of pre-Spin-Off SLM by entities now subsidiaries of Navient during a time period prior to the Spin-Off (the “CFPB Investigation”). Two state attorneys general also provided the Bank identical CIDs and other state attorneys general have become involved in the inquiry over time (collectively, the “Multi-State Investigation”). To the extent requested, the Bank has been cooperating fully with the CFPB and the attorneys general conducting the Multi-State Investigation. Given the timeframe covered by the CIDs, the CFPB Investigation and the Multi-State Investigation, and the focus on practices and procedures previously conducted by Navient and its servicing subsidiaries prior to the Spin-Off, Navient is leading the response to these investigations. Consequently, we have no basis from which to estimate either the duration or ultimate outcome of these investigations. Additional lawsuits may arise from the Multi-State Investigation which may or may not name the Company, the Bank or any of their current subsidiaries as parties to these suits. As with the Illinois lawsuit described below, the Bank is not responsible for any of the alleged conduct in the Multi-State Investigation or any claims that may arise from related lawsuits. As contemplated by the Separation and Distribution Agreement relating to, and the structure of, the Spin-Off, Navient is legally responsible for, and has accepted responsibility to indemnify the Company against, all costs, expenses, losses and remediation that may arise from these matters.

With regard to the CFPB Investigation, we note that on January 18, 2017, the CFPB filed a complaint in federal court in Pennsylvania against Navient, along with its subsidiaries, Navient Solutions, Inc. and Pioneer Credit Recovery, Inc. The complaint alleges these Navient entities, among other things, engaged in deceptive practices with respect to their historic servicing and debt collection practices. Neither SLM, the Bank, nor any of their current subsidiaries are named in, or otherwise

SLM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, unless otherwise noted)
12. Commitments, Contingencies and Guarantees (Continued)

a party to, the lawsuit and are not alleged to have engaged in any wrongdoing. The CFPB's complaint asserts Navient's assumption of these liabilities pursuant to the Separation and Distribution Agreement.

On January 18, 2017, the Illinois Attorney General filed a separate lawsuit in Illinois state court against Navient - its subsidiaries Navient Solutions, Inc., Pioneer Credit Recovery, Inc., and General Revenue Corporation - and the Bank arising out of the Multi-State Investigation. On March 20, 2017, the Bank moved to dismiss the Illinois Attorney General action as to the Bank, arguing, among other things, the complaint failed to allege with sufficient particularity or specificity how the Bank was responsible for any of the alleged conduct, most of which predated the Bank's existence. Following argument on the Bank's motion on July 18, 2017, the Illinois court took the Bank's motion under advisement. As of the date of this report, the court has not ruled on the Bank's motion. As contemplated by the Separation and Distribution Agreement relating to, and the structure of, the Spin-Off, Navient is legally responsible for, has assumed, and has accepted responsibility to indemnify the Company against, all costs, expenses, losses and remediation that may arise from these matters.

To date, two other state attorneys general (Washington and Pennsylvania) have filed suits against Navient and one or more of its current subsidiaries arising out of matters arising from the Multi-State Investigation. Neither SLM, the Bank, nor any of their current subsidiaries are named in, or otherwise a party to, the Washington or Pennsylvania lawsuits, and no claims are asserted against them. Each complaint asserts in its own fashion that Navient assumed responsibility for these matters under the Separation and Distribution Agreement for the alleged conduct in the complaints.

Contingencies

In the ordinary course of business, we and our subsidiaries are routinely defendants in or parties to pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. These actions and proceedings may be based on alleged violations of consumer protection, securities, employment and other laws. In certain of these actions and proceedings, claims for substantial monetary damage may be asserted against us and our subsidiaries.

It is common for the Company, our subsidiaries and affiliates to receive information and document requests and investigative demands from state attorneys general, legislative committees, and administrative agencies. These requests may be for informational or regulatory purposes and may relate to our business practices, the industries in which we operate, or other companies with whom we conduct business. Our practice has been and continues to be to cooperate with these bodies and be responsive to any such requests.

We are required to establish reserves for litigation and regulatory matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves.

Based on current knowledge, management does not believe there are loss contingencies, if any, arising from pending investigations, litigation or regulatory matters for which reserves should be established.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following information is current as of October 18, 2017 (unless otherwise noted) and should be read in connection with SLM Corporation’s Annual Report on Form 10-K for the year ended December 31, 2016 (filed with the Securities and Exchange Commission (the “SEC”) on February 24, 2017) (the “2016 Form 10-K”), and subsequent reports filed with the SEC. Definitions for capitalized terms used in this report not defined herein can be found in the 2016 Form 10-K.

References in this Form 10-Q to “we,” “us,” “our,” “Sallie Mae,” “SLM” and the “Company” refer to SLM Corporation and its subsidiaries, except as otherwise indicated or unless the context otherwise requires.

This report contains “forward-looking” statements and information based on management’s current expectations as of the date of this report. Statements that are not historical facts, including statements about our beliefs, opinions or expectations and statements that assume or are dependent upon future events, are forward-looking statements. Forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause actual results to be materially different from those reflected in such forward-looking statements. These factors include, among others, the risks and uncertainties set forth in Item 1A “Risk Factors” and elsewhere in our 2016 Form 10-K and subsequent filings with the SEC; increases in financing costs; limits on liquidity; increases in costs associated with compliance with laws and regulations; failure to comply with consumer protection, banking and other laws; changes in accounting standards and the impact of related changes in significant accounting estimates; any adverse outcomes in any significant litigation to which we are a party; credit risk associated with our exposure to third-parties, including counterparties to our derivative transactions; and changes in the terms of education loans and the educational credit marketplace (including changes resulting from new laws and the implementation of existing laws). We could also be affected by, among other things: changes in its funding costs and availability; reductions to its credit ratings; failures or breaches of its operating systems or infrastructure, including those of third-party vendors; damage to its reputation; risks associated with restructuring initiatives, including failures to successfully implement cost-cutting programs and the adverse effects of such initiatives on our business; changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; changes in law and regulations with respect to the student lending business and financial institutions generally; changes in banking rules and regulations, including increased capital requirements; increased competition from banks and other consumer lenders; the creditworthiness of our customers; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments and those of our earning assets versus our funding arrangements; rates of prepayment on the loans that we make; changes in general economic conditions and our ability to successfully effectuate any acquisitions; and other strategic initiatives. The preparation of our consolidated financial statements also requires management to make certain estimates and assumptions, including estimates and assumptions about future events. These estimates or assumptions may prove to be incorrect. All forward-looking statements contained in this quarterly report on Form 10-Q are qualified by these cautionary statements and are made only as of the date of this report. We do not undertake any obligation to update or revise these forward-looking statements to conform such statements to actual results or changes in its expectations.

We report financial results on a GAAP basis and also provides certain core earnings performance measures. The difference between our “Core Earnings” and GAAP results for the periods presented were the unrealized, mark-to-market gains/losses on derivative contracts (excluding current period accruals on the derivative instruments), net of tax. These are recognized in GAAP, but not in “Core Earnings” results. We provide “Core Earnings” measures because this is what management uses when making management decisions regarding our performance and the allocation of corporate resources. Our “Core Earnings” are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. For additional information, see “Key Financial Measures” and “GAAP Consolidated Earnings Summary - ‘Core Earnings’ ” in this Form 10-Q for the quarter ended September 30, 2017 for a further discussion and a complete reconciliation between GAAP net income and “Core Earnings.”

Through this discussion and analysis, we intend to provide the reader with some narrative context for how our management views our consolidated financial statements, additional context within which to assess our operating results, and information on the quality and variability of our earnings, liquidity and cash flows.

Selected Financial Information and Ratios

(In thousands, except per share data and percentages)	Three Months Ended September 30, 2017		Three Months Ended September 30, 2016		Nine Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
Net income attributable to SLM Corporation common stock	$73,343		$51,649		$229,354		$164,387	
Diluted earnings per common share attributable to SLM Corporation	$0.17		$0.12		$0.52		$0.38	
Weighted average shares used to compute diluted earnings per share	438,419		433,523		438,422		432,079	
Return on assets	1.5	%	1.4	%	1.7	%	1.5	%
Non-GAAP operating efficiency ratio - old method(1)	40.3	%	40.6	%	39.4	%	40.8	%
Non-GAAP operating efficiency ratio - new method(1)	40.6	%	40.7	%	39.0	%	40.9	%
Other Operating Statistics								
Ending Private Education Loans, net	$16,959,241		$13,725,959		$16,959,241		$13,725,959	
Ending FFELP Loans, net	950,524		1,034,545		950,524		1,034,545	
Ending total education loans, net	$17,909,765		$14,760,504		$17,909,765		$14,760,504	
Average education loans	$17,188,936		$13,931,693		$16,772,663		$13,384,326	

(1) In the first-quarter 2017, we changed the way we calculate and report our non-GAAP operating efficiency ratio. Please refer to "- Overview - Key Financial Measures - Operating Expenses" in this Form 10-Q for further details.

Overview

The following discussion and analysis presents a review of our business and operations as of and for the three and nine months ended September 30, 2017.

Key Financial Measures

Our operating results are primarily driven by net interest income from our Private Education Loan portfolio, provision expense for credit losses, and operating expenses. The growth of our business and the strength of our financial condition are primarily driven by our ability to achieve our annual Private Education Loan origination goals while sustaining credit quality and maintaining cost-efficient funding sources to support our originations. A brief summary of our key financial measures (net interest income; loan sales and secured financings, net; allowance for loan losses; charge-offs and delinquencies; operating expenses; "Core Earnings;" Private Education Loan originations; and funding sources) can be found in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2016 Form 10-K. As described below, we have recently updated the method of computing of our non-GAAP operating efficiency ratio.

Operating Expenses

The cost of operating our business directly affects our profitability. Our operating expenses include those that are directly attributable to running our business, as well as the costs of building out our servicing and origination platforms and strengthening the Company as a stand-alone entity. We will continue to measure our effectiveness in managing operating expenses by monitoring our non-GAAP operating efficiency ratio.

In 2016, our non-GAAP operating efficiency ratio was calculated for the periods presented as the ratio of (a) the total non-interest expense numerator to (b) the net revenue denominator (which consisted of net interest income, before provision for credit losses, plus non-interest income).

In the first-quarter 2017, we began calculating and reporting our non-GAAP operating efficiency ratio as the ratio of (a) the total non-interest expense numerator to (b) the net revenue denominator (which consists of the sum of net interest income, before provision for credit losses, and non-interest income, less the net impact of derivative accounting as defined in our "Core Earnings" adjustments to GAAP table in "— GAAP Consolidated Earnings Summary — 'Core Earnings'' in this Form 10-Q). We believe this change will improve visibility into our management of operating expenses over time and eliminate the variability in this ratio that may be related to the changes in fair value of our derivative contracts that we consider economic hedges and which do not affect how we manage operating expenses. This change conforms the treatment of our hedging activities in our non-GAAP operating efficiency ratio to our non-GAAP "Core Earnings" measure. The impact of this change on the non-GAAP operating efficiency ratio reported in each of our prior quarterly and annual periods is immaterial. This ratio provides useful information to investors because it is a measure used by our management team to monitor our effectiveness in managing operating expenses. Other companies may use similarly titled non-GAAP financial measures that are calculated differently from our ratio. Accordingly, our non-GAAP operating efficiency ratio may not be comparable to similar measures used by other companies.

