

SLM CORP
Form 11-K
June 28, 2004
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the year ended: December 31, 2003

.. **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-13251

SALLIE MAE 401(K) SAVINGS PLAN

(formerly Sallie Mae Employees Thrift & Savings Plan)

(Full title of the Plan)

SLM CORPORATION

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(Name of the issuer of the securities held pursuant to the Plan)

11600 Sallie Mae Drive

Reston, Virginia 20193

(address of principal executive office of the issuer)

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Sallie Mae

401(k) SAVINGS PLAN

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December 31, 2003 and 2002

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* Other schedules required by 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they were not applicable.

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Report of Independent Registered Public Accounting Firm

To the Participants and Plan Administrator of the

Sallie Mae 401(k) Savings Plan:

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Sallie Mae 401(k) Savings Plan (the Plan) at December 31, 2003 and 2002, and the changes in net assets available for benefits for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

McLean, VA

June 24, 2004

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SALLIE MAE

401(k) SAVINGS PLAN

Statements of Net Assets Available for Benefits

As of December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<i>Assets</i>		
Interest in Sallie Mae 401(k) Savings Plan Master Trust	\$ 264,286,698	\$ 208,547,413
Net assets available for benefits	<u>\$ 264,286,698</u>	<u>\$ 208,547,413</u>

The accompanying notes are an integral part of these financial statements.

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SALLIE MAE

401(k) SAVINGS PLAN

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2003

Additions:	
Additions to net assets attributed to:	
Interest in Sallie Mae 401(k) Savings Plan Master Trust investment income	\$ 41,046,997
Contributions	
Employer	15,453,994
Participant	13,888,642
Rollover	2,193,436
	<u>31,536,072</u>
Total additions	<u>72,583,069</u>
Deductions:	
Deduction from net assets attributed to benefits paid to participants	16,843,784
Net increase	<u>55,739,285</u>
Net assets available for benefits	
Beginning of year	208,547,413
End of year	<u>264,286,698</u>

The accompanying notes are an integral part of these financial statements.

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Sallie Mae

401(k) Savings Plan

Notes to Financial Statements

December 31, 2003 and 2002

1. Plan Description

General

The Sallie Mae 401(k) Savings Plan (the "Plan") is a defined contribution plan established for the benefit of eligible employees electing to participate in the Plan (the "Participants"). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The following description of the Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provision.

The Plan covers substantially all employees of SLM Corporation, and its subsidiaries (the "Employer" and "Plan Administrator"). Eligible employees may enter the Plan after one month of service.

Contributions and vesting

Participants are eligible to contribute from 1 to 10 percent of their compensation, in increments of whole percentages, to the Plan under salary reduction agreements up to the Internal Revenue Service maximum of \$12,000 in 2003. The Plan allows participants who have attained age 50 to make additional contributions up to the IRS maximum of \$2,000 for 2003. Participants may also contribute amounts rolled over from qualified employer plans in which they had previously participated.

After one year of service, the Employer contributes an amount equal to 100 percent of Participant contributions up to 6 percent of the participant's eligible compensation, at which time the Participants would vest in his/her contribution. Employer contributions not yet vested at termination of employment which were accumulated in prior years, are forfeited by Participants and reduce the Employer's future contribution. During 2003, Employer contributions were reduced by \$383,281 from forfeited nonvested accounts. Unused forfeitures at December 31, 2003 and 2002 totaled \$62,440 and \$442,129, respectively, which will be used to offset future employer contributions.

Participants vest fully upon death, total disability, attainment of age 65 or upon termination of the Plan by the Employer. Participant contributions and earnings thereon are fully vested at all times.

Other contributions

During 2003, the Employer provided a contribution to eligible employees who did not participate in any of the Employer's various incentive plans. The award is a discretionary contribution determined by the Employer each year. In 2003 the award was based on 4.5% percent of base salary earned in 2002 and vested immediately. The amount contributed to the Plan, net of forfeitures, was \$5,224,589.

Participant loans

Participants may borrow up to 50 percent of their vested benefit to a maximum of \$50,000. Participants may have no more than two loans outstanding at any time. The term of a loan shall equal three or five years, at the election of the Participant, except in the case of a loan that is used in regards to the Participant's principal residence, which must be repaid over 20 years. Loans are secured by the Participant's account balance, bear interest rates equal to the prime rate established monthly by the Federal Reserve, and are repaid biweekly through automatic payroll deductions. In addition, Participants may repay all or a portion (in \$500 increments) of such loans at any time.

