

SLM CORP  
Form DEF 14A  
April 11, 2005

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant ☐

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

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

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

SLM Corporation

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(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

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

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount previously paid:

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(2) Form, schedule or registration statement no.:

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(3) Filing party:

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(4) Date filed:

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**12061 Bluemont Way  
Reston, Virginia 20190**

April 11, 2005

Dear Shareholder:

We cordially invite you to attend SLM Corporation's Annual Shareholders' Meeting on Thursday, May 19, 2005 at 11:00 a.m. at the Corporation's offices located at 12061 Bluemont Way, Reston, Virginia, 20190.

At the meeting, shareholders will vote on a number of important matters. Please take the time to carefully read each of the proposals described in the attached proxy statement.

Thank you for your support of Sallie Mae.

Sincerely,

Albert L. Lord  
Chairman of the Board of Directors

This proxy statement and the accompanying proxy card are being mailed to  
SLM Corporation shareholders beginning about April 11, 2005

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**12061 Bluemont Way  
Reston, Virginia 20190**

April 11, 2005

**SLM CORPORATION**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
To Be Held On May 19, 2005**

To our Shareholders:

The 2005 Annual Meeting of shareholders of SLM Corporation will be held at the Corporation's offices, 12061 Bluemont Way, Reston, Virginia 20190 on Thursday, May 19, 2005 beginning at 11:00 a.m., local time. At the meeting, holders of the Corporation's outstanding common stock will consider and vote on the following matters:

Election of 14 directors for a term of one year;

Approval of reallocation of shares authorized to be issued from the Directors Stock Plan and the Employee Stock Purchase Plan to the SLM Corporation Incentive Plan;

Ratification of the appointment of PricewaterhouseCoopers LLP as independent accountant for 2005; and

Any other matters that properly come before the meeting.

All holders of record of shares of SLM Corporation common stock at the close of business on March 21, 2005 are entitled to vote at the meeting.

Your participation in the Annual Meeting is important. We urge you to vote your proxy at your earliest convenience. You may vote by mail, telephone or over the Internet, depending on how your share ownership is recorded. If you plan to attend the Annual Meeting, please advise my office directly at (703) 984-6785.

Mary F. Eure  
*Corporate Secretary*

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**PROXY STATEMENT**

The Board of Directors of SLM Corporation (or Sallie Mae) solicits your proxy to conduct business at the Corporation's annual shareholders' meeting to be held at the Corporation's offices, 12061 Bluemont Way, Reston, Virginia on Thursday, May 19, 2005 at 11:00 a.m., local time.

This proxy statement includes information about the Corporation's stock performance for 2004, governance and Board matters, stock ownership and compensation for Board members and the highest paid officers, and the agenda for the Annual Meeting: 1) election of directors; 2) approval of reallocation of shares authorized to be issued from the SLM Corporation Directors Stock Plan and the Employee Stock Purchase Plan to the SLM Corporation Incentive Plan; and 3) ratification of the Corporation's independent accountant. Information about how to vote your proxy is included.

We have also enclosed the Corporation's Annual Report on Form 10-K, which provides financial results for 2004.

**CORPORATE PERFORMANCE**

The following graph compares the yearly percentage change in the Corporation's cumulative total shareholder return on its common stock<sup>(1)</sup> to that of Standard & Poor's 500 Stock Index and Standard & Poor's 500 Financials Index. The graph assumes a base investment of \$100 at December 31, 1999 and reinvestment of dividends through December 31, 2004.

**SLM Corporation**  
**Five-Year Cumulative Total Shareholder Return**

<b>Company/Index</b>	<b>Base Year</b>	<b>12/31/00</b>	<b>12/31/01</b>	<b>12/31/02</b>	<b>12/31/03</b>	<b>12/31/04</b>
<b>SLM Corporation</b>	\$ 100.0	\$ 163.4	\$ 203.7	\$ 254.0	\$ 280.8	\$ 404.5
<b>S&amp;P 500 Financials<sup>(2)</sup></b>	\$ 100.0	\$ 128.0	\$ 111.3	\$ 87.1	\$ 124.2	\$ 134.3
<b>S&amp;P 500 Index</b>	\$ 100.0	\$ 90.9	\$ 80.1	\$ 62.5	\$ 80.4	\$ 89.1

Source: Bloomberg Comparative Return Table

- (1) The Corporation completed a three-for-one stock split, in the form of a stock dividend, in June 2003. All references in this proxy statement to SLM or Sallie Mae stock and stock prices have been adjusted for the stock split.
- (2) Companies included in Standard & Poor's 500 Financials Index: American Express, Bank of New York, Bear Stearns, Capital One, CIT Group, Citigroup, E\*Trade, Federated Investments, Franklin Resources Inc, Goldman Sachs Corp, Janus Capital Group, JPMorgan Chase, Lehman Brothers, MBNA, Mellon Financial, Merrill Lynch, Moody's, Morgan Stanley, Northern Trust, Principal Financial, Provident Financial, Charles Schwab, SLM Corp, State Street Corp, and T. Rowe Price.