2017 Management Objectives

For 2017, we have set out the following major goals for ourselves: (1) prudently grow our Private Education Loan assets and revenues while continuing to diversify the mix of our funding sources; (2) maintain our strong capital position; (3) manage operating expenses while improving efficiency; (4) enhance our customers' experience by further improving the delivery of our products and services; (5) sustain the consumer protection improvements we have made since the Spin-Off and maintain our strong governance, risk oversight and compliance infrastructure; (6) continue our disciplined expansion of new products to increase the level of engagement we have with our existing customers and attract new customers; and (7) continue to promote a culture centered on our core values (collaboration, mutual respect, honesty, integrity, performance, and accountability), sustained through ongoing employee engagement, recognition, and development and aligned with our mission and business plan for growth. Here is how we plan to achieve these objectives:

Prudently Grow Private Education Loan Assets and Revenues

We continue to pursue managed growth in our Private Education Loan portfolio in 2017 by leveraging our Sallie Mae brand, our relationship with more than two thousand colleges and universities, and our direct consumer marketing efforts. To help facilitate the expected increase in our Private Education Loan originations, we are diversifying the mix of our funding sources in 2017. We are determined to maintain overall credit quality and cosigner rates in our Smart Option Student Loan originations. Originations were 3 percent higher in the first nine months of 2017 compared with the year-ago period. The average FICO scores at approval and the cosigner rates for originations in the nine months ended September 30, 2017 were 747 and 88.4 percent, compared with 748 and 89.4 percent in the nine months ended September 30, 2016, respectively. The growth rate in originations in the first nine months of 2017 was lower than expected and, as a result, we expect total originations of our Private Education Loans to be approximately $4.8 billion in 2017, a 2.9 percent increase from 2016. Based on information currently available to us, we believe these lower than expected originations are likely attributable to moderating enrollment and tuition growth rates, as compared to growth rates of the past decade, as well as increasing family contributions available due to an improving economy and rising asset valuations.

Maintain Our Strong Capital Position

We intend to maintain levels of capital at the Bank that significantly exceed those necessary to be considered "well capitalized" by the FDIC. The Company is a source of strength for the Bank and will obtain or provide additional capital as, and if, necessary to the Bank. We regularly evaluate the quality of assets, stability of earnings, and adequacy of our allowance for loan losses, and we continue to believe our existing capital levels are sufficient to support the Bank's plan for significant growth over the next several years while remaining "well capitalized." As our balance sheet has grown in 2017, these ratios have declined but remain significantly in excess of the capital levels required to be considered "well capitalized" by our regulators. As of September 30, 2017, the Bank had a Common Equity Tier 1 risk-based capital ratio of 11.8 percent, a Tier 1 risk-based capital ratio of 11.8 percent, a Total risk-based capital ratio of 13.0 percent and a Tier 1 leverage ratio of 11.4 percent, all exceeding the current regulatory guidelines for "well capitalized" institutions by a significant amount. We do not plan to pay a common stock dividend or repurchase shares in 2017 (except to repurchase common stock acquired as a result of taxes withheld in connection with award exercises and vesting under our employee stock-based compensation plans).

On April 5, 2017, we issued our unsecured debt offering of $200 million of 5.125 percent Senior Notes due April 5, 2022 at par. We used the net proceeds from this debt offering to redeem all of our 6.97 percent Series A preferred stock and for general corporate purposes.

Manage Operating Expenses While Improving Efficiency

We will continue to measure our effectiveness in managing operating expenses by monitoring our non-GAAP operating efficiency ratio. See "- Key Financial Measures - Operating Expenses" in this Form 10-Q for a discussion of the method for calculating this ratio. This ratio provides useful information to investors because it is a measure used by our management team to monitor our effectiveness in managing operating expenses. Other companies may use similarly titled non-GAAP financial measures that are calculated differently from our ratio. Accordingly, our non-GAAP operating efficiency ratio may not be comparable to similar measures used by other companies.

The operating efficiency ratio was 40.6 percent for the three months ended September 30, 2017, compared with 40.7 percent for the three months ended September 30, 2016. The operating efficiency ratio was 39.0 percent for the nine months ended September 30, 2017, compared with 40.9 percent for the nine months ended September 30, 2016. The operating efficiency ratio for the three months ended September 30, 2016 was favorably affected by a $9 million increase in other income due to an increase in the tax indemnification receivable related to uncertain tax positions. The operating efficiency ratio for the nine months ended September 30, 2016 was also favorably affected by the increase in the tax indemnification receivable described above, as well as a $10 million, one-time gain from the change in reserve estimates for our Upromise rewards program. Excluding these items, the operating efficiency ratio for the three and nine month periods ended September 30, 2016 would have been 42.2 percent and 42.0 percent, respectively. The improvement in the non-GAAP operating efficiency ratio in the three and nine month periods ended September 30, 2017 compared with the three and nine month periods ended September 30, 2016, respectively, was primarily due to the growth rate in net interest income exceeding the growth rate in our operating expense base for each period.

We expect this ratio to decline steadily over the next several years as the number of loans on which we earn net interest income grows to a level commensurate with our loan origination platform and we control the growth of our expense base.

Enhance Customers' Experience By Further Improving Delivery of Products and Services

We have made significant improvements in our customers' experience over the last two years, and we will continue to implement strategies and tactics to fulfill our brand and customer experience visions. In 2017, we enhanced customer communications that include an annual summary during in-school periods, enhanced entering into repayment communication designed to help borrowers transition into their repayment period successfully, and simplified billing statements. We also launched new auto debit functionality online to allow customers to enroll with a designated amount greater than their minimum due so they can pay down loans faster. Additionally, we have provided targeted customer service training to further improve our interactions with our customers. We will continue to focus on initiatives that will further simplify the application, fulfillment and servicing experience for our customers, including:

- Creating an integrated online origination and servicing experience with a single point of entry and improved customer messaging;
- Providing enhanced functionality to our customers that will give them more flexibility to service their accounts online, via chat and mobile, and over the phone; and
- Continuing to support customers throughout the Private Education Loan experience with enhanced communication and tools.

Sustain Consumer Protection Improvements Made Since the Spin-Off and Maintain our Strong Governance, Risk Oversight and Compliance Infrastructure

We have continued to undertake significant work to establish that all customer protection policies, procedures and compliance management systems are sufficient to meet or exceed currently applicable regulatory standards. On March 27, 2017, the Bank received confirmation from the FDIC that effective March 23, 2017, the FDIC terminated the FDIC Consent Order. The termination was issued with no conditions.

In the first quarter of 2017, we also began conducting our own audits of consumer protection processes and procedures, including our compliance management system, using internal audit staff supplemented with staff from the same third-party firm that had conducted the compliance audits since 2014. Our goal is to sustain the improvements implemented to date and consistently comply with or exceed regulatory standards while continuing to improve our customers' experience and satisfaction levels.

We have continued to advance our overall governance processes, including robust oversight, education, policies and procedures, all supported by strong enterprise risk management, compliance and internal audit functions.

Continue Disciplined Expansion of New Products to Increase Level of Engagement With Our Existing Customers and Attract New Customers

In 2016, we began to expand the suite of products we provide to customers. We did so by leveraging our core competencies and capabilities, rather than requiring the development or acquisition of new or alternative ones. For example, we leveraged our experience with our Smart Option Student Loan products to launch a Parent Loan program designed for parents who wish to separately finance their children's education, rather than cosign loans with their children.

In March 2017, through an affiliation with another lender, we launched a credit card program for young professionals. We do not expect this product to have a material impact on 2017 earnings. We are also continuing to develop our infrastructure in 2017 so that in early 2018 we have the capability to originate and service unsecured personal loans to be used for non-educational purposes. In the nine months ended September 30, 2017, we purchased $135 million in Personal Loans. We will also continue to explore other product opportunities in 2017. In this process, we will place a high premium on designing and launching products that meet the needs of our existing customers, attract new customers, and assist both populations in achieving their financial goals. Any 2017 activity will focus on implementation success. We are not forecasting significant contributions to our originations, revenues or net income from any potential new products in 2017.

Continue to Promote a Culture Centered on Our Core Values (Collaboration, Mutual Respect, Honesty, Integrity, Performance, and Accountability), Sustained Through Ongoing Employee Engagement, Recognition, and Development and Aligned with our Mission and Business Plan for Growth

We promote a culture centered on our core values - collaboration, mutual respect, honesty, integrity, performance, and accountability - as we seek to grow our business. When evaluating employee performance, we will review not only what was accomplished by employees, but whether and how they demonstrated our core values in achieving those accomplishments. We will continue to encourage and enable high performance in a variety of ways, including by encouraging employee engagement, and differentiating, recognizing, and rewarding high performing employees. In addition, we plan to invest in our employees by identifying and providing development opportunities that align with our business plan and support succession plans throughout our organization.

Over the course of 2017, to ensure commitment to our culture and core values, we cascaded level-appropriate goals to employees across the Company. As part of our investment in employee development, we finalized our talent development strategy, and established a roadmap to execute on our key talent priorities. We established leadership panels to steer the development of our competency model and provide input into the design of learning programs to support employee development. We also implemented a pilot management training program to provide entry- to mid-level managers with fundamental education, leadership development, and mentorship opportunities. Moreover, we implemented an enhanced talent assessment process to further evaluate performance and potential and effectively align development plans that support succession management. We also launched a business knowledge series to provide all employees with opportunities to learn about our business, capabilities as a Company, and our future. We engaged employees to promote wellness across the Company and also launched a financial wellness education platform. We continued to recognize employees with superior performance and commitment to the Company’s values through our quarterly Awards of Excellence Program. We also launched our 2017 Employee Engagement Survey to gather employee input on how we are doing relative to promoting our culture.

GAAP Results of Operations

We present the results of operations below first on a consolidated basis in accordance with GAAP.

GAAP Statements of Income (Unaudited)

	Three Months Ended September 30,		Increase (Decrease)		Nine Months Ended September 30,		Increase (Decrease)	
(In millions, except per share data)	2017	2016	$	%	2017	2016	$	%
Interest income:								
Loans	$359	$268	$91	34 %	$1,021	$765	$256	33 %
Investments	2	2	—	—	6	7	(1)	(14)
Cash and cash equivalents	5	2	3	150	10	5	5	100
Total interest income	366	272	94	35	1,037	777	260	33
Total interest expense	84	49	35	71	218	131	87	66
Net interest income	282	223	59	26	819	646	174	27
Less: provisions for credit losses	55	42	13	31	130	116	14	12
Net interest income after provisions for credit losses	227	181	46	25	689	530	160	30
Non-interest income:								
Gains (losses) on derivatives and hedging activities, net	2	1	1	100	(7)	3	(10)	(333)
Other income	4	22	(17)	(77)	26	56	(30)	(54)
Total non-interest income	6	23	(16)	(70)	19	59	(40)	(68)
Non-interest expenses:								
Total operating expenses	116	100	16	16	330	287	43	15
Acquired intangible asset amortization expense	—	—	—	—	—	1	(1)	(100)
Total non-interest expenses	116	100	16	16	330	288	42	15
Income before income tax expense	117	104	13	13	378	301	77	26
Income tax expense	41	47	(7)	(15)	136	121	15	12
Net income	76	57	20	35	242	180	62	34
Preferred stock dividends	3	5	(2)	(40)	13	16	(3)	(19)
Net income attributable to SLM Corporation common stock	$73	$52	$22	42 %	$229	$164	$65	40 %
Basic earnings per common share attributable to SLM Corporation	$0.17	$0.12	$0.05	42 %	$0.53	$0.38	$0.15	39 %
Diluted earnings per common share attributable to SLM Corporation	$0.17	$0.12	$0.05	42 %	$0.52	$0.38	$0.14	37 %

GAAP Consolidated Earnings Summary

Three Months Ended September 30, 2017 Compared with Three Months Ended September 30, 2016

For the three months ended September 30, 2017, net income was $76 million, or $0.17 diluted earnings per common share, compared with net income of $57 million, or $0.12 diluted earnings per common share for the three months ended September 30, 2016. The year-over-year net income increase was affected by a $59 million increase in net interest income and a $7 million decrease in income tax expense, which was offset by a $13 million increase in provisions for credit losses, a $17 million decrease in other income, and a $16 million increase in total non-interest expenses.

