SLM CORP
Form 424B5
December 28, 2007

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Preferred Stock Prospectus

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	Amount to be Registered(1)	Maximum Offering Price Per Share	Maximum Aggregate Offering Price	Amount of Registration Fee(2)(3)
Shares of 7.25% Mandatory Convertible Preferred Stock, Series C, par value $0.20 per share	1,150,000	$1,000	$1,150,000,000	$35,305.00

(1) Includes 150,000 shares of common stock that may be issued pursuant to an over-allotment option.

(2) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended.

(3) Paid herewith.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-130584

PROSPECTUS SUPPLEMENT

(To Prospectus Dated December 21, 2005)

1,000,000 Shares

7.25% Mandatory Convertible Preferred Stock, Series C

We are offering 1,000,000 shares of our 7.25% mandatory convertible preferred stock, series C.

Dividends on our mandatory convertible preferred stock will be payable on a cumulative basis when, as and if declared by our board of directors, or an authorized committee of our board of directors, at an annual rate of 7.25% of the liquidation preference of $1,000 per share. We will pay dividends in cash, common stock or a combination of cash and common stock, on March 15, June 15, September 15 and December 15 of each year to and including December 15, 2010, commencing on March 15, 2008.

Each share of our mandatory convertible preferred stock will automatically convert on December 15, 2010, into between 41.7188 and 50.8906 shares of our common stock, subject to anti-dilution adjustments. The number of shares of our common stock issuable on conversion will be determined based on the average of the closing prices per share of our common stock over the 20 trading day period ending on the third trading day prior to the mandatory conversion date. At any time prior to December 15, 2010, holders may elect to convert each share of our mandatory convertible preferred stock into shares of common stock at the minimum conversion rate of 41.7188 shares of common stock per share of mandatory convertible preferred stock, subject to anti-dilution adjustments. In the event of a cash acquisition (as described herein), under certain

circumstances the conversion rate will be adjusted during the cash acquisition conversion period (as described herein).

Prior to this offering, there has been no public market for our mandatory convertible preferred stock. The mandatory convertible preferred stock will not be listed on any securities exchange or included in any automated quotation system. Our common stock is listed on the New York Stock Exchange under the symbol "SLM." On December 27, 2007, the closing price of our common stock was $19.65 per share.

In addition to this offering of our mandatory convertible preferred stock, we are concurrently offering 101,781,170 shares of our common stock (117,048,346 shares if the underwriters exercise their over-allotment option in full). The common stock will be offered pursuant to a separate prospectus supplement. The completion of this offering of our mandatory convertible preferred stock is not conditioned upon the completion of the concurrent offering of our common stock and the completion of the offering of our common stock is not conditioned upon the completion of this offering of our mandatory convertible preferred stock.

Investing in our mandatory convertible preferred stock involves a high degree of risk. Before buying any shares of our mandatory convertible preferred stock, you should read the discussion of material risks of investing in our mandatory convertible preferred stock in "Risk factors" beginning on page S-12 of this prospectus supplement, as well as the "Risk factors" sections of our quarterly reports filed on Form 10-Q for the quarters ended March 31, 2007, June 30, 2007 and September 30, 2007 and our annual report on Form 10-K for the year ended December 31, 2006, for more information.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Obligations of SLM Corporation and its subsidiaries are not guaranteed by the full faith and credit of the United States of America. Neither SLM Corporation nor any of its subsidiaries is a government-sponsored enterprise or an instrumentality of the United States of America.

	Per Share	Total
Public offering price	$ 1,000.00	$ 1,000,000,000
Underwriting discount	$ 30.00	$ 30,000,000
Proceeds, before expenses, to SLM Corporation	$ 970.00	$ 970,000,000

We have granted the underwriters an option for a period of 30 days to purchase up to 150,000 additional shares of our mandatory convertible preferred stock at the public offering price less the underwriting discount to cover over-allotments, if any. If the underwriters exercise this option in full, the total underwriting discount will be $34,500,000, and our total proceeds, before expenses, will be $1,115,500,000.

We expect that the delivery of the mandatory convertible preferred stock will be made against payment therefor on December 31, 2007, which will be less than three business days following the trade date of the mandatory convertible preferred stock. Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Purchasers of mandatory convertible preferred stock who wish to trade any of such mandatory convertible preferred stock on the trade date should consult their advisor.

Joint Bookrunners

UBS Investment Bank **Citi**

Barclays Capital **RBS Greenwich Capital**

Credit Suisse **Wachovia Securities**

Deutsche Bank Securities

December 27, 2007

In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We and the underwriters have not authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it. We and the underwriters are offering to sell our mandatory convertible preferred stock only in places where offers and sales are permitted. You should not assume that the information contained or incorporated by reference in this prospectus supplement is accurate as of any date other than the date on the front cover of this prospectus supplement or that the information contained or incorporated by reference in the accompanying prospectus is accurate as of any date other than the date on the front cover of the accompanying prospectus.

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Unless otherwise indicated or unless the context requires otherwise, references in this prospectus supplement to "we," "us," "our," or similar references mean SLM Corporation and its consolidated subsidiaries.

Our principal executive offices are located at 12061 Bluemont Way, Reston, VA 20190, and our telephone number is (703) 810-3000. Our website is located at *www.salliemae.com*. The information on our website is not part of this prospectus supplement or the accompanying prospectus.

Cautionary statement regarding forward looking statements

This prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, contain forward-looking statements and information that are based on management's current expectations as of the date of such document. When used in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference herein, the words "anticipate," "believe,"

"estimate," "intend" and "expect" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause the actual results to be materially different from those reflected in such forward-looking statements. These factors include, among others: the inability to complete the merger (the "Merger") between the buyer group (the "Buyer Group") led by J.C. Flowers & Co., Bank of America and JPMorgan Chase and us pursuant to the merger agreement (the "Merger Agreement"); the outcome of legal proceedings relating to the Merger Agreement; the effect of the announcement of the Merger on our customer relationships, operating results and business generally; the amount of the costs, fees, expenses and charges related to the Merger; increased costs, fees, expenses or other charges related to the interim asset-backed commercial paper facilities (the "Interim ABCP Facility") for use during the period after execution of the Merger Agreement, including any potential foreclosure on the student loans under those facilities following their termination; if the Merger is not consummated, increased financing costs and more limited liquidity; changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in these laws and regulations, which may reduce the volume, average term and yields on student loans under the Federal Family Education Loan Program ("FFELP") or result in loans being originated or refinanced under non-FFELP programs or may affect the terms upon which banks and others agree to sell FFELP loans to us. In addition, a larger than expected increase in third party consolidations of our FFELP loans could materially adversely affect our results of operations. We could also be affected by changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families; incorrect estimates or assumptions by management in connection with the preparation of our consolidated financial statements; changes in the composition of our Managed FFELP and Private Education Loan portfolios; a significant decrease in our common stock price; changes in the general interest rate environment and in the securitization markets for education loans, which may increase the costs or limit the availability of financings necessary to initiate, purchase or carry education loans; changes in projections of losses from loan defaults; changes in prepayment rates and credit spreads; and changes in the demand for debt management services and new laws or changes in existing laws that govern debt management services. We do not undertake any obligation to update or revise these forward-looking statements to conform the statement to actual results or changes in our expectations.

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Summary

We are the largest source of funding, delivery and servicing support for education loans in the United States. Our primary business is to originate, acquire and hold both FFELP and Private Education Loans, which are not federally guaranteed or privately insured. The primary source of our earnings is from net interest income earned on those student loans as well as gains on the sales of such loans in off-balance sheet securitization transactions. We also earn fees for pre-default and post-default receivables management services on student loans, such that we are engaged in every phase of the student loan life cycle from originating and servicing student loans to default prevention and ultimately the collection on defaulted student loans. Through recent acquisitions, we have expanded our receivables management services to a number of different asset classes outside of student loans.