**STOCK OWNERSHIP**

Sallie Mae encourages stock ownership by its directors, officers and employees to align their interests with those of shareholders. We believe this policy focuses directors and the workforce on economic performance and long-term strategic initiatives that will enhance shareholder returns.

To support our ownership policy, the Corporation:

compensates non-employee directors primarily in the form of options on the Corporation's common stock;

requires that a portion of any annual bonus paid to any officer be in the form of Sallie Mae stock;

grants stock options to all employees; and

established a share ownership policy for senior officers and members of the Board.

In order to reinforce the importance of sustained, long-term shareholder returns, some of these arrangements have share ownership retention requirements or incentives.

The following table provides information regarding shares owned by each director and executive officer of the Corporation as of February 28, 2005.

	Shares <sup>(1)</sup>	Total Economic Ownership <sup>(2)</sup>	Vested Options <sup>(3)</sup>	Total Beneficial Ownership <sup>(4)</sup>	Percent of Class
<b>Directors</b>					
Charles L. Daley <sup>(5)</sup>	63,162		413,215	476,377	*
William M. Diefenderfer, III	48,197		215,776	263,973	*
Thomas J. Fitzpatrick	1,316,302	1,780,079	906,969	2,223,271	*
Edward A. Fox <sup>(5)</sup>	542,000		189,855	731,855	*
Diane Suitt Gilleland	62,330		303,992	366,322	*
Earl A. Goode	38,927		105,945	144,872	*
Ann Torre Grant	18,522		361,369	379,891	*
Ronald F. Hunt <sup>(5)</sup>	196,806		192,654	389,460	*
Benjamin J. Lambert, III	89,479		281,568	371,047	*
Albert L. Lord <sup>(5)</sup>	1,264,227	1,575,435	2,675,709	3,939,936	*
Barry A. Munitz	130,137		12,775	142,912	*
A. Alexander Porter, Jr. <sup>(5)</sup>	742,071		639,430	1,381,501	*
Wolfgang Schoellkopf	55,000		239,215	294,215	*
Steven L. Shapiro	44,177		417,090	461,267	*
Barry Lawson Williams	21,095		170,080	191,175	*
<b>Executive Officers</b>					
Albert L. Lord	1,264,227	1,575,435	2,675,709	3,939,936	*
Thomas J. Fitzpatrick	1,316,302	1,780,079	906,969	2,223,271	*
C.E. Andrews	41,695		400,000	441,695	*
Robert S. Autor	90,607		485,000	575,607	*
Marianne M. Keler <sup>(5)</sup>	489,536		1,009,532	1,499,068	*
June M. McCormack	243,302		279,763	523,065	*

	Shares <sup>(1)</sup>	Total Economic Ownership <sup>(2)</sup>	Vested Options <sup>(3)</sup>	Total Beneficial Ownership <sup>(4)</sup>	Percent of Class
Kevin F. Moehn <sup>(5)</sup>	129,003		228,124	357,127	*
John F. Remondi	592,715		747,702	1,340,417	*
John F. Whorley, Jr.	179,408		0	179,408	*
<b>Directors and Executive Officers as a Group</b>	6,398,698		10,275,763	16,674,461	3.95%

\* Less than one percent

- (1) Shares held directly or indirectly by the individual or by the individual and his or her spouse, including shares credited to Corporation-sponsored retirement plans.
- (2) Total of column 1 plus 311,208 vested restricted stock units and accumulated reinvested dividends granted to Mr. Lord and 463,776 unvested restricted stock units and accumulated reinvested dividends granted to Mr. Fitzpatrick under the terms of their employment agreements, which are described later in this proxy statement.
- (3) Shares that may be acquired within 60 days through the exercise of stock options.
- (4) Total of columns 1 and 3. Except as otherwise indicated and subject to community property laws, each owner has sole voting and sole investment power with respect to the shares listed.
- (5) Mr. Daley's share ownership includes 2,625 shares held through a limited partnership, in which he owns a 50 percent interest and 4,875 shares held by his spouse. Mr. Fox's share ownership includes 42,000 shares held in a charitable remainder trust. Mr. Hunt's share ownership includes 1,575 shares held solely in his wife's name. Mr. Lord's share ownership includes 2,100 shares held in his wife's name. Mr. Porter's share ownership includes 737,359 shares over which he shares investment and voting control. Ms. Keler's share ownership includes 1,277 shares owned by her children. Mr. Moehn's share ownership includes 100 shares owned by his son.

## CORPORATE GOVERNANCE

### ***Board Governance Guidelines***

The Board's governance has been guided by a set of principles initially adopted in 1997. The Board's revised guidelines are published at [www.salliemae.com](http://www.salliemae.com) under About Us, Corporate Governance, SLM Corp. Board and a written copy is available from the Corporate Secretary. The guidelines are reviewed annually. Among other matters, the guidelines provide the following:

A majority of the members of the Board must be independent directors and all members of the Audit, Nominations and Governance, and Compensation and Personnel Committees must be independent.

All directors stand for re-election every year and shareholders are entitled to cumulate their shares for the election of directors.

