



**The FACT Act
Identity Theft Prevention Program**

A Letter to Our Valued Customers and Clients:

As the nation's leading provider of student loans and administrator of college savings plans, Sallie Mae® understands the importance of protecting the identity of those who entrust their personal information to us, as well as ensuring appropriate measures are taken to prevent identity theft.

Last year, the Federal Trade Commission (FTC) and Federal banking agencies issued a regulation known as the Red Flag Rule under sections 114 and 315 of the Fair and Accurate Credit Transactions Act (FACTA), which amended the Fair Credit Reporting Act (FCRA). The Red Flag Rule was intended to reduce the risk of identity theft and takes effect November 1, 2008. Compliance is mandatory for creditors or financial institutions that provide "covered accounts," defined by the rule as personal, family or household accounts, or any other account in which there is a reasonably foreseeable risk of identity theft. The rule identifies a number of patterns, practices and specific forms of activity that are "Red Flags," signaling the possibility that identity theft may be taking place.

The rule requires creditors and financial institutions offering or servicing covered accounts to develop and implement a written Identity Theft Prevention Program for new and existing accounts. The program must:

- Identify the Red Flags relevant to the organization and its operations, which must be incorporated into the program;
- Have the ability to detect the relevant Red Flags the program identifies;
- Have procedures in place to respond appropriately to any detected Red Flags to prevent and mitigate identity theft; and
- Reflect changes in risks to customers or to the safety and soundness of the institution from identity theft via periodic updates.

The FACTA also requires credit card and debit card issuers to develop policies and procedures to assess the validity of a change of address notification followed closely by a request for an additional or replacement card. In addition, the Red Flag Rule requires financial institutions or creditors that use consumer reports to develop reasonable policies and procedures regarding notices of address discrepancies they may receive from a consumer reporting agency when a credit report is obtained.

The Sallie Mae FACTA Identity Theft Prevention and Red Flags Program

Ensuring that appropriate security and fraud prevention measures are in place to protect our customers and to prevent identity theft has always been an important aspect of Sallie Mae's business operations. We are proud of the safeguarding programs we have developed and the trust that our customers and clients have placed in us.

We are pleased to share that Sallie Mae has been, and will continue to be, in compliance with both the FACTA and the Red Flags Rule. In response to the regulations, Sallie Mae has taken and completed the following initiatives:

- We established a Corporate FACTA Compliance Committee and appointed Roy Mellinger, Vice President and Chief Security Officer for the corporation to oversee the program.
- We developed and published a Corporate FACTA Program Manual that provides enterprise guidance to all our lines of business, including details on detecting and responding to Red Flags.
- Every line of business participated in identifying Red Flags relevant to its specific operations, confirming it has manual and automated processes to detect and respond to relevant Red Flags, and providing documentation to verify its well-written procedures defining the processes and response strategies.
- We have consolidated all relevant Red Flags identified by our lines of business into an organizational matrix to ensure appropriate governance and oversight at the highest levels of the corporation. This information, and the state of our Red Flags compliance program, is routinely communicated to senior management and shared with the Sallie Mae Corporate Compliance Committee, chaired by James Truitt, Senior Vice President of Corporate Compliance.
- We developed and provided FACTA and Red Flags awareness training materials to all our lines of business, and in turn asked that they provide Red Flags training to all employees and staff who require that information, and we asked that this training be documented and centrally reported.

Sallie Mae's written FACTA Identity Theft Prevention and Red Flags Program, which was approved by the Sallie Mae Bank Board of Directors, is comprehensive and meets the requirements of the FACTA. Contact your Sallie Mae liaison or point of business contact for more information about our FACTA Identity Theft Prevention and Red Flags Program.