The primary contributors to each of the identified drivers of changes in net income for the current quarter compared with the year-ago quarter are as follows:

•Net interest income increased by $59 million in the current quarter compared with the year-ago quarter primarily due to a $3.3 billion increase in average Private Education Loans outstanding. Net interest margin increased by 27 basis points primarily as a result of an increase in the ratio of higher yielding Private Education Loans relative to our other interest earning assets, growth in the higher yielding Personal Loan portfolio, and the benefit from an increase in LIBOR rates which increased the yield on our variable rate Private Education Loan portfolio more than it increased our cost of funds. Cost of funds increased due to the increase in LIBOR rates, as well as an increase in the amount of funding from higher-cost, long-term secured borrowings.

•Provisions for credit losses increased $13 million compared with the year-ago quarter. This increase was primarily the result of an additional $2.5 billion of loans being in repayment in the third quarter of 2017 compared with the year-ago quarter, offset by a benefit from a $9 million reduction in our estimate of expected future net credit losses.

•Gains (losses) on derivatives and hedging activities, net, resulted in a net gain of $2 million in the third quarter of 2017 compared with a net gain of $1 million in the year-ago quarter.

•Other income decreased $17 million primarily due to a $9 million increase in the tax indemnification receivable related to uncertain tax positions recorded in the third of quarter 2016, a $4 million reduction in the tax indemnification receivable recorded in the third quarter of 2017, and lower fee income related to our Upromise rewards business. Changes in the tax indemnification receivable have an equal and offsetting amount recorded in income tax expense.

•Third-quarter 2017 operating expenses and acquired intangible asset amortization expenses were $116 million, compared with $100 million in the year-ago quarter. The increase in operating expenses was primarily the result of increased technology costs, FDIC assessment fees, and marketing and personnel costs, largely driven by the growth in our Private Education Loan portfolio, which increased 24 percent from the year-ago quarter.

•Income tax expense decreased $7 million compared with the year-ago quarter. The effective tax rate decreased in the third-quarter 2017 to 34.7 percent from 45.5 percent in the year-ago quarter. The change was primarily as a result of a reduction in state taxes and the release of reserves for uncertain tax positions. The rate in the third quarter of 2016 was negatively affected by a $9 million increase in the reserve for indemnified uncertain tax positions. The changes due to indemnified uncertain tax positions had no impact on earnings per share as we recorded a matching offset in other income related to the tax indemnification.

Nine Months Ended September 30, 2017 Compared with Nine Months Ended September 30, 2016

For the nine months ended September 30, 2017, net income was $242 million, or $0.52 diluted earnings per common share, compared with net income of $180 million, or $0.38 diluted earnings per common share for the nine months ended September 30, 2016. The year-over-year net income increase was affected by a $174 million increase in net interest income, which was offset by a $14 million increase in provisions for credit losses, a $30 million decrease in other income, a $42 million increase in total non-interest expenses, a $15 million increase in income tax expense, and a $10 million reduction in our derivatives and hedging activities.

The primary contributors to each of the identified drivers of changes in net income for the first nine months of 2017 compared with the year-ago period are as follows:

•Net interest income increased by $174 million in the first nine months compared with the year-ago period primarily due to a $3.5 billion increase in average Private Education Loans outstanding. Net interest margin increased by 17 basis points

primarily as a result of an increase in the ratio of higher yielding Private Education Loans relative to our other interest earning assets, growth in the higher yielding Personal Loan portfolio, and the benefit from increases in LIBOR rates which increased the yield on our variable rate Private Education Loan portfolio more than it increased our cost of funds. Cost of funds increased due to the increase in LIBOR rates, as well as an increase in the amount of funding from higher-cost, long-term secured borrowings.

•Provisions for credit losses increased $14 million compared with the year-ago period. This increase was primarily the result of an additional $2.5 billion of loans being in repayment in the first nine months of 2017 compared with the year-ago period, offset by a benefit from a reduction in our estimate of expected future net credit losses.

•Gains (losses) on derivatives and hedging activities, net, resulted in a net loss of $7 million in the first nine months of 2017 compared with a net gain of $3 million in the year-ago period. The primary factors affecting the change were interest rates and whether derivatives qualified for hedge accounting treatment.

•Other income decreased $30 million primarily due to a $10 million change in reserve estimates related to our Upromise rewards business that was recorded in the first quarter of 2016, a $9 million increase in the tax indemnification receivable related to uncertain tax positions recorded in the third quarter of 2016, a $4 million reduction in the tax indemnification receivable recorded in the third quarter of 2017, and lower fee income related to our Upromise rewards business. Changes in the tax indemnification receivable have an equal and offsetting amount recorded in income tax expense.

•Operating expenses and acquired intangible asset amortization expenses in the first nine months of 2017 were $330 million, compared with $288 million in the year-ago period. The increase in operating expenses was primarily the result of increased technology costs, FDIC assessment fees, marketing, servicing, and personnel costs, largely driven by growth in our loan portfolio.

•Income tax expense in the first nine months of 2017 increased $15 million compared with the year-ago period. The effective tax rate decreased in the first nine months of 2017 to 36.0 percent from 40.2 percent in the year-ago period. The change was primarily due to the release of reserves for uncertain tax positions and a $6 million benefit recorded in the first quarter of 2017 related to the new stock compensation accounting standard, which changed the treatment of excess tax benefits/deficiencies related to the settlement of employee stock-based awards. In addition, in the nine months ended September 30, 2016, we recorded an additional $9 million of expense related to uncertain tax positions.

“Core Earnings”

We prepare financial statements in accordance with GAAP. However, we also produce and report our after-tax earnings on a separate basis that we refer to as “Core Earnings.” While pre-Spin-Off SLM also reported a metric by that name, what we now report and what we describe below is significantly different and should not be compared to any Core Earnings reported by pre-Spin-Off SLM. The difference between our “Core Earnings” and GAAP results for periods presented generally is driven by the unrealized, mark-to-market gains (losses) on derivatives contracts recognized in GAAP, but not in “Core Earnings.”

“Core Earnings” recognizes the difference in accounting treatment based upon whether a derivative qualifies for hedge accounting treatment and eliminates the earnings impact associated with hedge ineffectiveness and derivatives we use as an economic hedge but which do not qualify for hedge accounting treatment. We enter into derivative instruments to economically hedge interest rate and cash flow risk associated with our portfolio. We believe that our derivatives are effective economic hedges, and as such, are a critical element of our interest rate risk management strategy. Those derivative instruments that qualify for hedge accounting treatment have their related cash flows recorded in interest income or interest expense along with the hedged item. Hedge ineffectiveness related to these derivatives is recorded in “Gains (losses) on derivatives and hedging activities, net.” Some of our derivatives do not qualify for hedge accounting treatment and the stand-alone derivative must be marked-to-fair value in the income statement with no consideration for the corresponding change in fair value of the hedged item. These gains and losses, recorded in “Gains (losses) on derivatives and hedging activities, net,” are primarily caused by interest rate volatility and changing credit spreads during the period as well as the volume and term of derivatives not receiving hedge accounting treatment.

Cash flows on derivative instruments that do not qualify for hedge accounting are not recorded in interest income and interest expense; they are recorded in non-interest income: “Gains (losses) on derivatives and hedging activities, net.”

The adjustments required to reconcile from our “Core Earnings” results to our GAAP results of operations, net of tax, relate to differing treatments for our derivative instruments used to hedge our economic risks that do not qualify for hedge accounting treatment or that do qualify for hedge accounting treatment but result in ineffectiveness, net of tax. The amount recorded in “Gains (losses) on derivatives and hedging activities, net” includes (a) the accrual of the current payment on the interest rate swaps that do not qualify for hedge accounting treatment, (b) the change in fair values related to future expected cash flows for derivatives that do not qualify for hedge accounting treatment and (c) ineffectiveness on derivatives that receive hedge accounting treatment. For purposes of “Core Earnings”, we are including in GAAP earnings the current period accrual amounts (interest reclassification) on the swaps and excluding the remaining ineffectiveness (and change in fair values for those derivatives not qualifying for hedge accounting treatment). “Core Earnings” is meant to represent what earnings would have been had these derivatives qualified for hedge accounting and there was no ineffectiveness.

“Core Earnings” are not a substitute for reported results under GAAP. We provide a “Core Earnings” basis of presentation because (i) earnings per share computed on a “Core Earnings” basis is one of several measures we utilize in establishing management incentive compensation and (ii) we believe it better reflects the financial results for derivatives that are economic hedges of interest rate risk but which do not qualify for hedge accounting treatment.

GAAP provides a uniform, comprehensive basis of accounting. Our “Core Earnings” basis of presentation differs from GAAP in the way it treats derivatives as described above.

The following table shows the amount in "Gains (losses) on derivatives and hedging activities, net" that relates to the interest reclassification on the derivative contracts.

(Dollars in thousands)	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Hedge ineffectiveness gains (losses)	$1,723	$2,356	$(6,302)	$476
Unrealized (losses) gains on instruments not in a hedging relationship	(247)	(1,525)	(1,189)	783
Interest reclassification	185	537	165	1,897
Gains (losses) on derivatives and hedging activities, net	$1,661	$1,368	$(7,326)	$3,156

The following table reflects adjustments associated with our derivative activities.

(Dollars in thousands, except per share amounts)	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
"Core Earnings" adjustments to GAAP:				
GAAP net income attributable to SLM Corporation	$76,371	$56,965	$241,931	$180,085
Preferred stock dividends	3,028	5,316	12,577	15,698
GAAP net income attributable to SLM Corporation common stock	$73,343	$51,649	$229,354	$164,387
Adjustments:				
Net impact of derivative accounting[1]	(1,475)	(831)	7,491	(1,259)
Net tax effect[2]	(563)	(320)	2,861	(483)
Total "Core Earnings" adjustments to GAAP	(912)	(511)	4,630	(776)
"Core Earnings" attributable to SLM Corporation common stock	$72,431	$51,138	$233,984	$163,611
GAAP diluted earnings per common share	$0.17	$0.12	$0.52	$0.38
Derivative adjustments, net of tax	—	—	0.01	—
"Core Earnings" diluted earnings per common share	$0.17	$0.12	$0.53	$0.38

(1) Derivative Accounting: "Core Earnings" exclude periodic unrealized gains and losses caused by the mark-to-market valuations on derivatives that do not qualify for hedge accounting treatment under GAAP, as well as the periodic unrealized gains and losses that are a result of ineffectiveness recognized related to effective hedges under GAAP (but include current period accruals on the derivative instruments), net of tax. Under GAAP, for our derivatives held to maturity, the cumulative net unrealized gain or loss over the life of the contract will equal $0.

(2) "Core Earnings" tax rate is based on the effective tax rate at the Bank where the derivative instruments are held.