The Board has established the position of Lead Independent Director, which is currently held by Mr. Porter. The Lead Independent Director presides over executive sessions of the Board in the absence of the Chair, and annually leads the Board in its review of the CEO's performance. The Lead Independent Director, in consultation with the Chair of the Nominations and Governance Committee, takes the initiative to address unique governance matters that arise during the year.



The independent members of the Board and each committee meet in executive session, without the presence of management or the CEO, at the end of each regularly scheduled Board and committee meeting, as the case may be. The Chairman of the Board or the Lead Independent Director presides over the executive sessions of the independent directors. Committee chairs preside over executive sessions of the committees.

Board compensation is substantially in the form of Sallie Mae stock or other equity-linked compensation.

The Board undertakes an annual self-review.

Board members have open communications with all members of management.

***Director Independence***

The Board has established criteria for determining whether a director is independent from management. These criteria, which are included in the governance guidelines, incorporate the director independence criteria included in the New York Stock Exchange listing standards as well as additional, more restrictive criteria established by the Board. Prior to selecting the nominees to the Board, the Board reviewed and discussed information provided by the directors and the Corporation with regard to each director's business and personal activities as they may relate to the Corporation and the Corporation's management. Further, if a director's relationship changes with the Corporation during the course of the year, the director must notify the Chairman of the Nominations and Governance Committee and, as recommended by the Committee, a determination is made about the impact on the director's independence.

The Board has reviewed all relationships between each director and any member of his or her immediate family and the Corporation. Based on this review and the definition of independence in the governance guidelines, the Board has determined that other than Messrs. Lord and Fitzpatrick, who are members of management, all current directors are independent. In addition, all members of the Audit, Compensation and Personnel, and Nominations and Governance Committees are independent. In accordance with NYSE listing standards and the governance guidelines, all Audit Committee members meet additional, more restrictive independence criteria applicable to audit committee members.

***Meetings of the Board and its Committees***

During 2004, the Board of Directors met six times. Each of the incumbent directors attended at least 75 percent of the total number of meetings of the Board and committees on which they serve. Directors are expected to attend the annual shareholders' meeting and all members of the Board attended the annual shareholders' meeting in May 2004.

The Board uses committees to assist it in the performance of its duties. Each committee has a written charter approved by the Board, which sets forth the respective committee's functions and responsibilities. The standing committees of the Board are the Audit Committee, the Compensation and Personnel Committee, the Nominations and Governance Committee, the Finance Committee, the Executive Committee and the Preferred Stock Committee. The work of each committee is regularly reported to the full Board by the Committee Chair. All committee charters are published at [www.salliemae.com](http://www.salliemae.com) under About Us, Corporate Governance, SLM Corp. Board. Shareholders may obtain a written copy of a committee charter by contacting the Corporate Secretary.

**Audit Committee.** The Audit Committee represents and assists the Board in fulfilling its responsibilities by providing oversight relating to: (1) the assessment and management of certain business risks, including financial, operational, litigation and regulatory risks; (2) the integrity of the Corporation's financial reporting; (3) the Corporation's system of disclosure controls and system of internal controls regarding financial, accounting, legal compliance, and ethics; (4) the independent accountant's qualifications, independence and performance; (5) the performance of the Corporation's internal audit function; (6) the Corporation's compliance with legal and regulatory requirements and (7) the preparation of the report of the Committee for the Corporation's annual proxy statement, as required by the Securities and Exchange Commission.

The current membership of the Audit Committee, which held 15 meetings in 2004, is as follows: Ann Torre Grant, Chairman; A. Alexander Porter, Jr., Vice Chairman; Charles L. Daley; Ronald F. Hunt; and Steven L. Shapiro. The Board has determined that all members of the Audit Committee are financially literate and that Ms. Grant and Messrs. Daley and Porter are qualified as audit committee financial experts

within the meaning of the SEC regulations. None of the Committee members serve on the audit committee of more than three public companies.

**Compensation and Personnel Committee.** The Compensation and Personnel Committee: 1) assists the Board in fulfilling its responsibilities relating to human resources, compensation and benefit matters concerning the Corporation and its subsidiaries; 2) discharges the Board's responsibilities relating to compensation of the Corporation's executives; and 3) prepares the report of the Committee on executive compensation for inclusion in the proxy statement, in accordance with applicable rules and regulations.

The current membership of the Compensation and Personnel Committee, which held seven meetings in 2004, is as follows: William M. Diefenderfer, III, Chairman; Earl A. Goode, Vice Chairman; Diane Suitt Gilleland; Benjamin J. Lambert, III; Barry A. Munitz; and Wolfgang Schoellkopf.

**Nominations and Governance Committee.** The Nominations and Governance Committee assists the Board in establishing appropriate standards for the governance of the Corporation, the operations of the Board and the qualifications of directors. The Committee also identifies individuals qualified to become Board members and recommends to the Board the director nominees for each annual meeting of shareholders.