RECENT DEVELOPMENTS

Set forth below is a brief summary of certain recent developments relating to our business.

Merger-related developments

On December 12, 2007, we announced an update of the transaction with the Buyer Group. Over the prior eight weeks, in a series of discussions between the Company and senior representatives of the Buyer Group, to resolve the dispute between the parties, we offered to consider an alternative transaction with the Buyer Group, and to give them the opportunity to update their due diligence and submit a new proposal to acquire the Company with no pre-conditions. The Buyer Group responded that it did not wish to pursue these opportunities. For additional developments relating to the Merger, see "Legal proceedings" below and "Recent Developments Merger-Related Developments" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, which is incorporated by reference herein.

Business trends

On December 12, 2007, we announced that our business has recently been negatively affected as a result of higher funding costs (including the costs of utilizing, and the expected costs of refinancing, the $30 billion Interim ABCP Facility entered into in connection with the Merger) and increased reserves for our FFELP loan portfolio. In addition, our business has been negatively affected by an index mismatch between the commercial paper rate, the index for determining the interest rate we earn on the vast majority of our FFELP student loan assets, and LIBOR, the index for determining the interest rates on a substantial portion of our debt used to fund these assets.

Our management team is evaluating certain aspects of our business as a response to the impact on our business of The College Cost Reduction and Access Act of 2007, or the Act, and current challenges in the capital markets. The Act has a number of important implications for the profitability of our FFELP business, including a reduction in special allowance payments, the elimination of the Exceptional Performer designation and the corresponding reduction in default payments to 97% through 2012 and 95% thereafter, an increase in the lender paid origination fees for certain loan types and reduction in default collections retention fees, and account maintenance fees related to guaranty agency activities. As a result, we expect that the Act will significantly reduce and, combined with higher financing costs, could possibly eliminate the profitability of new FFELP loan originations, while increasing our risk sharing from our FFELP loan portfolio.

In response to the Act and market conditions, we plan to be more selective in pursuing origination activity, in both FFELP loans and Private Education Loans. In addition, we plan to curtail less profitable student loan acquisition activities such as spot purchases and wholesale consolidation loan purchases, which will reduce our funding needs. We expect to see many participants exit the student loan industry in response to the Act as well as current market conditions and we therefore expect to partially offset declining loan volumes caused by our more selective lending policies with increased

market share taken from participants exiting the industry. We expect to continue to focus on generally higher-margin Private Education Loans, both through our school channel and our direct to consumer channel, although in the case of the latter, with particular attention to continuing the more stringent underwriting standards that are necessary in this market. We also expect to adjust our Private Education Loan pricing to reflect the current financing and market conditions. We also plan to eliminate certain borrower benefits offered in connection with both our FFELP loans and our private sector lending. We will further de-emphasize pursuing incremental consolidation loans, in particular FFELP consolidation loans, as a result of significant margin erosion for FFELP consolidation loans created by the combined effect of the Act and the increased cost of borrowing in the current capital markets. Nevertheless we will continue our efforts to protect selected FFELP assets existing in our portfolio. We expect to continue to aggressively pursue other FFELP-related fee income opportunities such as FFELP loan servicing, guarantor servicing and collections.

Liquidity

In light of the decision of the Buyer Group not to close the Merger, our management team has been working to refinance the Interim ABCP Facility entered into in connection with the Merger and to secure additional financing in order to fund our business, to strengthen our balance sheet and to support our credit ratings. Our Interim ABCP Facility effectively terminates on May 16, 2008, but our cost of funding under the facility will increase substantially if the facility is not refinanced on or prior to February 15, 2008 and we will not be able to borrow additional amounts thereunder after that date.

For 2006 and for the first nine months of 2007, our primary source of cost-effective funding was student loan asset-backed securities, or ABS, financings. Upon the announcement of the Merger on April 16, 2007, credit spreads in our unsecured debt widened considerably, significantly increasing our cost of accessing the unsecured debt markets. More recently, as with similarly sized financial companies, adverse conditions in the securitization markets have increased the cost of issuance and borrowing spreads in the market for student loan ABS. In the third quarter of 2007, we completed only one $2.5 billion securitization transaction, compared to four securitization transactions totaling $13.0 billion in the first quarter of 2007, the last full quarter before we entered into the Merger Agreement. In the fourth quarter of 2007, we completed three securitization transactions totaling $5.0 billion. Although we expect ABS financings to remain our primary source of funding, we expect our transaction volumes in the ABS market to be more limited and pricing terms less favorable than in the past, with significantly reduced opportunities to issue subordinated tranches of ABS. Consequently in order to meet our financing needs, we are exploring other sources of funding, including unsecured debt, a financing source we have not used to fund our core businesses since the announcement of the Merger. We expect the terms and conditions of new unsecured debt issuances, including pricing terms and covenant requirements, will be less favorable to us than our recent ABS financings and other unsecured debt we have incurred in the past. In addition, our ability to access the unsecured market on attractive terms, or at all, will depend on our credit rating and prevailing market conditions.

We also fund our liquidity needs through our existing $6.0 billion asset-backed commercial paper, or ABCP facility, our cash and investment portfolio and by selectively disposing of FFELP student loans in the secondary market. In addition, we maintain, to supplement our funding sources, $6.5 billion in unsecured revolving credit facilities. However, we have not in the past relied upon, and do not expect to rely on, our unsecured revolving credit facilities as a primary source of liquidity.

Our ability to access our unsecured revolving credit facilities will depend upon our ability to meet financial covenants set forth in the credit agreements, including a covenant to maintain consolidated tangible net worth of at least $1.38 billion, compliance with which will be affected by a variety of factors, including mark-to-market accounting adjustments applied principally to our derivatives, including our equity forwards, and our residual interests in off-balance sheet securitized loans. One of the purposes of this offering is to provide us with additional assurance that we will be able to comply

with the consolidated tangible net worth covenant as of December 31, 2007. We intend to apply approximately $2.0 billion of the proceeds from this offering and the concurrent offering of our common stock to physical settlement of our equity forward contract, which will reduce the risk that mark-to-market losses will cause us to breach the consolidated tangible net worth covenant in the future. See "Risk factors The availability of our $6.5 billion in revolving credit facilities is conditioned on our ability to maintain a specified level of consolidated tangible net worth." In the event that we do not raise sufficient net proceeds from this offering and the concurrent offering of common stock to physically settle the equity forward contract, we would either need to raise additional capital before the maturity of the equity forward contract on February 22, 2008, or we would need to settle the equity forward contract in an alternate manner that could have a materially dilutive effect on our common stock.

We have an aggregate of $8.4 billion of unsecured debt maturing in 2008 in addition to our $30 billion Interim ABCP Facility. With respect to our Interim ABCP Facility, we are in substantive discussions with 10 financial institutions to provide short-term warehouse funding in excess of $30 billion. While we are in substantive discussions with these parties, with the goal of replacing the Interim ABCP Facility before February 15, 2008, we do not hold commitments for any such replacement financing and cannot be sure that we will come to mutually satisfactory terms and conditions.

In addition, in order to provide funding for our business, repay maturing debt and enhance our liquidity, we may enter into new credit facilities and issue additional equity-linked securities or common stock.

Ratings

Our management team has indicated that it intends to focus on maintaining, and ultimately improving, our credit ratings. Our credit ratings may affect, among other things, our cost of funding, especially in the unsecured debt markets, and, to a lesser extent, the volume and price of securitization transactions we can execute. Also, as discussed in "Risk factors" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, a decrease in our credit ratings may affect the ability of counterparties to terminate our swap contracts. We intend to issue in this offering and in the concurrent offering of our common stock approximately $3.0 billion of equity capital in aggregate. We cannot provide any assurance that this or any other amount of equity capital will be sufficient to maintain our ratings at any particular level. We may issue additional equity in the form of common stock as we deem necessary to maintain, and ultimately improve, our credit ratings.