Financial Condition

Average Balance Sheets - GAAP

The following table reflects the rates earned on interest-earning assets and paid on interest-bearing liabilities and reflects our net interest margin on a consolidated basis.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017		2016		2017		2016	
(Dollars in thousands)	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate
Average Assets								
Private Education Loans	$16,228,751	8.50%	$12,881,890	8.00%	$15,791,557	8.37%	$12,307,932	8.00%
FFELP Loans	960,185	4.02	1,049,803	3.52	981,106	3.86	1,076,394	3.48
Personal and other loans	86,441	9.66	593	3.43	61,547	9.41	314	4.04
Taxable securities	316,444	2.42	388,886	2.24	330,256	2.54	383,844	2.49
Cash and other short-term investments	1,548,215	1.20	1,599,320	0.50	1,403,702	1.00	1,299,894	0.50
Total interest-earning assets	19,140,036	7.59%	15,920,492	6.81%	18,568,168	7.47%	15,068,378	6.89%
Non-interest-earning assets	1,120,714		800,567		1,028,235		757,336	
Total assets	$20,260,750		$16,721,059		$19,596,403		$15,825,714	
Average Liabilities and Equity								
Brokered deposits	$7,270,750	1.92%	$7,311,591	1.32%	$6,989,486	1.70%	$7,104,453	1.31%
Retail and other deposits	7,054,553	1.49	5,091,021	1.08	6,800,832	1.35	4,805,039	1.05
Other interest-bearing liabilities[(1)]	2,964,696	2.99	1,602,760	2.78	2,822,009	2.86	1,231,972	2.62
Total interest-bearing liabilities	17,289,999	1.93%	14,005,372	1.40%	16,612,327	1.75%	13,141,464	1.33%
Non-interest-bearing liabilities	597,075		488,198		603,160		510,652	
Equity	2,373,676		2,227,489		2,380,916		2,173,598	
Total liabilities and equity	$20,260,750		$16,721,059		$19,596,403		$15,825,714	
Net interest margin		5.85%		5.58%		5.90%		5.73%

(1) Includes the average balance of our unsecured borrowing, as well as secured borrowings and amortization expense of transaction costs related to our ABCP Facility.

Rate/Volume Analysis - GAAP

The following rate/volume analysis shows the relative contribution of changes in interest rates and asset volumes.

(Dollars in thousands)	Increase	Change Due To[1] Rate	Volume
Three Months Ended September 30, 2017 vs. 2016			
Interest income	$93,687	$33,644	$60,043
Interest expense	34,901	21,524	13,377
Net interest income	$58,786	$11,147	$47,639
Nine Months Ended September 30, 2017 vs. 2016			
Interest income	$260,574	$69,747	$190,827
Interest expense	86,448	46,935	39,513
Net interest income	$174,126	$20,714	$153,412

(1) Changes in income and expense due to both rate and volume have been allocated in proportion to the relationship of the absolute dollar amounts of the change in each. The changes in income and expense are calculated independently for each line in the table. The totals for the rate and volume columns are not the sum of the individual lines.

Summary of Our Loan Portfolio
Ending Loan Balances, net

(Dollars in thousands)	September 30, 2017 Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Total loan portfolio:				
In-school[1]	$3,641,923	$384	$—	$3,642,307
Grace, repayment and other[2]	13,490,984	948,796	132,100	14,571,880
Total, gross	17,132,907	949,180	132,100	18,214,187
Deferred origination costs and unamortized premium	53,501	2,696	—	56,197
Allowance for loan losses	(227,167)	(1,352)	(1,400)	(229,919)
Total loan portfolio	$16,959,241	$950,524	$130,700	$18,040,465
% of total	94%	5%	1%	100%

(1) Loans for customers still attending school and who are not yet required to make payments on the loan.
(2) Includes loans in deferment or forbearance.

(Dollars in thousands)	December 31, 2016 Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Total loan portfolio:				
In-school[1]	$3,371,870	$377	$—	$3,372,247
Grace, repayment and other[2]	10,879,805	1,010,531	12,893	11,903,229
Total, gross	14,251,675	1,010,908	12,893	15,275,476
Deferred origination costs and unamortized premium	44,206	2,941		47,147
Allowance for loan losses	(182,472)	(2,171)	(58)	(184,701)
Total loan portfolio	$14,113,409	$1,011,678	$12,835	$15,137,922
% of total	93 %	7 %	— %	100 %

(1) Loans for customers still attending school and who are not yet required to make payments on the loan.
(2) Includes loans in deferment or forbearance.

Average Loan Balances (net of unamortized premium/discount)

(Dollars in thousands)	Three Months Ended September 30, 2017		2016		Nine Months Ended September 30, 2017		2016	
Private Education Loans	$16,228,751	94 %	$12,881,890	92 %	$15,791,557	94 %	$12,307,932	92 %
FFELP Loans	960,185	6	1,049,803	8	981,106	6	1,076,394	8
Personal Loans	86,441	—	—	—	61,263	—	—	—
Total portfolio	$17,275,377	100%	$13,931,693	100%	$16,833,926	100%	$13,384,326	100%

Loan Activity

	Three Months Ended September 30, 2017			
(Dollars in thousands)	Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Beginning balance	$15,523,338	$968,398	$68,690	$16,560,426
Acquisitions and originations	1,896,620	—	70,748	1,967,368
Capitalized interest and deferred origination cost premium amortization	77,510	8,732	—	86,242
Sales	(2,025)	—	—	(2,025)
Loan consolidations to third parties	(144,028)	(9,526)	—	(153,554)
Repayments and other	(392,174)	(17,080)	(8,738)	(417,992)
Ending balance	$16,959,241	$950,524	$130,700	$18,040,465

	Three Months Ended September 30, 2016		
(Dollars in thousands)	Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$12,183,293	$1,062,133	$13,245,426
Acquisitions and originations	1,838,076	—	1,838,076
Capitalized interest and deferred origination cost premium amortization	57,315	8,158	65,473
Sales	(2,176)	—	(2,176)
Loan consolidations to third parties	(65,161)	(11,847)	(77,008)
Repayments and other	(285,388)	(23,899)	(309,287)
Ending balance	$13,725,959	$1,034,545	$14,760,504

(Dollars in thousands)	Nine Months Ended September 30, 2017 Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Beginning balance	$14,113,409	$1,011,678	$12,835	$15,137,922
Acquisitions and originations	4,180,209	—	134,502	4,314,711
Capitalized interest and deferred origination cost premium amortization	221,437	25,255	—	246,692
Sales	(5,497)	—	—	(5,497)
Loan consolidations to third parties	(408,198)	(30,164)	—	(438,362)
Repayments and other	(1,142,119)	(56,245)	(16,637)	(1,215,001)
Ending balance	$16,959,241	$950,524	$130,700	$18,040,465

(Dollars in thousands)	Nine Months Ended September 30, 2016 Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$10,515,505	$1,115,086	$11,630,591
Acquisitions and originations	4,072,631	—	4,072,631
Capitalized interest and deferred origination cost premium amortization	158,111	26,873	184,984
Sales	(7,912)	—	(7,912)
Loan consolidations to third parties	(173,142)	(34,896)	(208,038)
Repayments and other	(839,234)	(72,518)	(911,752)
Ending balance	$13,725,959	$1,034,545	$14,760,504

"Loan consolidations to third parties" and "Repayments and other" are both significantly affected by the volume of loans in our portfolio in full principal and interest repayment status. Loans in full principal and interest repayment status in our Private Education Loan portfolio at September 30, 2017 increased by 48 percent compared with September 30, 2016, and now total 32 percent of our Private Education Loan portfolio.

In the second quarter of 2017, we improved our methodology for identifying "Loan consolidations to third parties" for Private Education Loans. This improvement in methodology resulted in certain loans previously included in "Repayments and other" in the first quarter of 2017, three months ended September 30, 2016 and nine months ended September 30, 2016, being re-classified as "Loan consolidations to third parties." Therefore, for these periods, we have updated the "Loan consolidations to third parties" and "Repayments and other" line items to reflect this re-allocation. For these periods, the sum of the "Loan consolidations to third parties" and "Repayment and other" line items did not change.

"Loan consolidations to third parties" for the three months ended September 30, 2017 total 2.6 percent of our Private Education Loan portfolio in full principal and interest repayment status at September 30, 2017, or 0.9 percent of our total loan portfolio at September 30, 2017 (which percentages are unchanged from the corresponding percentages for the three months ended June 30, 2017), compared with the year-ago period of 1.8 percent of our Private Education Loan portfolio in full principal and interest repayment status, or 0.5 percent of our total portfolio, respectively. Historical experience has shown that loan consolidation activity is heightened in the period when the loan initially enters full principal and interest repayment status and then subsides over time.

The "Repayments and other" category includes all scheduled repayments, as well as voluntary prepayments, made on loans in repayment (including loans in full principal and interest repayment status) and also includes charge-offs. Consequently, this category can be significantly affected by the volume of loans in repayment. The increase in the volume of loans in

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repayment accounts for the vast majority of the aggregate increase in loan consolidations, scheduled repayments, unscheduled prepayments and capitalized interest set forth above.

In the second quarter of 2017, we increased our life of loan voluntary constant prepayment rate expectation to 6.0 percent from 5.1 percent, which contributed to a lowering of the weighted average life on our Private Education Loan portfolio from 5.7 years to 5.5 years, as of June 30, 2017, reflecting the increased repayment activity and portfolio seasoning as, increasingly, more significant portions of our Private Education Loan portfolio enter full principal and interest repayment status. The significant portion of our Private Education Loan portfolio that is not yet in full principal and interest repayment status and for which principal payments are not yet required continues generating capitalized interest. There was no change to our life of loan voluntary constant prepayment rate expectation in the third quarter of 2017 and the weighted average life on our Private Education Loan portfolio was 5.6 years as of September 30, 2017.

Private Education Loan Originations

The following table summarizes our Private Education Loan originations. Originations represent loans that were funded or acquired during the period presented.

	Three Months Ended September 30,			
(Dollars in thousands)	2017	%	2016	%
Smart Option - interest only[1]	$467,785	25 %	$468,237	26 %
Smart Option - fixed pay[1]	555,945	29	542,504	30
Smart Option - deferred[1]	827,607	44	795,305	43
Smart Option - principal and interest	3,204	—	4,306	—
Parent Loan	33,724	2	20,968	1
Total Private Education Loan originations	$1,888,265	100%	$1,831,320	100%
Percentage of loans with a cosigner	89 %		90 %	
Average FICO at approval[2]	747		749	

	Nine Months Ended September 30,			
(Dollars in thousands)	2017	%	2016	%
Smart Option - interest only[1]	$1,057,895	25 %	$1,033,009	25 %
Smart Option - fixed pay[1]	1,194,522	29	1,225,650	30
Smart Option - deferred[1]	1,841,865	44	1,770,804	44
Smart Option - principal and interest	6,901	—	6,634	—
Parent Loan	65,073	2	22,478	1
Total Private Education Loan originations	$4,166,256	100%	$4,058,575	100%
Percentage of loans with a cosigner	88 %		89 %	
Average FICO at approval[2]	747		748	

(1) Interest only, fixed pay and deferred describe the payment option while in school or in grace period.

(2) Represents the higher credit score of the cosigner or the borrower.

Allowance for Loan Losses

Education Loan Allowance for Loan Losses Activity

(Dollars in thousands)	Three Months Ended September 30, 2017 Private Education Loans	FFELP Loans	Total Portfolio	2016 Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$205,024	$1,606	$206,630	$142,628	$2,297	$144,925
Less:						
Charge-offs	(34,280)	(181)	(34,461)	(22,072)	(356)	(22,428)
Loan sales[1]	(1,257)	—	(1,257)	(1,401)	—	(1,401)
Plus:						
Recoveries	4,560	—	4,560	2,973	—	2,973
Provision for loan losses	53,120	(73)	53,047	40,502	268	40,770
Ending balance	$227,167	$1,352	$228,519	$162,630	$2,209	$164,839
Troubled debt restructurings[2]	$942,561	$—	$942,561	$503,632	$—	$503,632

(Dollars in thousands)	Nine Months Ended September 30, 2017 Private Education Loans	FFELP Loans	Total Portfolio	2016 Private Education Loans	FFELP Loans	Total Portfolio
Beginning balance	$182,472	$2,171	$184,643	$108,816	$3,691	$112,507
Less:						
Charge-offs	(93,235)	(658)	(93,893)	(64,979)	(1,086)	(66,065)
Loan sales[1]	(3,391)	—	(3,391)	(5,008)	—	(5,008)
Plus:						
Recoveries	12,216	—	12,216	7,098	—	7,098
Provision for loan losses	129,105	(161)	128,944	116,703	(396)	116,307
Ending balance	$227,167	$1,352	$228,519	$162,630	$2,209	$164,839
Troubled debt restructurings[2]	$942,561	$—	$942,561	$503,632	$—	$503,632

(1) Represents fair value adjustments on loans sold.
(2) Represents the unpaid principal balance of loans classified as troubled debt restructurings.