The current membership of the Nominations and Governance Committee, which held seven meetings in 2004, is as follows: Diane Suitt Gilleland, Chairman; Steven L. Shapiro, Vice Chairman; Charles L. Daley; Ronald F. Hunt; Benjamin J. Lambert, III; and Barry A. Munitz.

#### ***Nominations Process***

Nominees for election to the Board of Directors are selected by the independent members of the Board. The Nominations and Governance Committee considers candidates recommended in good faith by shareholders. To recommend a candidate, shareholders should send, in writing, the candidate's name, credentials, contact information, and his or her consent to be considered as a candidate to the Chairman of the Nominations and Governance Committee, in care of the Corporate Secretary at SLM Corporation, 12061 Bluemont Way, Reston, VA 20190. The shareholder should also include his or her contact information and a statement of his or her share ownership. The Nominations and Governance Committee evaluates all candidates based on the experience and knowledge they would bring to the Board relevant to the Corporation's needs at that time, as well as financial literacy and independence for purposes of compliance with the rules of the SEC and NYSE. The Committee evaluates shareholder-recommended candidates based on the same criteria it uses to evaluate candidates from other sources.

#### ***Shareholder Communications with the Board***

Shareholders are encouraged to communicate directly with executive officers of the Corporation, who are easily accessible by telephone or by mail. Also, shareholders and other interested parties may submit communications to the Board of Directors by contacting the Chairman of the Board or the Lead Independent Director in writing at the following address: Office of the Chairman of the Board or Office of the Lead Independent Director, SLM Corporation, 12061 Bluemont Way, Reston, VA 20190. The Corporate Secretary will review all communications from our shareholders and communications relevant to our business and operations, as determined by the Corporate Secretary, will be forwarded to the Board or individual members, as appropriate.

#### ***Certain Relationships and Related-Party Transactions***

Except for Mr. Lord and Mr. Fitzpatrick, no nominee is a current officer of the Corporation or any of its subsidiaries. Mr. Hunt was an officer of the Corporation's predecessor entity, the Student Loan Marketing Association (also referred to as the GSE), more than 14 years ago. There are no family relationships among the nominees and the executive officers of the Corporation.

During 2004, Thomas J. Fitzpatrick, III, son of Mr. Fitzpatrick, was employed by a Corporation subsidiary as an educational account executive and received a base salary of \$40,000 and commissions of \$84,480, for total compensation of \$124,480 for his services during the year.

On May 11, 2004, the Corporation purchased 200,000 shares of SLM common stock from Mr. Lord at a purchase price of \$38.42 per share. The purchase price was the lower of the stock's average weighted price and closing price on May 11, 2004. The shares sold by Mr. Lord were acquired through the exercise of stock options that were granted at the fair market value of Sallie Mae common stock on the date of grant.

***Director Compensation***

After reviewing director compensation, the Board determined to maintain its 2005 compensation at the same level and form as in 2004. The Corporation continues to believe that equity-based compensation effectively aligns director and shareholder interests and 2005 compensation was made primarily in the form of stock options. For Board service in 2005 for non-employee directors, the standard compensation arrangement is a \$70,000 cash payment, to be paid upon election to the Board in May, and a grant of 9,530 options covering the Corporation's common stock, granted in January 2005. Compensation for the Chairman of the Board, the Lead Independent Director and the Chair of the Audit Committee is greater, in recognition of the additional responsibilities of these positions. The standard compensation arrangement for the Lead Independent Director and Chair of the Audit Committee is \$87,500 and a grant of 11,920 options covering the Corporation's common stock. Compensation for the Chairman of the Board will be determined in May.

Alternatively, directors may elect all-equity compensation in the form of stock options. This alternative compensation arrangement is a grant of 15,250 options for directors, except 19,070 options may be granted to the Lead Independent Director and the Chair of the Audit Committee, in recognition of the additional responsibilities for these positions. For 2005, seven non-employee nominees elected the all-equity compensation arrangement; five elected the compensation arrangement that included the cash retainer.

Options granted in 2005 vest upon the later of: 1) the Corporation's common stock reaching a closing price of \$60.90 (a 20 percent increase over the grant price—the fair market value on the date of grant was \$50.75) for five trading days; or 2) separation from service from the Board, whichever occurs first. To the extent not already vested, the options also vest on the fifth anniversary of their grant date. The options are forfeited if the optionee is not elected to the Board at the May 19, 2005 meeting.

Directors are eligible to receive replacement options upon the exercise of vested options for options granted through 2002. Options granted since 2003 have not been eligible for replacement options. Replacement options are discussed in the Executive Compensation section of this proxy statement. In 2004, 8,732 replacement options were granted to Mr. Diefenderfer; 13,289 replacement options were granted to Ms. Gilleland; and 15,506 replacement options were granted to Mr. Williams.