Forward agreements

Beginning on November 29, 2007, we amended or closed out certain equity forward contracts. On December 19, 2007, we entered into a series of transactions with our equity forward counterparties and Citibank, N.A. to assign all of our remaining equity forward contracts, covering 44,039,890 shares, to Citibank, N.A. In connection with the assignment of the equity forward contracts, we and Citibank N.A. have amended the terms of the equity forward contract to eliminate all stock price triggers (which had previously allowed the counterparty to terminate the contacts prior to their scheduled maturity date) and termination events based on our credit ratings. The strike price of the equity forward contract is $45.25. The equity forward contract is scheduled to mature on February 22, 2008. The equity forward contract gives us the option to settle the contract by full physical settlement, net share settlement or net cash settlement (with limits on physical settlement if we fail to meet a minimum consolidated tangible net worth test and limits on net share or net cash settlement if we do not have an effective registration statement covering the sale by Citibank, N.A. or an affiliate thereof of our common stock in connection with such net share or net cash settlement). The new Citibank equity forward contract is 100% collateralized with cash. We intend to apply

approximately $2.0 billion of the proceeds from this offering and the concurrent offering of our common stock to physical settlement of the equity forward contract. See "Use of proceeds".

Because the equity forward contract allows a net settlement option, it is required to be accounted for as a derivative in accordance with SFAS No. 133 and, since the equity forward contract does not qualify as an effective FAS 133 hedge, it is marked to market with no offsetting mark-to-market of a hedged item, impacting our income statement and balance sheet each quarter. The mark-to-market impact resulting from the equity forward contract will be significant where there is a significant difference between the market price of our shares and the strike price. On December 24, 2007 the closing price of our common stock was $22.06 per share. Each $1.00 decline in the price of our common stock below the $45.25 strike price will result in an approximate $44 million charge to earnings and a corresponding decline in our stockholders' equity and tangible net worth.

Dividends

We have not paid any dividends on our common stock since the execution of the Merger Agreement with the Buyer Group in April 2007. While the restriction on the payment of dividends under the Merger Agreement has been terminated, we expect to continue not paying dividends in the near term in order to focus on balance sheet improvement and expect to re-examine our dividend policy in the second half of 2008.

Management changes and sales of securities

On December 14, 2007, we announced that our Board of Directors added the Chief Executive Officer title and responsibilities to our Executive Chairman Albert L. Lord. C.E. Andrews, our previous CEO, assumed the role of President.

On the same date, we announced we had opened our trading window for directors and executive officers for the first time since we commenced discussions with the Buyer Group in March 2007. Mr. Lord sold approximately 1.3 million shares of our common stock, or approximately 97% of the common stock that he owned before the sale, on the open market on December 14, 2007. Also on December 14, 2007, Mr. Charles Daley, a director, sold approximately 80,023 shares of our common stock or approximately 68% of the common stock that he owned before the sale. Messrs. Lord and Daley have advised us that these actions were required under their respective borrowing arrangements.

Legal proceedings

With respect to the lawsuit that we filed in the Delaware Court of Chancery against the Buyer Group, on November 21, 2007, we withdrew our October 19, 2007 motion for partial summary judgment on the pleadings. Discovery proceedings have commenced and the Court has indicated that the trial will commence in early December 2008.

On December 14, 2007, we sent a letter to the Buyer Group in which we asked the Buyer Group either to confirm that it had terminated the Merger Agreement or provide adequate assurances that the Buyer Group intended to close the Merger. Our letter further asserted that the Buyer Group had breached the Merger Agreement in a variety of ways and gave the Buyer Group notice as provided for under the Merger Agreement that if such breaches were not timely cured, we reserved the right to terminate the Merger Agreement and to seek damages thereunder for such breaches. The Buyer Group responded to us in a letter dated December 21, 2007, in which the Buyer Group failed to provide the requested adequate assurances of its intent to consummate the Merger and failed to address the notices of default in our letter. In its letter the Buyer Group asserted that the "required information" previously provided by us pursuant to the Merger Agreement had proven to be inaccurate, that the Buyer Group nevertheless continued to seek FDIC approval for the change of control of Sallie Mae Bank in connection with the Merger and that, were the conditions to closing of the Merger be measured as of the date of the Buyer Group letter, such conditions precedent would not be satisfied.

In August 2005, Rhonda Salmeron (the "Plaintiff") filed a *qui tam* whistleblower case under the False Claims Act against collection company Enterprise Recovery Systems, Inc., or ERS. In the fall of 2006, Plaintiff amended her complaint and added USA Group Loan Services, Inc., or USA Funds, as a defendant. On September 17, 2007, Plaintiff filed a second amended complaint adding Sallie Mae, Inc. as a defendant. Plaintiff alleges that the various defendants submitted false claims and/or created records to support false claims in connection with collection activity on federally guaranteed student loans. SLM Corporation is being sued as a successor to USA Group. The allegations against USA Group and SLM Corporation are that they were negligent in auditing ERS. Plaintiff claims that the U.S. government has been damaged in an amount greater than $12 million. The False Claims Act provides for treble damages to successful *qui tam* plaintiffs.

On September 11, 2007, the Office of the Inspector General, or OIG, of the U.S. Department of Education (the "Department"), confirmed that they planned to conduct an audit to determine if the Company billed for special allowance payments, under the 9.5% floor calculation, in compliance with the Higher Education Act, regulations and guidance issued by the Department. We ceased billing under the 9.5% floor calculation at the end of 2006. We believe that our billing practices were consistent with longstanding Department guidance, but there can be no assurance that the OIG will not advocate an interpretation that differs from the Department's previous guidance.

On December 17, 2007, Sasha Rodriguez and Cathelyn Gregoire filed a putative class action claim on behalf of themselves and persons similarly situated against us in the United States District Court for the District of Connecticut, alleging an intentional violation of civil rights laws (42 U.S.C. §1981, 1982), the Equal Credit Opportunity Act and the Truth in Lending Act. Plaintiffs allege that we engaged in underwriting practices which resulted, among other things, in certain applicants being directed into substandard and more expensive student loans on the basis of race. No amount in controversy is stated in the complaint. We intend to vigorously defend this action.

REGULATORY LIMITATION

An investor that would hold an aggregate of ten percent or more of any class of voting shares of SLM Corporation, which owns Sallie Mae Bank, a Utah ILC, would generally need prior approval from the FDIC and the Utah Department of Financial Institutions (the "UDFI"). The FDIC and UDFI generally require applications to indirectly acquire a Utah ILC through the acquisition of an aggregate of ten percent or more of the voting shares of a company that controls a Utah ILC.

The offering

The following summary contains basic information about the mandatory convertible preferred stock and is not intended to be complete. It may not contain all of the information that may be important to you. For a more complete description of the mandatory convertible preferred stock, see "Description of mandatory convertible preferred stock." In this summary of the offering, the words "Company," "we," "us" and "our" refer only to SLM Corporation and not to any of its subsidiaries. Unless otherwise required by the context, we use the term "mandatory convertible preferred stock" in this prospectus supplement to refer to our 7.25% mandatory convertible preferred stock, series C. Unless otherwise specifically indicated, all information in this prospectus supplement assumes that the underwriters' option to purchase additional shares of mandatory convertible preferred stock is not exercised.