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Sallie Mae

401(k) Savings Plan

Notes to Financial Statements

December 31, 2003 and 2002

Investment elections

Fidelity Management Trust Company (Fidelity) is the Plan Trustee and recordkeeper. Contributions are invested, based on Participants instructions, in any of the various investment options selected by the Sallie Mae 401(k) Savings Plan and Investment Committees. At December 31, 2003 the Plan offers various mutual funds, an employer stock fund, a money market fund, and a self-directed brokerage option. Under the self-directed brokerage option, Participants may direct investments in any security or other investments offered by Fidelity, regardless of whether they are included as investment options offered by the Plan. In order to participate in the self-directed brokerage option, Participants must have a minimum Plan balance of \$10,000 and at least \$500 must remain in the other available funds.

Participant accounts

Each Participant s account is credited with the Participant s and Employer s contributions and their portion of the Plan s earnings (losses) based on their accounts designated investments. Allocations are based on Participant earnings or account balances, as defined. The benefit to which a Participant is entitled is the benefit that can be provided from the Participant s vested account.

Payment of benefits

Participants may withdraw funds from their account upon retirement, disability, separation from employment, attainment of age 59-1/2, and certain other times as specified in the Plan Document. Distributions shall be made in a lump sum, reduced by the outstanding balance of any loan not repaid by the Participant.

Administrative expenses

Participants pay fees for loans and withdrawals, and terminated Participants pay annual maintenance fees. The Participant costs are charged directly to the Participant s account and are reflected in the statement of changes in net assets available for benefits as a component of investment income/(loss). The Employer bears the remaining cost of Plan administration, except for commissions associated with common stock purchases and sales.

Plan administration

Members of the Sallie Mae 401(k) Savings Plan and Investment Committees and Trustees of the Plan are appointed by the Board of Directors of the Employer. Three officers of the Employer presently serve as Sallie Mae 401(k) Savings Plan and Investment Committees members. The Plan pays no compensation for their services.

2. Summary of Significant Accounting Policies

Basis of accounting

The Plan maintains its accounting records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Investment valuation and income recognition

Investments held by the Sallie Mae 401(k) Savings Plan Master Trust (the Master Trust) consist of various mutual funds, an employer stock fund, a money market fund and a self-directed brokerage option. Money market funds are carried at cost, which approximates fair value.

Common stock, securities and brokerage account investments traded on national securities exchanges are carried at market value based on the closing price on the last business day of the year. The fair value of mutual funds are determined based on the net asset value for shares held by the Plan. Loans to Participants are carried at cost, which approximates fair value.

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Sallie Mae

401(k) Savings Plan

Notes to Financial Statements

December 31, 2003 and 2002

The Master Trust information in Note 4 presents the net appreciation or depreciation in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation on those investments. Dividend income is recorded on the ex-dividend date. Interest earned on investments is recorded on the accrual basis. Purchases and sales of securities are recorded on the trade date.

Contributions

Contributions made by employees electing to participate in the Plan under salary reduction agreements and Employer contributions are recorded when payable into the Plan.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Such estimates include those regarding fair value. Actual results could differ from those estimates.

Risks and uncertainties

The Plan, through the Master Trust, provides for various investment options. Such investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of the investment securities and risks in the near term could materially affect Participants' account balances and the amounts reported in the statement of net assets available for benefits.

Benefit payments

Benefits are recorded when paid.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year classifications.

3. Investments

The individual investment representing 5 percent or more of the fair value of net assets available for benefits is the interest in the Master Trust which was \$264,286,698 and \$208,547,413 at December 31, 2003 and 2002, respectively.

4. Investment in Master Trust

At December 31, 2003 and 2002, the Plan's investment assets were held in a trust account with the Trustee and consist of an interest in the Master Trust. The Master Trust also includes the investment assets of the General Revenue Corporation 401(k) and Profit Sharing Plan and the Pioneer Credit Recovery, Inc. 401(k) Plan, both defined contribution retirement plans.