Directors are eligible to participate in the Corporation's matching gift program. Under the matching gift program the Corporation contributes three dollars for each dollar contributed by a director to post-secondary educational institutions, up to a total contribution by the Corporation of \$100,000 per year. The Corporation contributes two dollars for each dollar contributed to a primary or secondary educational institution, or a civic, community, health or human service organization, up to a total contribution by the Corporation of \$25,000 per year. The Corporation contributes one dollar for each dollar contributed to an arts or cultural organization, the United Way, or a federated campaign, up to a total contribution by the Corporation of \$10,000 per year. Notwithstanding the above limits for each category, aggregate matching contributions by the Corporation are limited to \$100,000 per director in any single plan year. Upon his retirement from the Board, the Corporation honored Edward A. Fox's 25 years of service and leadership as Sallie Mae's initial Chief Executive Officer and most recent Chairman by arranging for Mr. Fox to direct charitable giving in an amount up to \$750,000 over a five-year period through the Corporation's donor-advised fund.

The Corporation's non-employee directors are provided with \$50,000 of life insurance, are reimbursed for their and their spouses' expenses incurred in connection with attending Board meetings, are covered by a travel insurance plan while traveling on corporate business and may receive a \$1,500 per diem payment for additional work. No such payments were made to directors in 2004. Mr. Lord and Mr. Fitzpatrick are eligible for the

directors' matching gift program described above. Neither Mr. Lord nor Mr. Fitzpatrick received any separate compensation for their service on the Board in 2004.

Non-employee directors who served on the Board of the GSE were separately compensated for that service. Mr. Diefenderfer was compensated \$10,000 and Mr. Hunt was compensated \$10,000 for attending GSE Board meetings in 2004. Both Messrs. Diefenderfer and Hunt elected to defer this compensation, which is credited with earnings based on the price movement and dividend payments of SLM stock. The GSE was dissolved on December 29, 2004, at which time Messrs. Diefenderfer and Hunt's service on that Board ended. No other non-employee directors or their immediate family members received any compensation from the Corporation or any of its subsidiaries during the year.

### **PROPOSAL 1 ELECTION OF DIRECTORS**

Shareholders are asked to elect 14 directors to serve on the Board for a one-year term or until their successors are elected or appointed.

Upon the recommendation of the Nominations and Governance Committee of the Board, the Board has nominated each of the current directors for reelection, other than Mr. Fox who will retire from Board service effective May 19, 2005.

#### ***Nominees***

Biographical information about each nominee is set forth below. Board service with the Corporation's predecessor entity, the Student Loan Marketing Association or GSE, is included. A nominee's independent status is indicated by an asterisk.

**The Board of Directors recommends a vote FOR the election of the 14 nominees named below. Proxies will be so voted unless shareholders specify a contrary choice on their proxy card.**

<b>Name and Age Service as a Director</b>	<b>Position, Principal Occupation, Business Experience and Directorships</b>
<b>Charles L. Daley*</b> 72  Director since July 5, 1995	<b>Director, Executive Vice President and Secretary TEB Associates, Inc.</b> Director, Executive Vice President and Secretary, TEB Associates, Inc., a real estate finance company 1992 to present Executive Vice President and Chief Operating Officer, First Peoples Financial Corporation 1987 to 1992 Executive Vice President and Chief Operating Officer, First Peoples Bank of New Jersey 1984 to 1992
<b>William M. Diefenderfer, III*</b> 59  Director since August 8, 1997	<b>Vice Chairman and Co-Founder enumerate Solutions, Inc.</b> Vice Chairman and Co-Founder, enumerate Solutions, Inc., a technology company 2000 to present Partner, Diefenderfer, Hoover & Wood, a law firm, Pittsburgh, PA 1991 to present Treasurer and Chief Financial Officer, Icarus Aircraft, Inc. 1992 to 1996 Deputy Director of the Office of Management and Budget 1989 to 1991 Other Directorships of Public Companies: U-Store-It Trust Other Activities: Member, Standing Advisory Group of the Public Company Accounting Oversight Board



Name and Age Service as a Director	Position, Principal Occupation, Business Experience and Directorships
<b>Thomas J. Fitzpatrick</b> 56  Director since July 31, 2000 and from July 1997 to May 1999	<b>President and Chief Executive Officer, SLM Corporation June 2005</b> President and Chief Operating Officer, SLM Corporation 2001 to May 2005, President and Chief Marketing and Administrative Officer 2000 to 2001, Executive Vice President 1998 to 2000 President and Chief Executive Officer, Equity One, Inc., a financial services company 1989 to 1998 President, Commercial Credit Co. 1988 to 1989 President and Chief Operating Officer, Manufacturers Hanover Consumer Services 1983 to 1988, Chief Financial Officer 1978 to 1983 Other Activities: M.A. Bruder & Sons Incorporated (Director)
<b>Diane Suitt Gilleland*</b> 58  Director since March 25, 1994	<b>Associate Professor in Higher Education University of Arkansas, Little Rock</b> Associate Professor in Higher Education, University of Arkansas, Little Rock 2003 to present Deputy Director, Illinois Board of Higher Education 1999 to 2003 Senior Associate, Institute for Higher Education Policy 1998 to 1999 Senior Fellow, American Council on Education, Washington, DC 1997 Director, Arkansas Department of Higher Education 1990 to 1997 Chief Finance Officer, Arkansas Higher Education 1986 to 1990 Other Activities: University of Arkansas at Pine Bluff Foundation Board, University of Arkansas Foundation Board
<b>Earl A. Goode*</b> 64  Director since July 31, 2000	<b>Commissioner Department of Administration, State of Indiana</b> Commissioner, Department of Administration, State of Indiana January 2005 to present Chairman, Indiana Sports Corporation 2001 to present Director, USA Funds, Inc. 1994 to 2000 President, GTE Information Services and GTE Directories Corporation 1994 to 2000, President, GTE Telephone Operations North and East 1990 to 1994, President, GTE Telephone Company of the Southwest 1988 to 1990 Other Activities: Georgetown College Foundation (Director)
<b>Ann Torre Grant*</b> 47  Director since July 31, 1997	<b>Strategic and Financial Consultant</b> Strategic and Financial Consultant 1998 to present Executive Vice President, Chief Financial Officer and Treasurer, NHP Incorporated, a national real estate services firm 1995 to 1997 Vice President and Treasurer, USAirways 1991 to 1995, various finance positions 1988 to 1991 Other Directorships of Public Companies: Franklin Mutual Series,