Issuer	SLM Corporation, a Delaware corporation.
Securities offered	1,000,000 shares of 7.25% mandatory convertible preferred stock, series C (1,150,000 shares if the underwriters exercise their over-allotment option in full), which we refer to in this prospectus supplement as the "mandatory convertible preferred stock."
Initial offering price	$1,000 per share of mandatory convertible preferred stock.
Option to purchase additional shares of mandatory convertible preferred stock	To the extent the underwriters sell more than 1,000,000 shares of our mandatory convertible preferred stock, the underwriters have the option to purchase up to additional 150,000 shares of our mandatory convertible preferred stock from us at the initial offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus supplement.
Dividends	7.25% of the liquidation preference of $1,000 per share of our mandatory convertible preferred stock per year. Dividends will accumulate from the first date of original issuance and, to the extent that we are legally permitted to pay dividends and our board of directors, or an authorized committee of our board of directors, declares a dividend payable with respect to our mandatory convertible preferred stock, we will pay dividends in cash or, subject to certain limitations, in common stock or a combination of cash and common stock, as determined by us in our sole discretion (subject to the share cap (defined below)), on each dividend payment date. The expected dividend payable on the first dividend payment date is $15.100 per share. Each subsequent dividend is expected to be $18.125 per share. See "Description of mandatory convertible preferred stock Dividends."
Dividend payment dates	March 15, June 15, September 15 and December 15 of each year, commencing on March 15, 2008, to and including the mandatory conversion date.
Redemption	Our mandatory convertible preferred stock is not redeemable.
Mandatory conversion date	December 15, 2010.

Mandatory conversion	On the mandatory conversion date, each share of our mandatory convertible preferred

stock will automatically convert into shares of our common stock based on the conversion rate as described below.

Holders of mandatory convertible preferred stock on the mandatory conversion date will have the right to receive the dividend due on such date, including any accumulated and declared and unpaid dividends on the mandatory convertible preferred stock as of the mandatory conversion date (other than previously declared dividends on the mandatory convertible preferred stock payable to holders of record as of a prior date). If on the mandatory conversion date we have not declared all or any portion of the accumulated and unpaid dividends payable on such date, the conversion rate will be adjusted so that holders receive an additional number of shares of common stock equal to the amount of accumulated and unpaid dividends that have not been declared (the "additional conversion amount") divided by the "applicable market value" (as defined below) of our common stock; *provided, however,* that in no event shall we increase the number of shares of our common stock to be issued in excess of a number equal to the total dividend payment divided by $6.88, which amount represents approximately 35% of the initial price (as defined under "Description of Mandatory Convertible Preferred Stock Mandatory Conversion"), subject to adjustment in the same manner as each fixed conversion rate as set forth under "Description of the mandatory convertible preferred stock Anti-dilution adjustments." We refer to this provision as the "share cap." To the extent that we do not deliver any or all additional shares as a result of the share cap, we will not pay the remaining additional conversion amount in cash.

Conversion rate

The conversion rate for each share of our mandatory convertible preferred stock will be not more than 50.8906 shares of common stock and not less than 41.7188 shares of common stock, depending on the applicable market value of our common stock, as described below.

The "applicable market value" of our common stock is the average of the closing prices per share of our common stock during the 20 consecutive trading day period ending on the third trading day immediately preceding the mandatory conversion date. It will be calculated as described under "Description of mandatory convertible preferred stock Mandatory conversion."

The conversion rate is subject to certain anti-dilution adjustments, as described under "Description of mandatory convertible preferred stock Anti-dilution adjustments."

The following table illustrates the conversion rate per share of our mandatory convertible preferred stock subject to certain anti-dilution adjustments described under "Description of mandatory convertible preferred stock Anti-dilution adjustments."

Applicable market value on the mandatory conversion date	Conversion rate
greater than $23.97	41.7188
equal to or less than $23.97 but greater than or equal to $19.65	$1,000 divided by the applicable market value, which is between 41.7188 shares and 50.8906 shares
less than $19.65	50.8906

Optional conversion by the holder

At any time prior to December 15, 2010, you may elect to convert your shares of our mandatory convertible preferred stock in whole or in part at the minimum conversion rate of 41.7188 shares of common stock per share of mandatory convertible preferred stock as described under "Description of mandatory convertible preferred

stock Conversion at the option of the holder." This conversion rate is subject to certain anti-dilution adjustments as described under "Description of mandatory convertible preferred stock Anti-dilution adjustments."

In addition to the number of shares of common stock issuable upon conversion of each share of mandatory convertible preferred stock at the option of the holder on the effective date of any early conversion (which we refer to as the "early conversion date"), each converting holder will have the right to receive an amount equal to all accumulated and declared and unpaid dividends on such converted share(s) of mandatory convertible preferred stock for all prior dividend periods ending on or prior to the dividend payment date immediately preceding the early conversion date (other than previously declared dividends on our mandatory convertible preferred stock payable to holders of record as of a prior date). If on the early conversion date we have not declared all or any portion of the accumulated and unpaid dividends payable for such prior dividend periods, the conversion rate will be adjusted so that holders receive the additional conversion amount divided by the average of the closing prices of our common stock over the twenty consecutive trading day period ending on the third trading day immediately preceding the early conversion date; *provided, however,* that in no event shall we increase the number of shares of our common stock to be issued to a number in excess of the share cap. To the extent that we do not deliver any or all additional shares as a result of the share cap, we will not pay the remaining additional conversion amount in cash.

Conversion at the option of the holder; upon cash acquisition; cash acquisition make-whole amount

If we are the subject of specified cash acquisitions on or prior to December 15, 2010, under certain circumstances, holders of the mandatory convertible preferred stock will have the right to convert their shares of mandatory convertible preferred stock, in whole or in part, into shares of common stock at the "cash acquisition conversion rate." The applicable conversion rate will be determined based on the effective date and the price paid per share of our common stock in such transaction. Holders who convert shares of our mandatory convertible preferred stock pursuant to a specified cash acquisition will also receive (1) accumulated and declared and unpaid dividends on their shares of our mandatory convertible preferred stock (other than previously declared dividends payable to holders on a prior record date), (2) a cash acquisition dividend make-whole amount equal to the present value of all remaining dividend payments on their mandatory convertible preferred stock from the effective date of the transaction to, but excluding, the mandatory conversion date and (3) to the extent that on the effective date of the conversion we have not declared any or all of the accumulated and unpaid dividends payable on such date, an adjustment in the conversion rate. To the extent that we do not deliver any or all additional shares resulting from the adjustment in the conversion rate as a result of the share cap, we will not pay the remaining additional conversion amount in cash. See "Description of mandatory convertible preferred stock Conversion at the option of the holder; Cash acquisition dividend make-whole amount."

Anti-dilution adjustments

The formula for determining the conversion rate and the number of shares of common stock to be delivered upon conversion may be adjusted in the event of, among other things, (1) dividends or distributions of shares of our common stock, (2) certain distributions of common stock rights or warrants to purchase our common stock, (3) subdivisions or combinations of our common stock, (4) certain distributions of capital stock, securities, or assets, (5) distributions of cash and (6) certain self-tender or exchange offers for our common stock. See "Description of mandatory convertible preferred stock Anti-dilution adjustments."

Liquidation preference

$1,000 per share of mandatory convertible preferred stock.

Voting rights

Except as required by Delaware law and our restated certificate of incorporation, which will include the certificate of designation for the mandatory convertible preferred stock, the holders of mandatory convertible preferred stock will have no voting rights. If dividends payable on the mandatory convertible preferred stock are in arrears for four or more quarterly periods (whether or not consecutive), the holders of the mandatory convertible preferred stock, voting as a single class with the shares of any other preferred stock or securities having similar voting rights in proportion to their respective liquidation preferences, will be entitled at a special meeting to elect two observers to our board of directors. These voting rights and the terms of the board observers so elected will continue until such time as the dividend arrearage on the mandatory convertible preferred stock has been paid in full, and we have resumed the payment of dividends in full on the mandatory convertible preferred stock for four consecutive quarterly periods.

The affirmative consent of holders of at least $66^{2}/_{3}$% of the outstanding mandatory convertible preferred stock and all other preferred stock or securities having similar voting rights voting in proportion to the respective liquidation preferences will be required for the issuance of any class or series of stock ranking senior to the mandatory convertible preferred stock as to dividend rights or rights upon liquidation, winding-up or dissolution and for amendments to our restated certificate of incorporation that would adversely affect the rights of holders of the mandatory convertible preferred stock. See "Description of mandatory convertible preferred stock Voting rights."