Private Education Loan Allowance for Loan Losses

In establishing the allowance for Private Education Loan losses as of September 30, 2017, we considered several factors with respect to our Private Education Loan portfolio, in particular, credit quality and delinquency, forbearance and charge-off trends.

Private Education Loans in full principal and interest repayment status were 32 percent of our total Private Education Loan portfolio at September 30, 2017 compared with 27 percent at September 30, 2016.

For a more detailed discussion of our policy for determining the collectability of Private Education Loans and maintaining our allowance for Private Education Loan losses, see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates — Allowance for Loan Losses” in the 2016 Form 10-K.

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The table below presents our Private Education Loan delinquency trends. Loans in repayment include loans making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

	Private Education Loans September 30,			
	2017		2016	
(Dollars in thousands)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$5,352,671		$4,662,941	
Loans in forbearance[2]	373,655		279,509	
Loans in repayment and percentage of each status:				
Loans current	11,115,697	97.4 %	8,724,365	98.0 %
Loans delinquent 31-60 days[3]	175,897	1.6	108,591	1.2
Loans delinquent 61-90 days[3]	82,095	0.7	51,029	0.6
Loans delinquent greater than 90 days[3]	32,892	0.3	21,827	0.2
Total Private Education Loans in repayment	11,406,581	100.0%	8,905,812	100.0%
Total Private Education Loans, gross	17,132,907		13,848,262	
Private Education Loan deferred origination costs	53,501		40,327	
Total Private Education Loans	17,186,408		13,888,589	
Private Education Loan allowance for losses	(227,167)		(162,630)	
Total Private Education Loans, net	$16,959,241		$13,725,959	
Percentage of Private Education Loans in repayment		66.6 %		64.3 %
Delinquencies as a percentage of Private Education Loans in repayment		2.6 %		2.0 %
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance		3.2 %		3.0 %

(1) Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on their loans (e.g., residency periods for medical students or a grace period for bar exam preparation).

(2) Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, consistent with established loan program servicing policies and procedures.

(3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

Changes in Allowance for Private Education Loan Losses

The following table summarizes changes in the allowance for Private Education Loan losses.

(Dollars in thousands)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Allowance at beginning of period	$205,024	$142,628	$182,472	$108,816
Provision for Private Education Loan losses	53,120	40,502	129,105	116,703
Net charge-offs:				
Charge-offs	(34,280)	(22,072)	(93,235)	(64,979)
Recoveries	4,560	2,973	12,216	7,098
Net charge-offs	(29,720)	(19,099)	(81,019)	(57,881)
Loan sales[1]	(1,257)	(1,401)	(3,391)	(5,008)
Allowance at end of period	$227,167	$162,630	$227,167	$162,630
Allowance as a percentage of ending total loans	1.33%	1.17%	1.33%	1.17%
Allowance as a percentage of ending loans in repayment[2]	1.99%	1.83%	1.99%	1.83%
Allowance coverage of net charge-offs (annualized)	1.91	2.13	2.10	2.11
Net charge-offs as a percentage of average loans in repayment (annualized)[2]	1.08%	0.91%	1.02%	0.97%
Delinquencies as a percentage of ending loans in repayment[2]	2.55%	2.04%	2.55%	2.04%
Loans in forbearance as a percentage of ending loans in repayment and forbearance[2]	3.17%	3.04%	3.17%	3.04%
Ending total loans, gross	$17,132,907	$13,848,262	$17,132,907	$13,848,262
Average loans in repayment[2]	$10,971,028	$8,420,625	$10,589,725	$7,952,469
Ending loans in repayment[2]	$11,406,581	$8,905,812	$11,406,581	$8,905,812

(1) Represents fair value adjustments on loans sold.

(2) Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

As part of concluding on the adequacy of the allowance for loan losses, we review key allowance and loan metrics. The most significant of these metrics considered are the allowance coverage of net charge-offs ratio; the allowance as a percentage of total loans and of ending loans in repayment; and delinquency and forbearance percentages. The allowance as a percentage of ending total loans and of ending loans in repayment increased at September 30, 2017 compared with September 30, 2016 because of an increase in our TDRs (for which we hold a life-of-loan allowance) and an increase in the percentage of loans in full principal and interest repayment status.

Use of Forbearance as a Private Education Loan Collection Tool

Forbearance involves granting the customer a temporary cessation of payments (or temporary acceptance of smaller than scheduled payments) for a specified period of time. Using forbearance extends the original term of the loan. Forbearance does not grant any reduction in the total repayment obligation (principal or interest). While in forbearance status, interest continues to accrue and is capitalized to principal when the loan re-enters repayment status. Our forbearance policies include limits on the number of forbearance months granted consecutively and the total number of forbearance months granted over the life of the loan. We grant forbearance in our servicing centers if a borrower who is current requests it for increments of three months at a time, for up to 12 months. Forbearance as a collection tool is used most effectively when applied based on a customer's unique situation, including historical information and judgments. We leverage updated customer information and other decision support tools to best determine who will be granted forbearance based on our expectations as to a customer's ability and willingness to repay their obligation. This strategy is aimed at mitigating the overall risk of the portfolio as well as encouraging cash resolution of delinquent loans. In some instances, we require good faith payments before granting forbearance. Exceptions to forbearance policies are permitted when such exceptions are judged to increase the likelihood of collection of the loan.

Forbearance may be granted to customers who are exiting their grace period to provide additional time to obtain employment and income to support their obligations, or to current customers who are faced with a hardship and request forbearance time to provide temporary payment relief. In these circumstances, a customer's loan is placed into a forbearance status in limited monthly increments and is reflected in the forbearance status at month-end during this time. At the end of their granted forbearance period, the customer will enter repayment status as current and is expected to begin making scheduled monthly payments on a go-forward basis.

Forbearance may also be granted to customers who are delinquent in their payments. If specific requirements are met, the forbearance can cure the delinquency and the customer is returned to a current repayment status. In more limited instances, delinquent customers will also be granted additional forbearance time.

The tables below show the composition and status of the Private Education Loan portfolio aged by number of months in active repayment status (months for which a scheduled monthly payment was due). Active repayment status includes loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period. Our experience shows that the percentage of loans in forbearance status decreases the longer the loans have been in active repayment status. At September 30, 2017, loans in forbearance status as a percentage of total loans in repayment and forbearance were 2.4 percent for Private Education Loans that have been in active repayment status for fewer than 25 months. Approximately 76 percent of our Private Education Loans in forbearance status have been in active repayment status fewer than 25 months.

(Dollars in millions) September 30, 2017	Private Education Loans Monthly Scheduled Payments Due 0 to 12	13 to 24	25 to 36	37 to 48	More than 48	Not Yet in Repayment	Total
Loans in-school/grace/deferment	$—	$—	$—	$—	$ —	$ 5,353	$5,353
Loans in forbearance	218	65	45	25	21	—	374
Loans in repayment - current	4,395	2,893	1,948	1,058	822	—	11,116
Loans in repayment - delinquent 31-60 days	87	37	25	13	14	—	176
Loans in repayment - delinquent 61-90 days	43	16	11	7	5	—	82
Loans in repayment - delinquent greater than 90 days	15	6	5	3	3	—	32
Total	$4,758	$3,017	$2,034	$1,106	$ 865	$ 5,353	17,133
Unamortized discount							53
Allowance for loan losses							(227)
Total Private Education Loans, net							$16,959
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	1.85 %	0.55 %	0.38 %	0.21 %	0.18 %	— %	3.17 %

(Dollars in millions) September 30, 2016	Private Education Loans Monthly Scheduled Payments Due 0 to 12	13 to 24	25 to 36	37 to 48	More than 48	Not Yet in Repayment	Total
Loans in-school/grace/deferment	$—	$—	$—	$—	$ —	$ 4,663	$4,663
Loans in forbearance	172	46	31	17	14	—	280
Loans in repayment - current	4,040	2,314	1,303	601	466	—	8,724
Loans in repayment - delinquent 31-60 days	56	23	15	8	7	—	109
Loans in repayment - delinquent 61-90 days	28	10	6	2	4	—	50
Loans in repayment - delinquent greater than 90 days	11	5	3	2	1	—	22
Total	$4,307	$2,398	$1,358	$630	$ 492	$ 4,663	13,848
Unamortized discount							41
Allowance for loan losses							(163)
Total Private Education Loans, net							$13,726
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	1.87 %	0.50 %	0.34 %	0.18 %	0.15 %	— %	3.04 %

Private Education Loan Types

The following table provides information regarding the loans in repayment balance and total loan balance by product type at September 30, 2017 and December 31, 2016.

	September 30, 2017				
(Dollars in thousands)	Signature and Other	Parent Loan	Smart Option	Career Training	Total
$ in repayment[1]	$196,563	$85,655	$11,109,644	$14,719	$11,406,581
$ in total	$355,389	$86,809	$16,675,410	$15,299	$17,132,907

	December 31, 2016				
(Dollars in thousands)	Signature and Other	Parent Loan	Smart Option	Career Training	Total
$ in repayment[1]	$164,725	$29,212	$9,501,040	$14,781	$9,709,758
$ in total	$334,512	$29,430	$13,872,378	$15,355	$14,251,675

(1) Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

Accrued Interest Receivable

The following table provides information regarding accrued interest receivable on our Private Education Loans. The table also discloses the amount of accrued interest on loans greater than 90 days past due as compared to our allowance for uncollectible interest. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due portfolio for all periods presented.

	Private Education Loan Accrued Interest Receivable		
(Dollars in thousands)	Total Interest Receivable	Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
September 30, 2017	$1,008,214	$ 1,216	$ 5,556
December 31, 2016	$739,847	$ 845	$ 2,898
September 30, 2016	$773,967	$ 803	$ 3,562

Liquidity and Capital Resources

Funding and Liquidity Risk Management

Our primary liquidity needs include our ongoing ability to fund our businesses throughout market cycles, including during periods of financial stress, our ongoing ability to fund originations of Private Education Loans and servicing our Bank deposits. To achieve these objectives, we analyze and monitor our liquidity needs, maintain excess liquidity and access diverse funding sources, such as deposits at the Bank, issuance of secured debt primarily through asset-backed securitizations and other financing facilities. It is our policy to manage operations so liquidity needs are fully satisfied through normal operations to avoid unplanned asset sales under emergency conditions. Our liquidity management is governed by policies approved by our Board of Directors. Oversight of these policies is performed in the Asset and Liability Committee, a management-level committee.

These policies take into account the volatility of cash flow forecasts, expected maturities, anticipated loan demand and a variety of other factors to establish minimum liquidity guidelines.

Key risks associated with our liquidity relate to our ability to access the capital markets and the markets for bank deposits at reasonable rates. This ability may be affected by our performance, competitive pressures, the macroeconomic environment and the impact they have on the availability of funding sources in the marketplace.