Allied Capital Corporation

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Name and Age Service as a Director	Position, Principal Occupation, Business Experience and Directorships
<b>Ronald F. Hunt*</b> 61  Director since July 5, 1995	<b>Attorney</b> Attorney 1990 to present Executive Vice President and General Counsel, Student Loan Marketing Association 1984 to 1990, various officer positions 1973 to 1984 Other Activities: enumerate Solutions, Inc. (Director); Warren Wilson College Board of Trustees (Vice Chairman)
<b>Benjamin J. Lambert, III*</b> 68  Director since July 5, 1995	<b>Senator</b> <b>Commonwealth of Virginia</b> Senator, Commonwealth of Virginia 1986 to present Self-employed, Optometrist 1962 to present Other Directorships: Dominion Resources, Inc. Other Activities: Consolidated Bank & Trust Company (Director); Board of Trustees of Virginia Union University (Secretary)
<b>Albert L. Lord</b> 59  Director since July 5, 1995	<b>Chairman, SLM Corporation, March 2005 to present, Vice Chairman, 1997 to March 2005</b> Chief Executive Officer, SLM Corporation 1997 to May 2005 President and principal shareholder, LCL Ltd. 1994 to 1997 Executive Vice President and Chief Operating Officer, Student Loan Marketing Association 1990 to 1994, various officer positions 1981 to 1990 Other Directorships of Public Companies: SS&C Technologies, Inc.; BearingPoint, Inc. Other Activities: The National Academy Foundation (Director)
<b>Barry A. Munitz*</b> 63  Director since July 31, 1997	<b>President and Chief Executive Officer</b> <b>The J. Paul Getty Trust</b> President and Chief Executive Officer, The J. Paul Getty Trust 1997 to present Chancellor and Chief Executive Officer, California State University System 1991 to 1997 Other Directorships of Public Companies: KB Home Other Activities: The American Academy of Arts and Sciences (Fellow); Seattle Art Museum (Trustee); Pillar Advisory Board
<b>A. Alexander Porter, Jr.*</b> 66  Director since July 5, 1995	<b>Founder and Partner</b> <b>Porter Orlin Inc.</b> Founder and Partner, Porter Orlin Inc. (formerly named Porter Felleman, Inc.), an investment management company 1976 to present Lead Independent Director, SLM Corporation 1997 to present Other Activities: Distribution Technology, Inc. (Founder and Director); Davidson College (Trustee); The John Simon Guggenheim Memorial Foundation (Trustee); Queens University of Charlotte,



Name and Age Service as a Director	Position, Principal Occupation, Business Experience and Directorships
<b>Wolfgang Schoellkopf*</b> 72  Director since July 31, 1997	<b>Managing Partner</b> <b>Lykos Capital Management, LLC</b> Managing Partner, Lykos Capital Management, LLC, a private equity management company 2003 to present Chief Executive Officer, Bank Austria Group's U.S. operations 2000 to 2001 Vice Chairman and Chief Financial Officer, First Fidelity Bancorporation 1990 to 1996 Executive Vice President and Treasurer, The Chase Manhattan Bank 1979 to 1988, various officer positions 1963 to 1988 Other Activities: Board member and Chair, Bank Austria Cayman Islands Limited
<b>Steven L. Shapiro*</b> 64  Director since July 5, 1995	<b>Certified Public Accountant and Personal Financial Specialist</b> <b>Alloy, Silverstein, Shapiro, Adams, Mulford, Cicalese, Wilson &amp; Co.</b> Chairman, Alloy, Silverstein, Shapiro, Adams, Mulford, Cicalese, Wilson & Co., an accounting firm Chairman since 1995, various positions 1960 to present Other Activities: MetLife Bank (Director); Rutgers University (Member, Executive Advisory Council); American Institute of Certified Public Accountants (Member); New Jersey and Pennsylvania Societies of CPAs (Member), West Jersey Health and Hospital Foundation Board (Trustee)
<b>Barry L. Williams*</b> 60  Director since July 31, 2000	<b>President</b> <b>Williams Pacific Ventures, Inc.</b> President, Williams Pacific Ventures, Inc., a consulting and investment company 1987 to present Director, USA Funds, Inc. 1995 to 2000 Interim President and CEO, the American Management Association International 2000 to 2001 Bechtel Group, Managing Principal, Bechtel Investments, Inc. 1979 to 1987 Other Directorships of Public Companies: PG&E Corporation, R. H. Donnelly & Company, CH2M Hill Companies, Northwestern Mutual Life Insurance Company, Simpson Manufacturing Co., Inc. Other Activities: National Parks Foundation (Director), American Conservatory Theater (Trustee); American Management Association (Trustee)