Ranking

The mandatory convertible preferred stock will rank with respect to dividend rights and rights upon our liquidation, winding-up or dissolution:

--> senior to all of our common stock and to all of our other capital stock issued in the future unless the terms of that stock expressly provide that it ranks senior to, or on a parity with, the mandatory convertible preferred stock;

--> on a parity with our 6.97% Cumulative Redeemable Preferred Stock, Series A, our Floating Rate Non-Cumulative Preferred Stock, Series B, and any of our capital stock issued in the future the terms of which expressly provide that it will rank on a parity with the mandatory convertible preferred stock;

--> junior to all of our capital stock issued in the future the terms of which expressly provide that such stock will rank senior to the mandatory convertible preferred stock; and

--> junior to all of our existing and future debt obligations.

In addition, the mandatory convertible preferred stock, with respect to dividend rights or rights upon our liquidation, winding-up or dissolution, will be structurally subordinated to existing and future indebtedness of our subsidiaries.

Use of proceeds

We intend to apply approximately $2.0 billion of the net proceeds from this offering and the concurrent offering of our common stock to the physical settlement of our equity forward contract, pursuant to which we will effect the repurchase of all of the shares of common stock deliverable to us under that contract. Physically settling the equity forward contract will reduce our common shares then outstanding by the amount of 44,039,890. Any remaining proceeds will be used for general corporate purposes.

U.S. federal income tax consequences

The material U.S. federal income tax consequences of purchasing, owning and disposing of the mandatory convertible preferred stock and any common stock received upon its conversion are described in "Material U.S. federal tax considerations."

Listing

The mandatory convertible preferred stock will not be listed on any securities exchange or included in any automated quotation system.

Book-entry, delivery and form	The mandatory convertible preferred stock will initially be represented by one or more permanent global certificates in definitive, fully registered form deposited with a custodian for, and registered in the name of, a nominee of DTC.
Common stock	Our common stock is listed for trading on the NYSE under the symbol "SLM."
Risk factors	Investing in our mandatory convertible preferred stock involves substantial risks. You should carefully consider all the information in this prospectus supplement prior to investing in our mandatory convertible preferred stock. In particular, we urge you to carefully consider the factors set forth under "Risk factors" in this prospectus supplement and incorporated by reference herein.
Concurrent common stock offering	We are concurrently offering 101,781,170 shares of our common stock (117,048,346 shares if the underwriters exercise their over-allotment option in full) at a price per share of $19.65. The common stock will be offered pursuant to a separate prospectus supplement. The completion of this offering of our mandatory convertible preferred stock is not conditioned upon the completion of the concurrent offering of our common stock and the completion of the offering of our common stock is not conditioned upon the completion of this offering of our mandatory convertible preferred stock.

Risk factors

Investing in our mandatory convertible preferred stock, and our common stock issuable upon conversion of the mandatory convertible preferred stock, involves risks. In deciding whether to invest in our mandatory convertible preferred stock, you should carefully consider the following risk factors and the risk factors included under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2006 and Item 1A of our Quarterly Report on Form 10-Q for the quarters ended March 31, 2007, June 30, 2007 and September 30, 2007, each of which is incorporated by reference herein, in addition to the other information contained in this prospectus supplement and the accompanying prospectus and the information incorporated by reference herein. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of these risks occurs, our business, financial condition or results of operations could be materially and adversely affected. In that case, the value of our mandatory convertible preferred stock and your investment could decline.

RISKS RELATED TO OUR MANDATORY CONVERTIBLE PREFERRED STOCK

Our holding company structure may impact your ability to receive dividends on the mandatory convertible preferred stock.

We are a holding company with no material assets other than equity interests in our subsidiaries. As a result, our ability to pay dividends in cash on the mandatory convertible preferred stock and repay our indebtedness is dependent on the generation of cash flow by our subsidiaries and our subsidiaries' ability to make such cash available to us, by distribution, dividend, debt repayment or otherwise. Our subsidiaries do not have any obligations to pay amounts due on the mandatory convertible preferred stock or to make funds available for that purpose. In addition, our subsidiaries may not be able to, or be permitted to, make distributions to enable us to pay dividends in cash on the mandatory convertible preferred stock or make payments in respect of our indebtedness. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal, contractual and regulatory restrictions, as well as the financial condition and operating requirements of our subsidiaries, may limit our ability to obtain cash from our subsidiaries. Our rights to participate in any distribution of our subsidiaries' assets upon their liquidation, reorganization or insolvency would generally be subject to the prior claims of the subsidiaries' creditors, including any trade creditors.

We may not be able to pay dividends on the mandatory convertible preferred stock.

Any indentures and other financing agreements that we enter into in the future may limit our ability to pay cash dividends on our capital stock, including the mandatory convertible preferred stock. In the event that any of our indentures or other financing agreements in the future restrict our ability to pay dividends in cash on the mandatory convertible preferred stock, we may be unable to pay dividends in cash on the mandatory convertible preferred stock unless we can refinance amounts outstanding under those agreements.

In addition, under Delaware law, dividends on capital stock may only be paid from "surplus," which is defined as the amount by which our total assets exceeds the sum of our total liabilities, including contingent liabilities; and the amount of our capital; if there is no "surplus," cash dividends on capital stock may only be paid from our net profits for the then current or the preceding fiscal year. Further, even if we are permitted under our contractual obligations and Delaware law to pay cash dividends on the mandatory convertible preferred stock, we may not have sufficient cash to pay dividends in cash on the mandatory convertible preferred stock.

If upon (i) the mandatory conversion, (ii) an early conversion at the option of a holder or (iii) an early conversion upon a cash acquisition, we have not declared all or any portion of the accumulated and unpaid dividends payable on the applicable date, the applicable conversion rate will be adjusted so that holders receive an additional number of shares of common stock equal to the amount of accumulated and unpaid dividends that have not been declared (the "additional conversion amount") divided by (i) the average of the closing prices of our common stock over the twenty consecutive trading day period ending on the third trading day immediately preceding the mandatory conversion date, (ii) the average of the closing prices of our common stock over the twenty consecutive trading day period ending on the third trading day immediately preceding the early conversion date and (iii) the "stock price" (as defined herein), respectively. We will not increase the number of shares of our common stock to be issued in excess of the share cap (as described in "Description of the mandatory convertible preferred stock Method of payment of dividends"). To the extent that we do not deliver any or all additional shares as a result of the share cap, we will not pay the remaining additional conversion amount in cash, which could result in a loss on your investment. See "Description of mandatory convertible preferred stock Method of payment of dividends."

You will bear the full risk of a decline in the market price of our common stock between the pricing date for the mandatory convertible preferred stock and the mandatory conversion date.

The number of shares of our common stock that you will receive upon conversion is not fixed, but instead will depend on the applicable market value, which is the average of the closing prices of our common stock over the 20 consecutive trading day period ending on the third trading day immediately preceding the mandatory conversion date (or, in the event you elect to convert your shares of mandatory convertible preferred stock in connection with a cash acquisition, will depend on the stock price (as defined under "Description of mandatory convertible preferred stock Conversion at the option of the holder upon cash acquisition; Cash acquisition dividend make-whole amount"). If you elect to convert prior to the mandatory conversion date, you will receive a fixed number of shares of common stock equal to the minimum conversion rate. The aggregate market value of the shares of our common stock you receive upon mandatory conversion may be less than the aggregate liquidation preference of your shares of mandatory convertible preferred stock. Specifically, if the applicable market value of our common stock is less than $19.65, which is the initial price, the market value of each share of our common stock you receive upon mandatory conversion will be less than the $1,000 liquidation preference, and your investment in the mandatory convertible preferred stock will result in a loss. Accordingly, you will bear the full risk of a decline in the market price of our common stock. Any such decline could be substantial.

