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LAURENT C. LUTZ
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July 29, 2011

Office of the Comptroller of the Currency
250 E. Street, SW.
Mail Stop 2-3
Washington, DC 20219
Docket No. OCC-2011-0002
Via E-Mail: regs.comments@occ.treas.gov

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW.
Washington, DC 20552
RIN 2590-AA43
Via E-Mail: regcomments@fhfa.gov

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., NW.
Washington, DC 20551
Docket No. R-1411
Via E-Mail: regs.comments@federalreserve.gov

Regulations Division
Office of General Counsel
Department of Housing and Urban Development
451 7th Street, SW. Room 10276
Washington, DC 20410-0500
Docket No. FR-5504-P-01
Via Federal eRulemaking Portal:
www.regulations.gov

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW.
Washington, DC 20429
RIN 3064-AD74
Via E-Mail: comments@fdic.gov

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE.
Washington, DC 20549-1090
File Number S7-14-11
Via E-Mail: rule-comments@sec.gov

Re: Notice of Proposed Rulemaking Regarding "Credit Risk Retention" for Student Loans (the "NPRM")
Docket No. OCC-2010-0002/Docket No. R-1411/File No. S7-14-11

Ladies and Gentlemen:

SLM Corporation ("SLM" or "we" or "our") is very pleased to submit this comment letter on the NPRM.

Background on SLM

SLM, the parent of Sallie Mae, Inc., is the nation's leading saving, planning and paying for education company. SLM was formed in 1972 as the Student Loan Marketing Association, a federally chartered government sponsored enterprise ("GSE"), with the goal of furthering access to higher education by

providing liquidity to the student loan marketplace. On December 29, 2004, we completed the privatization process that began in 1997 and resulted in the wind-down of the GSE.

Our primary business is to originate, service and collect loans made to students and/or their parents to finance the cost of their education. Until June 30, 2010, we provided funding, delivery and servicing support for education loans in the United States through our participation in the Federal Family Education Loan Program ("FFELP"). The FFELP was discontinued effective July 1, 2010 pursuant to the Health Care and Education Reconciliation Act of 2010.[1] Although we no longer originate loans under the FFELP, as of June 30, 2011 we own directly or indirectly approximately $143 billion of FFELP loans which we expect will pay down over 25 years. We are a servicer of student loans for the United States Department of Education ("ED"), and originate and service private credit education loans which are not federally guaranteed.

In addition, we provide a number of other FFELP related services including guarantee servicing, default aversion counseling and defaulted loan collections. SLM supports 529 college savings plans through our Upromise Investments, Inc. and Upromise Investment Advisors, LLC subsidiaries by providing program management, transfer agent, and administrative services.

Summary of our Comments on the NPRM

We have carefully considered the NPRM and the proposed analytical framework and are supportive of the general goals of promoting sound lending (including requiring risk retention where appropriate) and liquid markets. We believe that risk retention requirements, when based on specific types of assets or asset classes, are appropriate to align the interests of investors and issuers. Specifically, we agree that in the context of securitizations of private education loans, the five percent risk retention requirement as described in the NPRM would meet the objectives of the statute while maintaining access to the capital markets for student loan providers.[2] We also agree with the NPRM that the securitization of some asset classes should be exempt from the risk retention requirements. Those asset classes that are government-guaranteed should be exempt. Our concern is that the proposed rule does not include an exemption for FFELP loan securitizations, even though these loans are nearly completely federally guaranteed and pose extremely low risk to investors.

As described below, FFELP loans carry a guarantee by the federal government for principal and accrued interest and therefore have a potential maximum exposure to credit losses of only three percent. This limited credit risk coupled with the credit enhancement features of typical asset backed securities ("ABS") structures leave investors extremely well protected. We believe the proposed risk retention requirement would lead to a reduction in ABS issuance and a disparity in pricing relative to legacy FFELP ABS. These consequences would be counterproductive to a liquid credit market for government guaranteed student loan ABS.

FFELP Loans should be Exempt from Risk Retention Requirements

As proposed, the regulations do not currently provide an exemption from the risk retention requirements for securitizations of FFELP loans. Rather, the proposed regulations exempt a securitization transaction if the ABS issued is collateralized exclusively (other than cash) by assets that have the payment of their principal and interest fully insured or guaranteed by the federal government or an agency thereof. The

[1] See the Appendix for a general description of FFELP.
[2] For example, in SLM's private education securitization program, we are retaining at least a five percent residual interest in each securitization and are keeping our securitizations on balance sheet.

FFELP allowed lenders to originate student loans that are directly guaranteed by the federal government[3] and as such FFELP loan securitizations should be exempt from the risk retention requirements in the NPRM.