### EXECUTIVE COMPENSATION

This section includes: (1) a report by the Compensation and Personnel Committee (the Compensation Committee or Committee) regarding the Corporation's executive compensation policy; (2) a summary presentation of 2004 executive compensation in tabular form; (3) a summary of 2004 stock option grants to Named Executive Officers;

- (4) a valuation of option exercises during the year and remaining option holdings for Named Executive Officers; and
- (5) descriptions of certain employment arrangements, pension plan benefits, and related-party transactions.

***Report of the Compensation and Personnel Committee on Executive Compensation***

The Compensation Committee of the Board of Directors develops a comprehensive compensation policy for senior management and establishes plans and programs to implement the policy. The Committee annually

reviews the performance of the CEO and senior management team and after consultation with the Board, establishes compensation terms for these individuals.

The Committee has retained an independent compensation consultant to advise the Committee in setting executive compensation. The Committee also seeks the input of the Corporation's executive management in setting compensation. No member of the Committee is a former or current officer or employee of the Corporation or any of its subsidiaries and the Board of Directors has determined that all Committee members are independent, as defined in the Corporation's governance guidelines.

**Compensation Policy.** The Corporation's executive compensation policy is based on the concept that compensation that promotes employee stock ownership and is tied to corporate performance and sustained share price performance will align employee motivation with shareholder interest. To implement this policy, the Committee favors a mix of compensation that includes base salary, annual performance bonus and stock-based awards.

To encourage stock ownership on the part of executives, the Corporation adopted stock ownership guidelines in January 2000. Ownership levels, which are expected to be achieved over a three-year period, are:

Position	Stock Ownership as a Multiple of Base Salary
CEO	10 × salary
President	10 × salary
Executive Vice President	10 × salary
Senior Vice President	7 × salary

Unvested performance stock, restricted stock units and unexercised options, whether vested or not, are not counted in calculating stock ownership.

Currently, 17 of the Corporation's 24 senior officers have achieved compliance with their ownership guidelines.

For purposes of setting annual compensation, the Committee selects a group of peer companies based on the recommendation of its compensation consultant. The companies are not necessarily the same companies that are included in the peer group index in the Comparison of Five-Year Cumulative Total Return graph, the Standard & Poor's 500 Financials Index, used in this proxy statement. The peer group consists of financial industry companies with revenues, assets, net income, market value and workforce size that are within a range of the Corporation's and for 2004 included banks, financial transactions institutions, insurance companies and government-sponsored enterprises. The group is reviewed annually and changes are made as appropriate to reflect changes in the Corporation's business strategy and the industry, such as mergers and acquisitions. Thirteen companies comprised the peer group for purposes of establishing 2004 executive compensation.

The Committee uses the peer group information to serve as a guide for the level of total compensation. The leading factor influencing the Committee's decision regarding total compensation is, however, total return for the Corporation's shareholders. For 2004, the Corporation generated total shareholder return of 44 percent; as compared with 4 percent for the selected peer group, 11 percent for the Standard & Poor's 500 Financials Index, and 11 percent for the Standard & Poor's 500 Financials Index.

Total 2004 compensation for the Corporation's senior management consisted of base salary, annual performance bonus and, for other than the Chief Executive Officer, stock-based awards. Each of these components is described below.

**Base Salary.** In establishing salaries, the Committee reviewed the salaries of executives at peer companies in positions that the Committee considered comparable to their particular executive position. Consistent with the Corporation's de-emphasis on fixed compensation, 2004 executive salaries were somewhat below the peer group average. Mr. Lord's base salary for 2004, which has not been increased since 2000, was the lowest in the peer group. The base salaries of other Named Executive Officers were below the 25th percentile for salaries paid to similarly positioned officers at the Corporation's peer companies.



**Annual Performance Bonuses.** A large portion of executives' annual cash compensation is dependent on corporate and individual performance and is paid in the form of an annual performance bonus. This is consistent with the Compensation Committee's policy of linking compensation to performance. The Corporation's performance has been strong over the past several years. Nevertheless, when the annual performance bonus and base salary are added together, the resulting amounts have been consistently lower-than-market for executive management. Consistent with past practice, a minimum of 40 percent of each executive officer's annual bonus was awarded in the form of Sallie Mae common stock, further emphasizing alignment with shareholders.