Sources of Liquidity and Available Capacity

Ending Balances

(Dollars in thousands)	September 30, 2017	December 31, 2016
Sources of primary liquidity:		
Unrestricted cash and liquid investments:		
Holding Company and other non-bank subsidiaries	$27,119	$18,133
Sallie Mae Bank[(1)]	1,220,645	1,900,660
Available-for-sale investments	232,549	208,603
Total unrestricted cash and liquid investments	$1,480,313	$2,127,396

(1) This amount will be used primarily to originate Private Education Loans at the Bank.

Average Balances

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2017	2016	2017	2016
Sources of primary liquidity:				
Unrestricted cash and liquid investments:				
Holding Company and other non-bank subsidiaries	$27,625	$22,233	$26,138	$19,242
Sallie Mae Bank[(1)]	1,418,109	1,538,485	1,265,542	1,247,498
Available-for-sale investments	234,169	209,496	222,459	203,986
Total unrestricted cash and liquid investments	$1,679,903	$1,770,214	$1,514,139	$1,470,726

(1) This amount will be used primarily to originate Private Education Loans at the Bank.

Deposits

The following table summarizes total deposits.

(Dollars in thousands)	September 30, 2017	December 31, 2016
Deposits - interest bearing	$15,033,524	$13,434,990
Deposits - non-interest bearing	528	677
Total deposits	$15,034,052	$13,435,667

Our total deposits of $15.0 billion were comprised of $7.7 billion in brokered deposits and $7.3 billion in retail and other deposits at September 30, 2017, compared to total deposits of $13.4 billion, which were comprised of $7.1 billion in brokered deposits and $6.3 billion in retail and other deposits, at December 31, 2016.
Interest bearing deposits as of September 30, 2017 and December 31, 2016 consisted of retail non-maturity savings deposits, retail and brokered non-maturity MMDAs and brokered and retail CDs. Interest bearing deposits include deposits from Educational 529 and Health Savings plans that diversify our funding sources and add deposits we consider to be core. These and other large omnibus accounts, aggregating the deposits of many individual depositors, represented $5.5 billion of our deposit total as of September 30, 2017.
Some of our deposit products are serviced by third-party providers. Placement fees associated with the brokered CDs are amortized into interest expense using the effective interest rate method. We recognized placement fee expense of $2.5 million and $2.6 million in the three months ended September 30, 2017 and 2016, respectively, and placement fee expense of $6.8 million and $7.8 million in the nine months ended September 30, 2017 and 2016, respectively. Fees paid to third-party brokers related to brokered CDs were $4.4 million and $1.1 million for the three months ended September 30, 2017 and 2016, respectively, and fees paid to third-party brokers related to brokered CDs were $9.7 million and $4.0 million for the nine months ended September 30, 2017 and 2016, respectively.
Interest bearing deposits at September 30, 2017 and December 31, 2016 are summarized as follows:

	September 30, 2017		December 31, 2016	
(Dollars in thousands)	Amount	Qtr.-End Weighted Average Stated Rate[(1)]	Amount	Year-End Weighted Average Stated Rate[(1)]
Money market	$7,656,169	1.72 %	$7,129,404	1.22 %
Savings	824,308	1.09	834,521	0.84
Certificates of deposit	6,553,047	1.83	5,471,065	1.41
Deposits - interest bearing	$15,033,524		$13,434,990	

(1) Includes the effect of interest rate swaps in effective hedge relationships.

The increase in rates paid on our interest bearing deposits was generally the result of increases in short-term market interest rates since December 31, 2016.

As of September 30, 2017 and December 31, 2016, there were $422.4 million and $304.5 million, respectively, of deposits exceeding FDIC insurance limits. Accrued interest on deposits was $28.2 million and $18.9 million at September 30, 2017 and December 31, 2016, respectively.

Counterparty Exposure

Counterparty exposure related to financial instruments arises from the risk that a lending, investment or derivative counterparty will not be able to meet its obligations to us.

Excess cash is generally invested with the FRB on an overnight basis or in the FRB's Term Deposit Facility, minimizing counterparty exposure on cash balances.

Our investment portfolio is primarily comprised of a small portfolio of mortgage-backed securities issued by government agencies and government-sponsored enterprises that are purchased to meet Community Reinvestment Act targets. Additionally, our investing activity is governed by Board-approved limits on the amount that is allowed to be invested with any one issuer based on the credit rating of the issuer, further minimizing our counterparty exposure. Counterparty credit risk is considered when valuing investments and considering impairment.

Related to derivative transactions, protection against counterparty risk is generally provided by International Swaps and Derivatives Association, Inc. Credit Support Annexes ("CSAs"), or clearinghouses for over-the-counter derivatives. CSAs require a counterparty to post collateral if a potential default would expose the other party to a loss. All derivative contracts entered into by the Bank are covered under CSAs or clearinghouse agreements and require collateral to be exchanged based on the net fair value of derivatives with each counterparty. Our exposure is limited to the value of the derivative contracts in a gain position, less any collateral held by us and plus collateral posted with the counterparty.

Title VII of the Dodd-Frank Act requires all standardized derivatives, including most interest rate swaps, to be submitted for clearing to central counterparties to reduce counterparty risk. The CME and the LCH made amendments to their respective rules that resulted in the prospective accounting treatment of certain daily variation margin payments being considered as the legal settlement of the outstanding exposure of the derivative instead of the posting of collateral. The CME rule changes, which became effective in January 2017, result in all variation margin payments on derivatives cleared through the CME being accounted for as legal settlement, while the LCH allows the clearing member institution the option to adopt the rule changes on an individual contract or portfolio basis. As of September 30, 2017, $5.1 billion notional of our derivative contracts were cleared on the CME and $0.7 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 85.8 percent and 11.9 percent, respectively, of our total notional derivative contracts of $5.9 billion at September 30, 2017.

Under this new rule, for derivatives cleared through the CME, the net gain (loss) position includes the variation margin amounts as settlement of the derivative and not collateral against the fair value of the derivative. Interest income (expense) related to variation margin on derivatives that are not designated as hedging instruments or are designated as fair value relationships is recognized as a gain (loss) rather than as interest income (expense). Changes in fair value for derivatives not designated as hedging instruments will be presented as realized gains (losses).

Our LCH clearing member institution has elected not to adopt the new rule change. Therefore, there has been no change to the accounting for the derivatives cleared through the LCH, and variation margin payments required to be exchanged based on the fair value of those derivatives remain accounted for as collateral.

Our exposure is limited to the value of the derivative contracts in a gain position less any collateral held and plus any collateral posted. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At September 30, 2017 and December 31, 2016, we had a net positive exposure (derivative gain positions to us, less collateral held by us and plus collateral posted with counterparties) related to derivatives of $23.6 million and $44.6 million, respectively.

We have liquidity exposure related to collateral movements between us and our derivative counterparties. Movements in the value of the derivatives, which are primarily affected by changes in interest rates, may require us to return cash collateral held or may require us to access primary liquidity to post collateral to counterparties.

As of September 30, 2017, LCH was not rated by any of the major rating agencies. However, all derivative counterparties are evaluated internally for credit worthiness. LCH has been deemed by management to have strong liquidity and robust capital levels as of our most recent credit review, and has been assigned our strongest risk rating.

The table below highlights exposure related to our derivative counterparties as of September 30, 2017.

(Dollars in thousands)	SLM Corporation and Sallie Mae Bank Contracts	
Total exposure, net of collateral	$ 23,606	
Exposure to counterparties with credit ratings, net of collateral	$ 9,785	
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody’s Aa3	6.11	%
Percent of exposure to counterparties with credit ratings below S&P A- or Moody’s A3	2.16	%

Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by federal and state banking authorities. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on our business, results of operation and financial condition. Under the FDIC’s regulations implementing the U. S Basel III capital framework and the regulatory framework for prompt corrective action, the Bank must meet specific capital standards that involve quantitative measures of its assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank’s capital amounts and its classification under the prompt corrective action framework are also subject to qualitative judgments by the regulators about components of capital, risk weightings and other factors.

“Well capitalized” regulatory requirements are the quantitative measures established by regulation to ensure capital adequacy. To qualify as “well capitalized,” the Bank must maintain minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1, Tier 1 and Total capital to risk-weighted assets and of Tier 1 capital to average assets. The following capital amounts and ratios are based upon the Bank’s assets.

	Actual		“Well Capitalized” Regulatory Requirements	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio
As of September 30, 2017				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$2,285,767	11.8%	$1,255,438	>6.5 %
Tier 1 Capital (to Risk-Weighted Assets)	$2,285,767	11.8%	$1,545,155	>8.0 %
Total Capital (to Risk-Weighted Assets)	$2,517,317	13.0%	$1,931,444	>10.0%
Tier 1 Capital (to Average Assets)	$2,285,767	11.4%	$1,000,262	>5.0 %
As of December 31, 2016:				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$2,011,583	12.6%	$1,038,638	>6.5 %
Tier 1 Capital (to Risk-Weighted Assets)	$2,011,583	12.6%	$1,278,323	>8.0 %
Total Capital (to Risk-Weighted Assets)	$2,197,997	13.8%	$1,597,904	>10.0%
Tier 1 Capital (to Average Assets)	$2,011,583	11.1%	$907,565	>5.0 %

Capital Management

The Bank seeks to remain “well capitalized” at all times with sufficient capital to support asset growth, operating needs, unexpected credit risks and to protect the interests of depositors and the FDIC-administered Deposit Insurance Fund. The Bank is required by its regulators, the Utah Department of Financial Institutions and the FDIC, to comply with mandated capital ratios. We intend to maintain levels of capital at the Bank that significantly exceed the levels of capital necessary to be considered “well capitalized” by the FDIC. The Company is a source of strength for the Bank and will provide additional capital if necessary. The Board of Directors and management periodically evaluate the quality of assets, the stability of earnings, and the adequacy of the allowance for loan losses for the Bank. We currently believe that current and projected capital levels are appropriate for 2017. As our balance sheet continues to grow in 2017, these ratios will decline but will remain significantly in excess of the capital levels required to be considered “well capitalized” by our regulators. We do not plan to pay dividends on our common stock. We do not intend to initiate share repurchase programs to return capital to shareholders. We only expect to repurchase common stock acquired in connection with taxes withheld as a result of award exercises and vesting under our employee stock-based compensation plans. Our Board of Directors will periodically reconsider these matters.

The Bank is required to comply with U.S. Basel III, which is aimed at increasing both the quantity and quality of regulatory capital and, among other things, establishes Common Equity Tier 1 as a new tier of capital and modifies methods for calculating risk-weighted assets. Certain aspects of U.S. Basel III, including new deductions from and adjustments to regulatory capital and a new capital conservation buffer, are being phased in over several years. The Bank’s Capital Policy requires management to monitor the new capital standards. The Bank is subject to the following minimum capital ratios under U.S. Basel III: a Common Equity Tier 1 risk-based capital ratio of 4.5 percent, a Tier 1 risk-based capital ratio of 6.0 percent, a Total risk-based capital ratio of 8.0 percent, and a Tier 1 leverage ratio of 4.0 percent. In addition, the Bank is subject to a Common Equity Tier 1 capital conservation buffer, which will be phased in over three years beginning January 1, 2016: 0.625 percent of risk-weighted assets for 2016, 1.25 percent for 2017, and 1.875 percent for 2018, with the fully phased-in level of greater than 2.5 percent effective as of January 1, 2019. Failure to maintain the buffer will result in restrictions on the Bank’s ability to make capital distributions, including the payment of dividends, and to pay discretionary bonuses to executive officers. Including the buffer, by January 1, 2019, the Bank will be required to maintain the following minimum capital ratios: a Common Equity Tier 1 risk-based capital ratio of greater than 7.0 percent, a Tier 1 risk-based capital ratio of greater than 8.5 percent and a Total risk-based capital ratio of greater than 10.5 percent.