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Sallie Mae

401(k) Savings Plan

Notes to Financial Statements

December 31, 2003 and 2002

The Master Trust was composed of the following investments, at fair value, at December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Mutual Funds	\$ 182,545,084	\$ 131,442,547
Sallie Mae Stock Fund	48,959,428	42,495,422
Money Market Funds	28,319,447	30,962,195
Common Stock/Preferred Stock	4,571,061	2,434,741
Corporate Bonds	469,875	467,652
Participant Loans	6,230,530	5,196,175
	<u> </u>	<u> </u>
Total Master Trust Assets	<u>\$ 271,095,425</u>	<u>\$ 212,998,732</u>

The net investment income of the Master Trust for the year ended December 31, 2003 is summarized as follows:

	<u>2003</u>
Dividends	3,449,581
Interest	313,348
Net Appreciation in fair value of Investments related to:	
Mutual funds	33,238,102
Sallie Mae Stock Fund	3,724,598
Common Stock/Preferred Stock	1,360,947
Corporate Bonds	34,323
	<u> </u>
	<u>\$ 42,120,899</u>

The Plan's specific interest in the net assets of the Master Trust was approximately 97% and 98% at December 31, 2003 and December 31, 2002, respectively.

5. Plan Termination

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Although it has not expressed any intent to do so, the Employer has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, Participants would become 100 percent vested in their employer contributions.

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Sallie Mae

401(k) Savings Plan

Notes to Financial Statements

December 31, 2003 and 2002

6. Related-Party Transactions

Certain Plan investments are shares of mutual funds or amounts of the Sallie Mae Stock Fund managed by Fidelity. Fidelity is the Trustee as defined by the Plan and therefore these transactions qualify as party-in-interest. Fees paid by the Plan for administrative services were \$87,000 for the year ended December 31, 2003.

Among the assets in the Master Trust are investments in the Sallie Mae Stock Fund which is comprised principally of SLM Corporation stock. At December 31, 2003 and 2002 the amounts were 1,752,996 and 1,664,010 units, respectively, valued at \$48,680,713 and \$42,465,532, respectively. During 2003, 594,598 units in the amount of \$16,534,617 were purchased and 505,612 units in the amount of \$14,039,996 were sold of the Sallie Mae Stock Fund. Such transactions qualify as party-in-interest transactions, as SLM Corporation is the Plan's sponsor.

7. Income Tax Status

The Internal Revenue Service has determined and informed the Plan by letter dated March 18, 1999, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (the "IRC"). Although the Plan has been amended since the date of the letter, the Plan Administrator believes the amendments do not alter the tax status of the Plan and the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC.

8. Subsequent Events

Effective August 2004, the Pioneer Mortgage, Inc. and First Trust Financial Benefit Plans will be merged with and into the Plan. At December 31, 2003, the net assets in these plans totaled \$4,226,903.

Employees of Student Assistance Corporation and Portfolio Management, a division of Sallie Mae, Inc., will transfer their assets presently held in the Sallie Mae 401(k) Savings Plan to a new Retirement Plan in July 2004. The net assets of these participants at December 31, 2003 was \$3,631,359.

Employees of Education Debt Services Inc., a division of Sallie Mae, Inc. transferred their assets held in the Sallie Mae 401(k) Savings Plan to the General Revenue Corporation 401(k) Savings Plan on January 30, 2004. The net assets transferred amounted to \$2,185,265.

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SUPPLEMENTAL SCHEDULE

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Sallie Mae

401(k) and Profit Sharing Plan

Schedule of Assets (Held at End of Year)

December 31, 2003

Identity of issue, borrower, lessor, or similar party	Description of investment, including maturity date, rate of Interest, collateral, par or maturity value	Cost**	Current value
Participant Loans:			
Plan participants*	Loans allowable under the plan instrument, collateralized by participant account balances, due in varying installments through 2022, with interest rates ranging from 4.25% to 11.5%		\$ 5,959,668

* Denotes party-in-interest

** Not applicable

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SIGNATURE

The Plan. Pursuant to the requirements of the Securities and Exchange Act of 1934, the Plan Administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

SALLIE MAE 401(k) SAVINGS PLAN

(Full title of the Plan)

Date: June 28, 2004

By: /s/ C.E. Andrews

C.E. Andrews
Executive Vice President, Accounting and Risk Management

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Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-33577) of SLM Corporation of our report dated June 24, 2004 relating to the financial statements of the Sallie Mae 401(k) Savings Plan, which appears in this Form 11-K.

/s/ PricewaterhouseCoopers LLP

McLean, VA

June 24, 2004

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