The opportunity for equity appreciation provided by an investment in the mandatory convertible preferred stock is less than that provided by a direct investment in our common stock.

The market value of each share of our common stock that you will receive upon mandatory conversion of each share of our mandatory convertible preferred stock on the mandatory conversion date will only exceed the liquidation preference of $1,000 per share of mandatory convertible preferred stock if the applicable market value of our common stock exceeds the threshold appreciation price of $23.97. The threshold appreciation price represents an appreciation of approximately 22% over the initial price of $19.65. In this event, you would receive on the mandatory conversion date approximately 82% (which percentage is equal to the initial price divided by the threshold appreciation price) of the value of our common stock that you would have received if you had made a direct investment in our common stock on the date of this prospectus supplement. This means that the

opportunity for equity appreciation provided by an investment in our mandatory convertible preferred stock is less than that provided by a direct investment in shares of our common stock.

In addition, if the market value of our common stock appreciates and the applicable market value of our common stock is equal to or greater than the initial price but less than or equal to the threshold appreciation price, the aggregate market value of the shares of our common stock you receive upon mandatory conversion will only be equal to the aggregate liquidation preference of the mandatory convertible preferred stock and you will realize no equity appreciation on our common stock.

The market price of our common stock, which may fluctuate significantly, may adversely affect the market price for our mandatory convertible preferred stock.

We expect that generally the market price of our common stock will affect the market price of our mandatory convertible preferred stock more than any other single factor. This may result in greater volatility in the market price of the mandatory convertible preferred stock than would be expected for nonconvertible preferred stock. From January 1, 2007 to December 27, 2007, the reported high and low prices for our common stock ranged from a low of $18.68 per share to a high of $58.00 per share. The market price of our common stock will likely continue to fluctuate in response to a number of factors including the following, many of which are beyond our control:

- the inability to complete the Merger; the outcome of legal proceedings relating to the Merger Agreement; the effect of the announcement of the Merger on our customer relationships, operating results and business generally; the amount of the costs, fees, expenses and charges related to the Merger; increased costs, fees, expenses or other charges related to the interim asset-backed commercial paper facilities for use during the period after execution of the Merger Agreement, including any potential foreclosure on the student loans under those facilities following their termination; and if the Merger is not consummated, increased financing costs and more limited liquidity;
- changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in these laws and regulations, which may reduce the volume, average term and yields on student loans under the Federal Family Education Loan Program ("FFELP") or result in loans being originated or refinanced under non-FFELP programs or may affect the terms upon which banks and others agree to sell FFELP loans to us;
- a larger than expected increase in third party consolidations of our FFELP loans;
- the inability to replace our $30 billion asset-backed commercial paper conduit facilities;
- changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students and their families;
- changes in the composition of our Managed FFELP and Private Education Loan portfolios;
- changes in the general interest rate environment and in the securitization markets for education loans;
- changes in projections of losses from loan defaults;
- changes in prepayment rates and credit spreads;
- changes in the demand for debt management services and new laws or changes in existing laws that govern debt management services;

- actual or anticipated fluctuations in operating results;
- changes in expectations as to future financial performance or buy/sell recommendations of securities analysts;
- acquisitions, strategic alliances or joint ventures involving us or our competitors;

actions of our current shareholders, including sales of common stock by our directors and executive officers; and

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the arrival or departure of key personnel.

The market price of our common stock may also be affected by market conditions affecting the capital markets generally. These conditions may result in (i) volatility in the level of, and fluctuations in, the market prices of stocks generally and, in turn, our common stock and (ii) sales of substantial amounts of our common stock in the market, in each case that could be unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of our common stock, and, in turn, the mandatory convertible preferred stock.

In addition, we expect that the market price of the mandatory convertible preferred stock will be influenced by yield and interest rates in the capital markets, the time remaining to the mandatory conversion date, our creditworthiness and the occurrence of certain events affecting us that do not require an adjustment to the conversion rate. Fluctuations in yield rates in particular may give rise to arbitrage opportunities based upon changes in the relative values of the mandatory convertible preferred stock and our common stock. Any such arbitrage could, in turn, affect the market prices of our common stock and the mandatory convertible preferred stock.

Resales of shares of our common stock following the transactions and our future issuances of equity or equity-linked securities may cause the market price of shares of our common stock to fall.

As of September 30, 2007, we had 414,116,096 shares of common stock outstanding and 408,816,422 shares of our common stock outstanding as of December 24, 2007. This number excludes an aggregate of approximately 36,690,629 shares of our common stock issuable upon exercise of options outstanding as of December 24, 2007, at a weighted average exercise price of $39.93 per share, of which options to purchase 25,065,524 shares were exercisable as of that date at a weighted average exercise price of $34.96 per share. This number also does not include any share reduction related to physically settling our equity forward contract. The issuance and subsequent sale of (1) the additional shares of common stock issuable under the outstanding options, (2) the shares of our common stock issuable upon conversion of the mandatory convertible preferred stock offered hereby, (3) the shares being offered in our concurrent common stock offering, (4) the shares issuable under the outstanding restricted stock grants, and (5) the additional shares of our common stock that are eligible for sale in the public market from time to time upon the exercise of options could have the effect of depressing the market price for shares of our common stock.

The mandatory convertible preferred stock may adversely affect the market price of our common stock.

The market price of our common stock is likely to be influenced by the mandatory convertible preferred stock. For example, the market price of our common stock could become more volatile and could be depressed by:

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investors' anticipation of the potential resale in the market of a substantial number of additional shares of our common stock received upon conversion of the mandatory convertible preferred stock;

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possible sales of our common stock by investors who view the mandatory convertible preferred stock as a more attractive means of equity participation in us than owning shares of our common stock; and

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hedging or arbitrage trading activity that may develop involving the mandatory convertible preferred stock and our common stock.

The adjustment to the conversion rate and the payment of the cash acquisition dividend make-whole amount upon the occurrence of certain cash acquisitions may not adequately compensate you.

If a cash acquisition (as defined under "Description of mandatory convertible preferred stock Conversion at the option of the holder upon cash acquisition; Cash acquisition dividend make-whole amount") occurs prior to conversion, we will adjust the conversion rate for mandatory convertible preferred stock converted during the cash acquisition conversion period (as defined under "Description of mandatory convertible preferred stock Conversion at the option of the holder upon cash acquisition; Cash acquisition dividend make-whole amount") unless the stock price is less than $7.00 or above $75.00 (in each case, subject to adjustment) and, with respect to those shares of mandatory convertible preferred stock converted, holders will receive, among other consideration, a cash acquisition dividend make-whole amount. The number of shares to be issued upon conversion in connection with a cash acquisition will be determined as described under "Description of mandatory convertible

preferred stock Conversion at the option of the holder upon cash acquisition; Cash acquisition dividend make-whole amount." Although this adjustment to the conversion rate and the payment of the cash acquisition dividend make-whole amount are designed to compensate you for the lost option value of your mandatory convertible preferred stock and lost dividends as a result of a cash acquisition, they are only an approximation of such lost value and lost dividends and may not adequately compensate you for your actual loss. Furthermore, our obligation to adjust the conversion rate in connection with a cash acquisition and pay the cash acquisition dividend make-whole amount (whether in cash or shares of our common stock) could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

The conversion rate of the mandatory convertible preferred stock may not be adjusted for all dilutive events that may adversely affect the market price of the mandatory convertible preferred stock or the common stock issuable upon conversion of the mandatory convertible preferred stock.