U.S. Basel III also revised the capital thresholds for the prompt corrective action framework for insured depository institutions. To qualify as “well capitalized,” the Bank must maintain a Common Equity Tier 1 risk-based capital ratio of at least 6.5 percent, a Tier 1 risk-based capital ratio of at least 8.0 percent, a Total risk-based capital ratio of at least 10.0 percent, and a Tier 1 leverage ratio of at least 5.0 percent.

As of September 30, 2017, the Bank had a Common Equity Tier 1 risk-based capital ratio of 11.8 percent, a Tier 1 risk-based capital ratio of 11.8 percent, a Total risk-based capital ratio of 13.0 percent and a Tier 1 leverage ratio of 11.4 percent, which are each in excess of the current “well capitalized” standard for insured depository institutions. If calculated today based on the fully phased-in U.S. Basel III standards, our ratios would also exceed the capital levels required under U.S. Basel III and the “well capitalized” standard.

Dividends

The Bank is chartered under the laws of the State of Utah and its deposits are insured by the FDIC. The Bank’s ability to pay dividends is subject to the laws of Utah and the regulations of the FDIC. Generally, under Utah’s industrial bank laws and regulations as well as FDIC regulations, the Bank may pay dividends from its net profits without regulatory approval if, following the payment of the dividend, the Bank’s capital and surplus would not be impaired. The Bank paid no dividends for the nine months ended September 30, 2017 and September 30, 2016. For the foreseeable future, we expect the Bank to only pay dividends to the Company as may be necessary to provide for regularly scheduled dividends payable on the Company’s Series B Preferred Stock.

Borrowings

Outstanding borrowings consist of unsecured debt and secured borrowings issued through our term ABS program and our ABCP Facility. The issuing entities for those secured borrowings are VIEs and are consolidated for accounting purposes. The following table summarizes our borrowings at September 30, 2017 and December 31, 2016, respectively.

	September 30, 2017			December 31, 2016		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt	$—	$196,337	$196,337	$—	$—	$—
Total unsecured borrowings	—	196,337	196,337	—	—	—
Secured borrowings:						
Private Education Loan term securitizations	$—	$2,542,325	$2,542,325	$—	$2,167,979	$2,167,979
ABCP Facility	300,000	—	300,000	—	—	—
Total secured borrowings	300,000	2,542,325	2,842,325	—	2,167,979	2,167,979
Total	$300,000	$2,738,662	$3,038,662	$—	$2,167,979	$2,167,979

On April 5, 2017, we issued our unsecured debt offering of $200 million of 5.125 percent Senior Notes due April 5, 2022 at par. We used the net proceeds from this debt offering to redeem all of our 6.97 percent Series A preferred stock and for general corporate purposes.

Borrowed Funds

The Bank maintains discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled $125 million at September 30, 2017. The interest rate charged to the Bank on these lines of credit is priced at Fed Funds plus a spread at the time of borrowing, and is payable daily. The Bank did not utilize these lines of credit in the three or nine months ended September 30, 2017 or in the year ended December 31, 2016.

The Bank established an account at the FRB to meet eligibility requirements for access to the Primary Credit borrowing facility at the FRB’s Window. The Primary Credit borrowing facility is a lending program available to depository institutions that are in generally sound financial condition. All borrowings at the Window must be fully collateralized. We can pledge to the FRB asset-backed and mortgage-backed securities, as well as FFELP Loans and Private Education Loans, as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At September 30, 2017 and December 31, 2016, the value of our pledged collateral at the FRB totaled $2.5 billion and $2.6 billion, respectively. The interest rate charged to us is the discount rate set by the FRB. We did not utilize this facility in the three or nine months ended September 30, 2017 or in the year ended December 31, 2016.

Contractual Loan Commitments

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of such approval, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). At September 30, 2017, we had $1.9 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2017/2018 academic year. At September 30, 2017, we had a $1.6 million reserve recorded in “Other Liabilities” to cover expected losses that may occur during the one year loss emergence period on these unfunded commitments.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with GAAP. A discussion of our critical accounting policies, which include allowance for loan losses, fair value measurement, transfers of financial assets and the VIE consolidation model, and derivative accounting, can be found in our 2016 Form 10-K. There were no significant changes to these critical accounting policies during the third quarter of 2017. However, related to derivative accounting, in the first quarter of 2017 we changed the accounting treatment of variation margin payments as a result of changes to the rules of certain of our central clearing parties, as described below.

Derivative Accounting

The most significant judgments related to derivative accounting are: (1) concluding the derivative is an effective hedge and qualifies for hedge accounting and (2) determining the fair value of certain derivatives and hedged items. To qualify for hedge accounting, a derivative must be a highly effective hedge upon designation and on an ongoing basis. There are no "bright line" tests on what is considered a highly effective hedge. We use a historical regression analysis to prove ongoing and prospective hedge effectiveness. Although some of our valuations are more judgmental than others, we compare the fair values of our derivatives that we calculate to those fair values provided by our counterparties on a monthly basis. We view this as a critical control which helps validate these judgments. Any significant differences with our counterparties are identified and resolved appropriately.

The CME and the LCH made amendments to their respective rules that resulted in the prospective accounting treatment of certain daily variation margin payments being considered as the legal settlement of the outstanding exposure of the derivative instead of the posting of collateral. The CME rule changes, which became effective in January 2017, result in all variation margin payments on derivatives cleared through the CME being accounted for as legal settlement, while the LCH allows the clearing member institution the option to adopt the rule changes on an individual contract or portfolio basis. As of September 30, 2017, $5.1 billion notional of our derivative contracts were cleared on the CME and $0.7 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 85.8 percent and 11.9 percent, respectively, of our total notional derivative contracts of $5.9 billion at September 30, 2017.

Under this new rule, for derivatives cleared through the CME, the net gain (loss) position includes the variation margin amounts as settlement of the derivative and not collateral against the fair value of the derivative. Interest income (expense) related to variation margin on derivatives that are not designated as hedging instruments or are designated as fair value relationships is recognized as a gain (loss) rather than as interest income (expense). Changes in fair value for derivatives not designated as hedging instruments will be presented as realized gains (losses).

Our LCH clearing member institution has elected not to adopt the new rule change. Therefore, there has been no change to the accounting for the derivatives cleared through the LCH, and variation margin payments required to be exchanged based on the fair value of those derivatives remain accounted for as collateral.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity Analysis

Our interest rate risk management program seeks to manage and control interest rate risk, thereby reducing our exposure to fluctuations in interest rates and achieving consistent and acceptable levels of profit in any rate environment and sustainable growth in net interest income over the long term. We evaluate and monitor interest rate risk through two primary methods:

- Earnings at Risk ("EAR"), which measures the impact of hypothetical changes in interest rates on net interest income; and
- Economic Value of Equity ("EVE"), which measures the sensitivity or change in the economic value of equity to changes in interest rates.

A number of potential interest rate scenarios are simulated using our asset liability management system. The Bank is the primary source of interest rate risk within the Company. At present, the majority of earning assets on the Bank's balance sheet are priced off of 1-month LIBOR. Therefore, 1-month LIBOR is considered a core rate in our interest rate risk analysis. Other interest rate changes are correlated to changes in 1-month LIBOR, with higher or lower correlations based on historical relationships. In addition, key rates may be modeled with a floor, which indicates how low each specific rate is likely to move in practice. Rates are adjusted up or down via a set of scenarios that includes both rate shocks and ramps. Rate shocks represent an immediate and sustained change in 1-month LIBOR plus the resulting changes in other indices correlated accordingly. Interest rate ramps represent a linear change in 1-month LIBOR over the course of 12 months plus the resulting changes in other indices correlated accordingly.

The following table summarizes the potential effect on earnings over the next 24 months and the potential effect on market values of balance sheet assets and liabilities at September 30, 2017 and 2016, based upon a sensitivity analysis performed by management assuming a hypothetical increase or decrease in market interest rates of 100 basis points and a hypothetical increase in market interest rates of 300 basis points while funding spreads remain constant. The EVE sensitivity is applied only to financial assets and liabilities, including hedging instruments, that existed at the balance sheet date, and does not take into account new assets, liabilities, commitments or hedging instruments that may arise in the future.

With recent increases in the level of interest rates, it became possible in the first quarter of 2017 to measure meaningfully the impact of a downward rate shock of 100 basis points. As the results of this interest rate scenario project a more negative impact to both earnings and to the economic value of equity than the upward shock of 100 basis points, the results of the downward rate shock of 100 basis points have been reflected in the table below. At today's levels of interest rates, a 300 basis point downward rate shock does not provide a meaningful indication of interest rate sensitivity. These results indicate a market risk profile that has changed slightly from the prior year's results.

	September 30, 2017			2016	
	+300 Basis Points	+100 Basis Points	-100 Basis Points	+300 Basis Points	+100 Basis Points
EAR - Shock	+9.3%	+3.0%	-2.9%	+7.2%	+2.3%
EAR - Ramp	+5.8%	+2.6%	-2.0%	+5.0%	+1.6%
EVE	+2.3%	+0.5%	-0.3%	-1.0%	-0.6%

A primary objective in our funding is to manage our sensitivity to changing interest rates by generally funding our assets with liabilities of similar interest rate repricing characteristics. This funding objective is frequently obtained through the use of derivatives. Uncertainty in loan repayment cash flows and the pricing behavior of our non-maturity retail deposits pose challenges in achieving our interest rate risk objectives. In addition to these considerations, we can have a mismatch in the index (including the frequency of reset) of floating rate debt versus floating rate assets.

As part of its suite of financial products, the Bank offers fixed-rate Private Education Loans. As with other Private Education Loans, the term to maturity is lengthy, and the customer has the option to repay the loan faster than the promissory note requires. Asset securitization and fixed-rate CDs provide intermediate to long-term fixed-rate funding for some of these assets. Additionally, a portion of the fixed-rate loans have been hedged with derivatives, which have been used to convert a portion of variable rate funding to fixed-rate to match the anticipated cash flows of these loans. Any unhedged position arising from the fixed-rate loan portfolio is monitored and modeled to ensure that the interest rate risk does not cause the Company to exceed its policy limits for earnings at risk or for the value of equity at risk.

In the preceding tables, the interest rate sensitivity analysis reflects the heavy balance sheet mix of fully variable LIBOR-based loans, which exceeds the mix of fully variable funding, which includes brokered CDs that have been converted to LIBOR through derivative transactions. The analysis does not anticipate that retail MMDAs or retail savings balances, while relatively sensitive to interest rate changes, will reprice to the full extent of interest rate shocks or ramps. Also considered is (i) the impact of FFELP loans, which receive floor income in low interest rate environments, and will therefore not reprice fully with interest rate shocks and (ii) the impact of fixed-rate loans that have not been fully match-funded through derivative transactions and fixed-rate funding from CDs and asset securitization. An additional consideration, which does not impact the results for the third quarter, is the implementation of a loan cap of 25 percent on variable rate loans originated on and after September 25, 2016. As of September 30, 2017, there were $3.3 billion of loans with 25 percent interest rate caps on the balance sheet. The overall slightly asset-sensitive position will generally cause net interest income to increase somewhat when interest rates rise, and decrease somewhat when interest rates fall. However, this sensitivity position will fluctuate somewhat during the year, depending on the funding mix in place at the time of the analysis.

Although we believe that these measurements provide an estimate of our interest rate sensitivity, they do not account for potential changes in credit quality, balance sheet mix and size of our balance sheet. They also do not account for other business developments that could affect net income, or for management actions that could affect net income or could be taken to change our risk profile. Accordingly, we can give no assurance that actual results would not differ materially from the estimated outcomes of our simulations. Further, such simulations do not represent our current view of expected future interest rate movements.

