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June 25, 2013

John (Jack) F. Remondi
President and Chief Executive Officer
SLM Corporation
300 Continental Drive
Newark, DE 19713

Dear Mr. Remondi,

Yesterday, I sent a letter to the Acting Director of the Federal Housing Finance Agency (FHFA), Ed DeMarco, about the role of the Federal Home Loan Banks in providing financing to private student lenders. Specifically, I expressed my concern that the Federal Home Loan Banks were intended by Congress to serve as a reliable source of funding for institutions that offer home mortgages – not to subsidize private student lenders like Sallie Mae. I am worried that the Federal Home Loan Banks might in fact be undermining their mission of promoting home ownership by lending to institutions that finance private student loan because, as recent research has indicated, student loans can provide a barrier for Americans trying to buy their first homes.[1]

In reporting on my letter, *The Hill* newspaper yesterday printed the following:

> A spokesperson for Sallie Mae said the lender, through a subsidiary, relied on the bank's credit to fund federally guaranteed loans that remain part of its portfolio. Sallie Mae stopped issuing the government-backed loans in 2010, and its use of Federal Home Loan Bank credit has "no bearing on our private education loans."[2]

By all appearances, the representation of that spokesperson directly contradicts language from recent corporate filings from Sallie Mae. In those corporate filings, Sallie Mae indicated clearly that it views its line of credit with the Federal Home Loan Bank in Des Moines as a mechanism available to fund ongoing liquidity needs to originate new private student loans:

> We expect to fund our ongoing liquidity needs, including the origination of new Private Education Loans and the repayment of $2.3 billion of senior unsecured notes that mature in the next twelve months, primarily through our current cash and investment portfolio, the issuance of additional bank deposits and unsecured debt, the predictable operating

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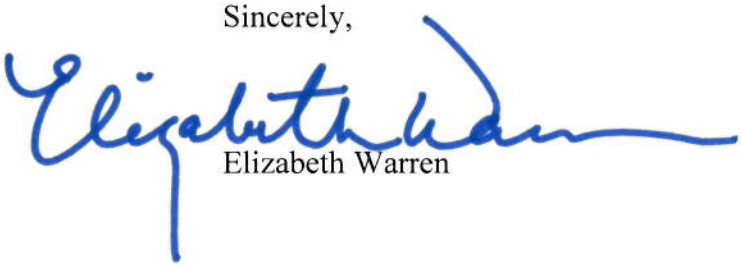
[1] *See, e.g.*, Consumer Financial Protection Bureau, "CFPB report highlights student debt as a roadblock to opportunity for consumers," 5/8/13. http://www.consumerfinance.gov/pressreleases/report-highlights-student-debt-as-a-roadblock-to-opportunity-for-consumers/.

[2] Peter Schroeder, Warren questions housing bank's line of credit for student loan lender, http://thehill.com/blogs/on-the-money/banking-financial-institutions/307355-warren-questions-housing-banks-line-of-credit-for-student-loan-lender#ixzz2XA3KFi6O.

> cash flows provided by earnings, the repayment of principal on unencumbered student loan assets and the distributions from our securitization trusts (including servicing fees which are priority payments within the trusts). We may also draw down on our FFELP ABCP Facilities and the facility with the Federal Home Loan Bank in Des Moines (the "FHLB-DM Facility"); and we may also issue term ABS.[3]

I am writing to ask for clarification of Sallie Mae's representation yesterday. How is it that the Federal Home Bank credit has "no bearing" on your private student loans when your company's 10-K disclosure acknowledges that the line of credit could be used to help fund the origination of private student loans?

Sincerely,



Elizabeth Warren

[3] SLM Corp. (Sallie Mae), 2012 Annual 10-K, Filed 2/26/13. https://investor.shareholder.com/slm/secfiling.cfm?filingID=1193125-13-76990&CIK=1032033.