The number of shares of our common stock that you are entitled to receive upon conversion of the mandatory convertible preferred stock is subject to adjustment only for share splits and combinations, share dividends and specified other transactions. See "Description of mandatory convertible preferred Stock Anti-dilution adjustments." However, other events, such as employee stock option grants, offerings of our common stock for cash or in connection with acquisitions, which may adversely affect

the market price of our common stock, may not result in any adjustment. Further, if any of these other events adversely affects the market price of our common stock, it may also adversely affect the market price of the mandatory convertible preferred stock. In addition, the terms of our mandatory convertible preferred stock do not restrict our ability to offer common stock in the future or to engage in other transactions that could dilute our common stock. We have no obligation to consider the interests of the holders of our mandatory convertible preferred stock in engaging in any such offering or transaction.

Purchasers of our mandatory convertible preferred stock may suffer dilution of our mandatory convertible preferred stock upon the issuance of a new series of preferred stock ranking equally with the mandatory convertible preferred stock sold in this offering.

The terms of our mandatory convertible preferred stock will not restrict our ability to offer a new series of preferred stock that ranks equally with our mandatory convertible preferred stock in the future. We have no obligation to consider the interests of the holders of our mandatory convertible preferred stock in engaging in any such offering or transaction.

You will have no rights with respect to our common stock until you acquire our common stock upon conversion, but you may be adversely affected by certain changes made with respect to our common stock.

Until you acquire shares of our common stock upon conversion, you will have no rights with respect to our common stock, including voting rights, rights to respond to tender offers, if any, and rights to receive dividends or other distributions on our common stock, if any (other than through a conversion rate adjustment), prior to the conversion date, but your investment in our mandatory convertible preferred stock may be negatively affected by these events. Upon conversion, you will be entitled to exercise the rights of a holder of common stock only as to matters for which the record date occurs after the conversion date. For example, in the event that an amendment is proposed to our certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the conversion date, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

You will have no right to vote for observers of the board of directors until and unless we are in arrears on our dividend payments on the mandatory convertible preferred stock for at least four dividend periods.

Until and unless we are in arrears on our dividend payments on the mandatory convertible preferred stock for at least four dividend periods, you will have no voting rights except as otherwise required by Delaware law from time to time. If dividends on the mandatory convertible preferred stock are in arrears and unpaid for four or more quarterly dividend payments (whether or not consecutive), as holders of the mandatory convertible preferred stock, voting as a single class with all of our other classes of preferred stock having parity with the mandatory convertible preferred stock and having similar voting provisions which are at that time exercisable, you will have the right to elect two observers to the board of directors, as described under "Description of mandatory convertible preferred stock Voting rights." However, to exercise any voting rights described under "Description of mandatory convertible preferred stock Voting rights," you may only request that we call a special meeting of the holders of our preferred stock and you may not call a meeting directly (subject to certain exceptions following a failure by us to call a special meeting when requested). These voting

rights and the terms of the observers so elected will only continue until such time as the dividend arrearage on the mandatory convertible preferred stock has been paid in full and we have resumed the payment of dividends in full on the mandatory convertible preferred stock for four consecutive dividend periods.

Anti-takeover provisions in our charter documents and Delaware law may make an acquisition of us more difficult.

Anti-takeover provisions in our charter documents and Delaware law may make an acquisition of us more difficult. These provisions:

> authorize our board of directors to issue preferred stock without stockholder approval and to designate the rights, preferences and privileges of each class; if issued, such preferred stock would increase the number of outstanding shares of our capital stock and could include terms that may deter an acquisition of us;

> require supermajority vote of shareholders in order to consummate a merger or other business combination transaction;

> establish advanced notice requirements for nominations to the board of directors or for proposals that can be acted on at stockholder meetings; and

> limit who may call stockholder meetings.

These provisions may deter an acquisition of us that might otherwise be attractive to shareholders.

Our mandatory convertible preferred stock will rank junior to all of our and our subsidiaries' liabilities in the event of a bankruptcy, liquidation or winding up of our assets.

In the event of bankruptcy, liquidation or winding up, our assets will be available to pay obligations on our mandatory convertible preferred stock only after all of our liabilities have been paid. In addition, our mandatory convertible preferred stock will effectively rank junior to all existing and future liabilities of our subsidiaries and the capital stock (other than common stock) of our subsidiaries held by third parties. The rights of holders of our mandatory convertible preferred stock to participate in the assets of our subsidiaries upon any liquidation or reorganization of any subsidiary will rank junior to the prior claims of that subsidiary's creditors and preferred and minority equity holders. In the event of bankruptcy, liquidation or winding up, there may not be sufficient assets remaining, after paying our and our subsidiaries' liabilities, to pay amounts due on any or all of our mandatory convertible preferred stock then outstanding. At September 30, 2007, we had total outstanding debt of $141,869 million.

You may be subject to tax upon an adjustment to the conversion rate of the mandatory convertible preferred stock even though you do not receive a corresponding cash distribution.

The conversion rate of the mandatory convertible preferred stock is subject to adjustment in certain circumstances, including the payment of cash dividends. If the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, you will be deemed to have received for U.S. federal income tax purposes a taxable dividend to the extent of our earnings and profits without the receipt of any cash. If you are a non-U.S. holder (as defined in "Material U.S. federal tax considerations"), such deemed dividend may be subject to U.S. federal withholding tax (currently at a 30% rate, or such lower rate as may be specified by an applicable

treaty), which may be set off against subsequent payments on the mandatory convertible preferred stock. It is possible that a dividend make-whole adjustment to the conversion rate upon conversion in connection with certain acquisitions could be treated as a taxable dividend, and because the treatment of such additional amounts paid in respect of future dividends is uncertain, we may withhold 30% of such amount on payments to non-U.S. holders. See "Material U.S. federal tax considerations."

The secondary market for the mandatory convertible preferred stock, if any, may be illiquid.

There is currently no secondary market for the mandatory convertible preferred stock. A secondary market may not develop, or, if it does, it may be illiquid at the time you may want to resell your mandatory convertible preferred stock. The mandatory convertible preferred stock will not be listed on any securities exchange or included in any automated quotation system. The representatives of the underwriters have advised us that they presently intend to make a market for the mandatory convertible preferred stock, but they are not obligated to do so, and they may discontinue any market-making at any time. Accordingly, if an active market is not developed or sustained, the market price and liquidity of the mandatory convertible preferred stock may be adversely affected. If a market for the mandatory convertible preferred stock were to develop, the mandatory convertible preferred stock could trade at prices that may be higher or lower than the initial offering price depending upon many factors, including the price of our common stock, prevailing interest rates, our operating results and the markets for similar securities.

RISKS RELATED TO OUR COMMON STOCK

We do not currently pay regular dividends on our common stock.

We have not paid any dividends on our common stock since the execution of the Merger Agreement with the Buyer Group in April 2007. While the restriction on the payment of dividends under the Merger Agreement has been terminated, we expect to continue not paying dividends in the near term in order to focus on balance sheet improvement and expect to re-examine our dividend policy in the second half of 2008. Subject to Delaware law, our board of directors will determine the payment of future dividends on our common stock, if any, and the amount of any dividends in light of any applicable contractual restrictions limiting our ability to pay dividends, our earnings and cash flows, our capital requirements, our financial condition, regulatory requirements and other factors our board of directors deems relevant. Accordingly, you may have to sell some or all of the common stock issuable upon conversion of your mandatory convertible preferred stock in order to generate cash flow from your investment. You may not receive a gain on your investment when you sell such common stock and may lose the entire amount of your investment.

Future sales or issuances of our common stock may dilute the ownership interest of existing shareholders and depress the trading price of our common stock.

Future sales or issuances of our common stock may dilute the ownership interests of our existing shareholders. In addition, future sales or issuances of substantial amounts of our common stock may be at prices below the offering price of the shares offered by this prospectus supplement and may adversely impact the market price of our common stock.

RISKS RELATED TO OUR BUSINESS

An investment in our common stock is subject to material risks.