Asset and Liability Funding Gap

The table below presents our assets and liabilities (funding) arranged by underlying indices as of September 30, 2017. In the following GAAP presentation, the funding gap only includes derivatives that qualify as effective hedges (those derivatives which are reflected in net interest income, as opposed to those reflected in the "gains (losses) on derivatives and hedging activities, net" line on the consolidated statements of income). The difference between the asset and the funding is the funding gap for the specified index. This represents at a high level our exposure to interest rate risk in the form of basis risk and repricing risk, which is the risk that the different indices may reset at different frequencies or may not move in the same direction or at the same magnitude. (Note that all fixed-rate assets and liabilities are aggregated into one line item, which does not capture the differences in time due to maturity.)

(Dollars in millions) Index	Frequency of Variable Resets	Assets	Funding [1]	Funding Gap
3-month Treasury bill	weekly	$142.7	$—	$142.7
Prime	monthly	5.2	—	5.2
3-month LIBOR	quarterly	—	399.2	(399.2)
1-month LIBOR	monthly	13,394.0	7,972.1	5,421.9
1-month LIBOR	daily	806.5	—	806.5
Non-Discrete reset[2]	daily/weekly	1,314.4	3,186.9	(1,872.5)
Fixed Rate[3]		5,347.7	9,452.3	(4,104.6)
Total		$21,010.5	$21,010.5	$—

(1) Funding (by index) includes the impact of all derivatives that qualify as effective hedges.

(2) Assets include restricted and unrestricted cash equivalents and other overnight type instruments. Funding includes liquid retail deposits and the obligation to return cash collateral held related to derivatives exposures.

(3) Assets include receivables and other assets (including premiums and reserves). Funding includes unswapped time deposits, liquid MMDAs swapped to fixed rates and stockholders' equity.

The "Funding Gap" in the above table shows primarily mismatches in the 1-month LIBOR, fixed-rate and Non-Discrete categories. As changes in 1-month and 3-month LIBOR are generally quite highly correlated, the minor funding gap associated with 3-month LIBOR is expected to partially offset the 1-month LIBOR gaps. We consider the overall risk to be moderate since the funding in the Non-Discrete bucket is our liquid retail portfolio, which we have significant flexibility to reprice at any time, and the funding in the fixed-rate bucket includes $2.0 billion of equity, $0.5 billion of non-interest bearing liabilities and $0.7 billion of shorter-term fixed rate CDs whose maturities will coincide with anticipated replacements by long-term funding in the second quarter of 2018, facilitating efficient liquidity and market risk management.

We use interest rate swaps and other derivatives to achieve our risk management objectives. Our asset liability management strategy is to match assets with debt (in combination with derivatives) that have the same underlying index and reset frequency or have interest rate characteristics that we believe are highly correlated. The use of funding with index types and reset frequencies that are different from our assets exposes us to interest rate risk in the form of basis and repricing risk. This could result in our cost of funds not moving in the same direction or with the same magnitude as the yield on our assets. While we believe this risk is low, as all of these indices are short-term with rate movements that are highly correlated over a long period of time, market disruptions (which have occurred in recent years) can lead to a temporary divergence between indices, resulting in a negative impact to our earnings.

Weighted Average Life

The following table reflects the weighted average lives of our earning assets and liabilities at September 30, 2017.

(Averages in Years)	Weighted Average Life
Earning assets	
Education loans	5.55
Personal loans	1.44
Cash and investments	0.96
Total earning assets	5.16
Deposits	
Short-term deposits	0.06
Long-term deposits	2.40
Total deposits	0.60
Borrowings	
Short-term borrowings[1]	1.29
Long-term borrowings	4.17
Total borrowings	3.89

(1) Weighted average life of short-term borrowings assumes full contractual term for repayment through February 22, 2019.

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Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of September 30, 2017. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of September 30, 2017, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (b) accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Regulatory Update

On May 13, 2014, the Bank reached settlements with (a) the FDIC regarding disclosures and assessments of certain late fees, as well as compliance with the SCRA, and (b) the DOJ regarding compliance with the SCRA. In connection with the settlements, the Bank became subject to the FDIC Consent Order and the DOJ Consent Order, which was approved by the U.S. District Court for the District of Delaware on September 29, 2014. Under the terms of the Separation and Distribution Agreement, Navient is responsible for funding all liabilities under the regulatory orders and, as of the date hereof, has funded all liabilities other than fines directly levied against the Bank in connection with these matters which the Bank is required to pay.

On March 27, 2017, the Bank received confirmation from the FDIC that effective March 23, 2017, the FDIC terminated the FDIC Consent Order. The termination was issued with no conditions.

The Bank continues to be in full compliance with the DOJ Consent Order, including policy and procedure updates. Pursuant to the terms of the DOJ Consent Order, the Bank will remain subject to certain DOJ reporting and record-keeping requirements until September 29, 2018.

In May 2014, the Bank received a CID from the CFPB as part of the CFPB's separate investigation relating to customer complaints, fees and charges assessed in connection with the servicing of student loans and related collection practices of pre-Spin-Off SLM by entities now subsidiaries of Navient during a time period prior to the Spin-Off (the "CFPB Investigation"). Two state attorneys general also provided the Bank identical CIDs and other state attorneys general have become involved in the inquiry over time (collectively, the "Multi-State Investigation"). To the extent requested, the Bank has been cooperating fully with the CFPB and the attorneys general conducting the Multi-State Investigation. Given the timeframe covered by the CIDs, the CFPB Investigation and the Multi-State Investigation, and the focus on practices and procedures previously conducted by Navient and its servicing subsidiaries prior to the Spin-Off, Navient is leading the response to these investigations. Consequently, we have no basis from which to estimate either the duration or ultimate outcome of these investigations. Additional lawsuits may arise from the Multi-State Investigation which may or may not name the Company, the Bank or any of their current subsidiaries as parties to these suits. As with the Illinois lawsuit described below, the Bank is not responsible for any of the alleged conduct in the Multi-State Investigation or any claims that may arise from related lawsuits. As contemplated by the Separation and Distribution Agreement relating to, and the structure of, the Spin-Off, Navient is legally responsible for, and has accepted responsibility to indemnify the Company against, all costs, expenses, losses and remediation that may arise from these matters.

With regard to the CFPB Investigation, we note that on January 18, 2017, the CFPB filed a complaint in federal court in Pennsylvania against Navient, along with its subsidiaries, Navient Solutions, Inc. and Pioneer Credit Recovery, Inc. The complaint alleges these Navient entities, among other things, engaged in deceptive practices with respect to their historic servicing and debt collection practices. Neither SLM, the Bank, nor any of their current subsidiaries are named in, or otherwise a party to, the lawsuit and are not alleged to have engaged in any wrongdoing. The CFPB's complaint asserts Navient's assumption of these liabilities pursuant to the Separation and Distribution Agreement.

On July 10, 2017, the CFPB released its final rule imposing limitations on the use of pre-dispute arbitration clauses and prohibiting the use of class action waivers in various consumer financial products, including private education loans. The rule also provides for the reporting of arbitration proceedings to the CFPB and for related record keeping requirements. The rule will be applicable to all agreements for consumer financial products entered into 240 days or more after publication of the rule. Consequently, our existing student loan portfolio is not impacted. We will be taking steps to revise our promissory notes to comply with the rule. As a consequence of the rule, in coming years we may experience a possible increase in litigation defense costs and settlements.

Legal Proceedings

We and our subsidiaries and affiliates are subject to various claims, lawsuits and other actions that arise in the normal course of business. It is common for the Company, our subsidiaries and affiliates to receive information and document requests and investigative demands from state attorneys general, legislative committees and administrative agencies. These requests may be for informational or regulatory purposes and may relate to our business practices, the industries in which we operate, or other companies with whom we conduct business. Our practice has been and continues to be to cooperate with these bodies and be responsive to any such requests.

Pursuant to the terms of the Spin-Off and applicable law, Navient assumed responsibility for all liabilities (whether accrued, contingent or otherwise and whether known or unknown) arising out of or resulting from the conduct of pre-Spin-Off SLM and its subsidiaries' businesses prior to the Spin-Off, other than certain specifically identified liabilities relating to the conduct of our consumer banking business. Nonetheless, given the prior usage of the Sallie Mae and SLM names by entities now owned by Navient, we and our subsidiaries may from time to time be improperly named as defendants in legal proceedings where the allegations at issue are the legal responsibility of Navient. Most of these legal proceedings involve matters that arose in whole or in part in the ordinary course of business of pre-Spin-Off SLM. Likewise, as the period of time since the Spin-Off increases, so does the likelihood any allegations that may be made may be in part for our own actions in a post-Spin-Off time period and in part for Navient's conduct in a pre-Spin-Off time period. We will not be providing information on these ordinary course of business proceedings unless there are material issues of fact or disagreement with Navient as to the bases of the proceedings or responsibility therefor that we believe could have a material, adverse impact on our business, assets, financial condition, liquidity or outlook if not resolved in our favor.

On January 18, 2017, the Illinois Attorney General filed a separate lawsuit in Illinois state court against Navient - its subsidiaries Navient Solutions, Inc., Pioneer Credit Recovery, Inc., and General Revenue Corporation - and the Bank arising out of the Multi-State Investigation. On March 20, 2017, the Bank moved to dismiss the Illinois Attorney General action as to the Bank, arguing, among other things, the complaint failed to allege with sufficient particularity or specificity how the Bank was responsible for any of the alleged conduct, most of which predated the Bank's existence. Following argument on the Bank's motion on July 18, 2017, the Illinois court took the Bank's motion under advisement. As of the date of this report, the court has not ruled on the Bank's motion. As contemplated by the Separation and Distribution Agreement relating to, and the structure of, the Spin-Off, Navient is legally responsible for, has assumed, and has accepted responsibility to indemnify the Company against, all costs, expenses, losses and remediation that may arise from these matters.

To date, two other state attorneys general (Washington and Pennsylvania) have filed suits against Navient and one or more of its current subsidiaries arising out of matters arising from the Multi-State Investigation. Neither SLM, the Bank, nor any of their current subsidiaries are named in, or otherwise a party to, the Washington or Pennsylvania lawsuits, and no claims are asserted against them. Each complaint asserts in its own fashion that Navient assumed responsibility for these matters under the Separation and Distribution Agreement for the alleged conduct in the complaints.

Item 1A. Risk Factors

Our business activities involve a variety of risks. Readers should carefully consider the risk factors disclosed in Item 1A. "Risk Factors" of our 2016 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
Share Repurchases
The following table provides information relating to our purchase of shares of our common stock in the three months ended September 30, 2017.

(In thousands, except per share data)	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2]	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs[2]
Period:				
July 1 - July 31, 2017	9	$ 11.21	—	—
August 1 - August 31, 2017	64	$ 10.92	—	—
September - September 30, 2017	9	$ 10.73	—	—
Total third-quarter 2017	82	$ 10.93	—	

(1) All shares purchased are the shares of our common stock tendered to us to satisfy the exercise price in connection with cashless exercises of stock options, and tax withholding obligations in connection with exercises of stock options and vesting of restricted stock and restricted stock units.
(2) At the present time, the Company does not have a publicly announced share repurchase plan or program.

The closing price of our common stock on the Nasdaq Global Select Market on September 29, 2017 was $11.47.

Item 3. Defaults Upon Senior Securities
Nothing to report.
Item 4. Mine Safety Disclosures
Not applicable.
Item 5. Other Information
Nothing to report.

Item 6. Exhibits

The following exhibits are furnished or filed, as applicable:

12.1	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SLM CORPORATION
(Registrant)

By: /S/ STEVEN J. MCGARRY

Steven J. McGarry
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: October 18, 2017