The Compensation Committee established the 2004 performance bonus plan in January 2004 under the shareholder-approved SLM Corporation Management Incentive Plan (MIP), a copy of which is included in the Corporation's April 8, 2002 proxy statement.

The Corporation's Named Executive Officers, as well as other members of management, were eligible to participate in the 2004 bonus plan. For purposes of satisfying tax law requirements, the maximum award that could be earned by any individual was established as the lesser of \$5 million, an amount set forth in the MIP, and one percent of the Corporation's core cash net income for the year. For award purposes, the maximum bonus amount set for the Chief Executive Officer was 4 times his base salary. The maximum bonus amount for other executive officers ranged from 3.5 to 2.5 times their base salaries. The Compensation Committee used its discretion to make actual awards based on a common set of corporate goals and a personalized set of individual performance assessments. Overall assessments were more weighted towards individual performance than corporate performance.

Corporate performance goals were set by the Committee on the basis of the 2004 business plan. The goals were directly related to key components of the 2004 business plan. Five separate performance goals were set and weighted to reflect their importance. These measures and their relative weighting in the overall corporate performance score are as follows:

Corporate Goals	Weighting
Core cash earnings per share growth	25 percent
Preferred channel loan origination volume growth	20 percent
Fee income growth	20 percent
Operating expense growth	20 percent
Completion of the wind-down of the GSE	15 percent

<sup>1</sup> Core cash earnings are defined in the Corporation's annual report to shareholders.

The corporate goals were communicated to all officers during the first quarter of 2004 and status reports of corporate achievement toward the goals were provided throughout the year to both the Committee and the officer group. Due to the Corporation's 2004 performance, each of the targets was met except for growth in preferred channel loan origination volume.

Individual performance goals varied by position and included goals set within various business units.

**Stock Options and Stock-Based Compensation.** Since 1997, a centerpiece of the Corporation's compensation program for all employees has been stock-based compensation. The Compensation Committee believes that stock options and performance stock provide an appropriate incentive to promote long-term stable growth and align employees' interests with those of shareholders. Virtually all employees receive option grants, generally on an annual basis. Rank and file employees receive options that are time-vested, fifty percent of the options vest eighteen months after their grant date, the remaining portion of the options vest thirty-six months after their grant date. Management options have been price-vested; the Corporation's share price must trade 20 percent above the option's grant price for five days before the options vest, but no sooner than 12 months from their date of grant. (To conform with certain accounting rules, options vest eight years from their grant date.) From August 1997 to December 2004, 47 percent of all options granted have been time-vested options; 53 percent have been price-vested options.





Consistent with the terms of their employment agreements entered into in January 2002 (and more fully described on page 17), Messrs. Lord and Fitzpatrick did not receive grants of stock options in 2004. Mr. Fitzpatrick received in 2004 the third and final installment of restricted stock units due under his employment agreement, the terms of which are described on page 17.

Other members of executive management received stock option grants, but as in 2003, the size of the grants was significantly reduced from the prior year. The decision to again reduce stock option awards was made in consideration of shareholder dilution concerns and share ownership positions of the senior management team as a whole, who have achieved a level that the Committee believes effectively links their interests with those of shareholders. Stock options awarded to Named Executive Officers are disclosed in the 2004 Option Grant Table on page 16 of this proxy statement.

In order to better ensure the retention of key members of the executive management team, the Committee granted performance stock to a limited number of officers. Forty percent of the performance stock vests upon the later of the third anniversary of the grant date and the achievement of core cash net income for the 2006 fiscal year and the remaining 60 percent vest upon the later of the third anniversary of the grant date and the achievement of core cash net income for the 2008 fiscal year. The number of shares awarded and the grant date fair market value of the awards are disclosed in the Summary Compensation Table as Stock Based Awards.

In 2000, the Corporation established a replacement option program to assist executive officers in meeting their share ownership targets. Under the replacement program, officers and Board members have been eligible to receive new options upon their exercise of vested options in an amount equal to the number of shares needed to pay the exercise price for the original option. Replacement options carry an exercise price equal to the fair market value of the Corporation's common stock on the date of their grant and vest one year from the grant date. Replacement options expire on the expiration date of the underlying options. The Committee determined that, with the exception of newly hired or promoted officers, options granted to other officers in 2004 would not be eligible for replacement options.

In general, stock-based compensation has ranked in the top of the peer group and because of stock-based compensation, total compensation (which includes base salary, annual performance bonus and stock-based awards) compares favorably with the peer group. Due to our emphasis on stock-based compensation, an executive's compensation is fully realized only if the Corporation's performance is reflected in the share price.

**CEO Compensation.** Mr. Lord's compensation for 2004 consisted of base salary, which is described above under **Base Salary**, and an annual performance bonus, paid under the terms described above under **Annual Performance Bonus**. Specifically, in determining the individual component of Mr. Lord's annual performance bonus, the Committee, in consultation with the full Board, considered the following achievements: achievement over and above goals set in the business plan; increase in earnings per share by 16 percent over the prior year; completion of the wind-down of