An investment in our common stock is subject to material risks, including:

- a larger than expected increase in third party consolidation activity may reduce our FFELP student loan spread, materially impair our Retained Interest, reduce our interest earning assets and otherwise materially adversely affect our results of operations;
- incorrect estimates and assumptions by management in connection with the preparation of our consolidated financial statements could adversely affect the reported amounts of assets and liabilities and the reported amounts of income and expenses;
- changes in the composition of our Managed student loan portfolio will increase the risk profile of our asset base and our capital requirements;
- past charge-off rates on our Private Education Loans may not be indicative of future charge-off rates because, among other things, we use forbearance policies and our failure to adequately predict and reserve for charge-offs may adversely impact our results of

operations;

- our growth in our APG business segment is dependent in part on successfully identifying, consummating and integrating strategic acquisitions;
- our APG business segment may not be able to purchase defaulted consumer receivables at prices that management believes to be appropriate, and a decrease in our ability to purchase portfolios of receivables could adversely affect our net income;
- if we do not physically settle all of our equity forward contract with the net proceeds of the offering, we may be required to settle our equity forward contract in a manner that could have a materially dilutive effect on our common stock;
- we are exposed to interest rate risk in the form of basis risk and repricing risk because the interest rate characteristics of our earning assets do not always match exactly the interest rate characteristics of the funding;
- we may face limited availability of financing, variation in our funding costs and uncertainty in our securitization financing;
- the rating agencies could downgrade the ratings on our senior unsecured debt, which could increase our cost of funds;
- our business is subject to a number of risks, uncertainties and conditions, some of which are not within our control, including general economic conditions, increased competition, adverse changes in the laws and regulations that govern our businesses and failure to successfully identify, consummate and integrate strategic acquisitions;
- our GAAP earnings are highly susceptible to changes in interest rates because most of our derivatives do not qualify for hedge accounting treatment under SFAS No. 133;
- if the Merger Agreement is terminated, our ability to fund our operations could be materially adversely affected;
- our derivative counterparties may terminate their positions with the Company if our credit ratings fall to certain levels and the Company could incur substantial additional costs to replace any terminated positions; and

- we could experience cash flow delays or shortfalls if a guaranty agency defaults on its guaranty obligation.

In addition, many of the factors listed above are beyond our control. These factors may cause the market price of our common stock to decline, regardless of our financial condition, results of operations, business or prospects. It is impossible to ensure that the market price of our common stock will not fall in the future.

We cannot assure you that we can timely replace the new aggregate $30 billion asset-backed commercial paper conduit facilities.

On April 30, 2007, in connection with the Merger Agreement we entered into a new aggregate $30 billion Interim ABCP Facility which provided us with significant additional liquidity. Generally, the Interim ABCP Facility effectively terminates on the earliest of (1) the Merger closing, (2) 90 calendar days after the date of termination of the Merger Agreement or (3) 90 calendar days after February 15, 2008. In any case, if the Merger does not close, on February 15, 2008, our cost of funds on borrowings under the Interim ABCP Facility increases from LIBOR plus approximately 40 basis points to the higher of Prime plus 200 basis point or Federal Funds Rate plus 250 basis points. While we are in substantive discussions with various financing sources concerning replacement of the Interim ABCP Facility and believe that this source of liquidity can be replaced in a timely manner, we cannot assure you that we will come to mutually satisfactory terms and conditions.

The availability of our $6.5 billion in revolving credit facilities is conditioned on our ability to maintain a specified level of consolidated tangible net worth.

We maintain $6.5 billion in unsecured revolving credit facilities, to supplement our liquidity needs. Although we have never borrowed under these facilities, they provide liquidity support for general corporate purposes, including backup for our unsecured commercial paper program. These facilities each contain a covenant to maintain consolidated tangible net worth of at least $1.38 billion. Should we fail to comply with this covenant, the facility may be terminated at the request of banks holding a majority of the commitments under the facilities. Our ability to comply with the consolidated tangible net worth covenant will be affected by a variety of factors, including mark-to-market accounting adjustments applied principally to our derivatives, including our equity forwards, and our residual interests in off-balance sheet securitized loans. Because our share price has fallen steeply during the latter part of the fourth quarter of 2007, we expect to have a significant mark-to-market adjustment on our equity forward positions that will reduce significantly our consolidated tangible net worth when it is next measured as of December 31, 2007. We intend to apply approximately $2.0 billion of the proceeds from this offering and the concurrent offering of our common stock to the physical settlement of our equity forward contract. One of the purposes of these offerings is to provide us with additional assurance that we will be able to comply with the consolidated tangible net worth covenant as of December 31, 2007. In this regard, we are permitting investors in both offerings to settle purchases on December 31, 2007 because we believe that our receipt of proceeds on or prior to such date will reduce our risk of noncompliance at our fiscal year end. However, if we fail to comply with the consolidated tangible net worth in our revolving credit facilities at that date or in the future, the banks party to the facilities (which include Bank of America and JPMorgan Chase, members of the Buyer Group against whom we have filed a lawsuit, as lenders and agents under the facilities) may elect to terminate their commitments, and if they did elect to terminate the facilities, our available liquidity could be materially impaired.

Use of proceeds

We estimate that the net proceeds from the sale of the shares of our mandatory convertible preferred stock offered hereby, after deducting estimated expenses and the underwriters' discounts, will be approximately $968.9 million. We intend to apply approximately $2.0 billion of the net proceeds from this offering and the concurrent offering of our common stock to the physical settlement of our equity forward contract, pursuant to which we will effect the repurchase of all of the shares of common stock deliverable to us under that contract. Physically settling the equity forward contract will reduce our common shares then outstanding by the amount of 44,039,890. Any remaining proceeds will be used for general corporate purposes.

Price range of common stock

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "SLM". The following table sets forth the quarterly high and low sales prices for our common stock as reported by NYSE for the periods indicated.

	High	Low
Fiscal Year 2005		
First Quarter	$ 55.13	$ 46.39
Second Quarter	51.46	45.56
Third Quarter	53.98	48.85
Fourth Quarter	56.48	51.32
Fiscal Year 2006		
First Quarter	58.35	51.86
Second Quarter	55.21	50.05
Third Quarter	53.07	45.76
Fourth Quarter	52.09	44.65
Fiscal Year 2007		

	High	Low
First Quarter	49.96	40.30
Second Quarter	57.96	40.60
Third Quarter	58.00	41.73
Fourth Quarter (through December 27, 2007)	53.65	18.68

Dividend policy

We have not paid any dividends on our common stock since the execution of the Merger Agreement with the Buyer Group in April 2007. While the restriction on the payment of dividends under the Merger Agreement has been terminated, we expect to continue not paying dividends in the near term in order to focus on balance sheet improvement and expect to re-examine our dividend policy in the second half of 2008. Subject to Delaware law, our board of directors will determine the payment of future dividends on our common stock, if any, and the amount of any dividends in light of any applicable contractual restrictions limiting our ability to pay dividends, our earnings and cash flows, our capital requirements, our financial condition, regulatory requirements and other factors our board of directors deems relevant.

Capitalization

The following table shows our cash, cash equivalents and investments and capitalization as of September 30, 2007:

on an actual basis; and

on an as adjusted basis to reflect the consummation of this offering, our concurrent offering of common stock (resulting in net proceeds of approximately $2.9 billion in total), and the application of a portion of such proceeds to physical settlement of our equity forward contract with any remaining proceeds used for general corporate purposes. As of September 30, 2007, approximately $2.5 billion was required to repurchase 48,150,819 common shares deliverable to us under the equity forward contracts. As of December 24, 2007, approximately $2.0 billion was required to repurchase 44,039,890 common shares deliverable to us under the equity forward contract. The difference in the amount required to settle the contracts and the shares deliverable to us between these two dates relates to (1) cash used to buy down the strike levels of the contracts between September 30, 2007 and December 24, 2007 and (2) the physical settlement of certain contracts between September 30, 2007 and December 24, 2007, which resulted in the Company