

SLM CORP
Form 10-Q
August 05, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-13251

SLM Corporation

(Exact name of registrant as specified in its charter)

Edgar Filing: SLM CORP - Form 10-Q

Delaware
(State or other jurisdiction of
incorporation or organization)

52-2013874
(I.R.S. Employer
Identification No.)

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

19713
(Zip Code)

(302) 283-8000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at June 30, 2013
Common Stock, \$0.20 par value	436,188,852 shares

Table of Contents

SLM CORPORATION

Table of Contents

Part I. Financial Information

Item 1.	<u>Financial Statements</u>	2
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	41
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	87
Item 4.	<u>Controls and Procedures</u>	92

PART II. Other Information

Item 1.	<u>Legal Proceedings</u>	93
Item 1A.	<u>Risk Factors</u>	93
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	94
Item 3.	<u>Defaults Upon Senior Securities</u>	95
Item 4.	<u>Mine Safety Disclosures</u>	95
Item 5.	<u>Other Information</u>	95
Item 6.	<u>Exhibits</u>	95

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SLM CORPORATION****CONSOLIDATED BALANCE SHEETS****(In millions, except share and per share amounts)****(Unaudited)**

	June 30, 2013	December 31, 2012
Assets		
FFELP Loans (net of allowance for losses of \$133 and \$159, respectively)	\$ 108,491	\$ 125,612
Private Education Loans (net of allowance for losses of \$2,149 and \$2,171 respectively)	37,116	36,934
Investments		
Available-for-sale	72	72
Other	866	1,010
Total investments	938	1,082
Cash and cash equivalents	3,327	3,900
Restricted cash and investments	4,109	5,011
Goodwill and acquired intangible assets, net	440	448
Other assets	7,047	8,273
Total assets	\$ 161,468	\$ 181,260
Liabilities		
Short-term borrowings	\$ 16,558	\$ 19,856
Long-term borrowings	135,879	152,401
Other liabilities	3,597	3,937
Total liabilities	156,034	176,194
Commitments and contingencies		
Equity		
Preferred stock, par value \$0.20 per share, 20 million shares authorized		
Series A: 3.3 million and 3.3 million shares issued, respectively, at stated value of \$50 per share	165	165
Series B: 4 million and 4 million shares issued, respectively, at stated value of \$100 per share	400	400
Common stock, par value \$0.20 per share, 1.125 billion shares authorized: 544 million and 536 million shares issued, respectively	109	107
Additional paid-in capital	4,355	4,237
Accumulated other comprehensive income (loss) (net of tax (expense) benefit of \$(5) and \$3, respectively)	9	(6)
Retained earnings	2,195	1,451
Total SLM Corporation stockholders' equity before treasury stock	7,233	6,354
Less: Common stock held in treasury at cost: 108 million and 83 million shares, respectively	(1,804)	(1,294)
Total SLM Corporation stockholders' equity	5,429	5,060
Noncontrolling interest	5	6
Total equity	5,434	5,066

Edgar Filing: SLM CORP - Form 10-Q

Total liabilities and equity \$ 161,468 \$ 181,260

Supplemental information assets and liabilities of consolidated variable interest entities:

	June 30, 2013	December 31, 2012
FFELP Loans	\$ 103,662	\$ 121,059
Private Education Loans	26,084	26,072
Restricted cash and investments	3,698	4,826
Other assets	1,841	2,312
Short-term borrowings	6,524	9,551
Long-term borrowings	116,504	131,518
Net assets of consolidated variable interest entities	\$ 12,257	\$ 13,200

See accompanying notes to consolidated financial statements.

Table of Contents**SLM CORPORATION****CONSOLIDATED STATEMENTS OF INCOME****(In millions, except per share amounts)****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Interest income:				
FFELP Loans	\$ 703	\$ 777	\$ 1,439	\$ 1,619
Private Education Loans	627	616	1,249	1,241
Other loans	3	4	6	9
Cash and investments	4	6	8	8
Total interest income	1,337	1,403	2,702	2,877
Total interest expense	553	656	1,123	1,322
Net interest income	784	747	1,579	1,555
Less: provisions for loan losses	201	243	442	496
Net interest income after provisions for loan losses	583	504	1,137	1,059
Other income (loss):				
Gains on sales of loans and investments	251		307	
Gains (losses) on derivative and hedging activities, net	18	6	(13)	(366)
Servicing revenue	89	88	178	178
Contingency revenue	109	87	208	176
Gains on debt repurchases	19	20	42	58
Other	24	(2)	58	38
Total other income	510	199	780	84
Expenses:				
Salaries and benefits	134	117	265	242
Other operating expenses	124	114	243	240
Total operating expenses	258	231	508	482
Goodwill and acquired intangible asset impairment and amortization expense	4	5	7	9
Restructuring and other reorganization expenses	24	3	35	7
Total expenses	286	239	550	498
Income from continuing operations, before income tax expense	807	464	1,367	645
Income tax expense	300	169	512	237
Net income from continuing operations	507	295	855	408
Income (loss) from discontinued operations, net of tax expense (benefit)	35	(4)	33	(6)
Net income	542	291	888	402
Less: net loss attributable to noncontrolling interest	(1)	(1)	(1)	(1)
Net income attributable to SLM Corporation	543	292	889	403
Preferred stock dividends	5	5	10	10