As stated in the proposed regulation, one justification of the exemption is that "federal department or agency issuing, insuring or guaranteeing the ABS or collateral would monitor the quality of the assets securitized, consistent with the relevant statutory authority."[4] This is clearly the case with FFELP loans where the ED sets the standards by which FFELP loans were originated and serviced. In addition ED actively manages FFELP, undertakes audits, monitors servicing and collections. Actual charge-offs on FFELP loans are extremely low, even during the current weakness of the U.S. consumer credit markets SLM's charge-offs on FFELP loans have not exceed 0.06%.[5]

Since FFELP Loans carry the benefit of the guarantee by the ED the collateral underlying the ABS is insulated from any material credit risk. Further, imposing risk retention requirements on outstanding FFELP loans, that were originated within government mandated parameters (and not subjected to commercial underwriting standards or concerns) will have no impact on future underwriting standards since the FFELP has now been eliminated. We believe that given the unique features of FFELP loans, an exemption from the proposed risk retention requirements is appropriate.

If the joint regulators are still not persuaded that FFELP Loans (given their statutorily prescribed ED origination and servicing criteria and their federal guarantee) are deserving of an exemption from the proposed risk retention requirements, we would propose in the alternative that the risk retention requirements be measured against the unguaranteed portion of the FFELP loans collateralizing a securitization, such that, the required risk retention would be no greater than five percent of the non-federally guaranteed portion of the aggregate principal balance of the collateral.

There are Still Significant Amounts of FFELP Loans which Need to be Securitized

Many entities which currently hold FFELP loans have substantial financing needs. FFELP loans were commonly originated by banks, thrifts, nonprofit organizations, independent finance companies, and credit unions, and were often held in an investment portfolio or securitized. There were approximately $390 billion in outstanding FFELP loans at the end of 2010.[6] A significant portion of those FFELP loans will need to be financed in the securitization markets over the next few years. The funds from these securitizations may be used by student loan providers to make new private education loans to help students and their families bridge the funding gap between the cost of education and funds available under the Federal Direct Loan Program. The risk retention requirements, as presented in the NPRM, could substantially reduce this activity.

There Should Not be any Special Exemptions from the Risk Retention Rules

SLM is aware that there are some entities that are arguing for a broad exemption from the risk retention requirements based on extraneous factors such as tax status as opposed to asset class. We would urge the joint regulators to reject those arguments and make the exemptions based on the asset class. There is

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[3] Federal agencies have determined that loans originated under FFELP are directly guaranteed by the U.S. government and are paid from federal funds. *See* Federal Housing Finance Agency Regulatory Interpretation 2009-RI-01, dated June 4, 2009, which cites the use of federal funds to pay for default claims and concludes that "the federal guarantee for defaulted [guaranteed student loans originated under FFELP] does run to the direct benefit of the holder of those loans."

[4] *See* page 24137 of the Proposing Release.

[5] Calculated as of March 31, 2011 based on SLM's average principal balance of managed FFELP loans.

[6] *See* Department of Education, "FY 2010 Agency Financial Report – U.S. Department of Education," page 48.

nothing inherent in a non-profit structure that protects investors in securitizations. Indeed, there have been not-for-profit private education lenders whose business model differs little from for-profit lenders. These entities would benefit from the recommendations for FFELP and private education loans without a special exemption from the rules that are designed to protect investors.

Conclusion

In conclusion, we respectfully request that the joint regulators recognize the federal guaranty associated with FFELP loans and grant a general class exemption for FFELP loan securitizations from the risk retention requirements in the NPRM. SLM believes that the proposed risk retention requirements are ill-suited to FFELP Loans. Unless an exemption is extended to the FFELP Loan asset class, the costs associated with financing such student loans will greatly increase, thereby harming not only the entities holding such loans, but also, by extension, American students and their families since these entities will needlessly, given the government guarantee, incur increased carrying costs that will tie-up capital that could otherwise fund new private credit education loans. In addition, it would disadvantage the holders of the billions of dollars of FFELP ABS already placed in the market as these securities would not meet the new criteria. This could impact both the market value and liquidity for the holders of these securities.

Should you have any questions, please feel free to contact me at (302) 283-4009.

Sincerely,

SLM CORPORATION

/S/ Laurent C. Lutz
Name: Laurent Lutz
Title: Executive Vice President &
General Counsel

Appendix

General Description of FFELP

The Higher Education Act of 1965, as amended, ("HEA") regulates every aspect of the federally guaranteed student loan program, including underwriting, communications with borrowers, loan originations and default aversion requirements. The guarantee for FFELP Loans generally covers between 97 and 100 percent of the student loan's principal and accrued interest depending on the date the loan was disbursed. New originations for FFELP loans were discontinued effective July 1, 2010, pursuant to the Health Care and Education Reconciliation Act of 2010 ("HCERA"). HCERA did not affect the guarantees on existing loans.

The HEA provided for the origination of FFELP loans, pursuant to mandated standards, to students enrolled at eligible institutions (or to the parents of dependent students) to finance their education. In addition to requiring that the student satisfy the financial need thresholds of the program, the statute provided that the student must be a U.S. citizen, national or permanent resident; be accepted or enrolled at a participating institution (while maintaining satisfactory academic progress); and carry at least one-half of a normal full-time academic workload. Additionally, federally insured consolidation loans have been originated for FFELP borrowers following the completion of their education in order to provide such borrowers with additional repayment options and ease their administration.