

Management's assertions on compliance with specified Federal Family Education Loan Program requirements and report of independent certified public accountants on applying agreed-upon procedures

Oklahoma Student Loan Authority

June 30, 2004

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Management's Assertions On Compliance With Specified Federal Family Education Loan Program Requirements

October 8, 2004

We, the management of Oklahoma Student Loan Authority (the Authority), are responsible for establishing and maintaining effective internal control over compliance with Federal Family Education Loan (FFEL) Program requirements, and for complying with such FFEL Program requirements. We have performed an evaluation of the Authority's compliance with the following requirements of the FFEL Program during the year ended June 30, 2004. Based on this evaluation, we assert that during the year ended June 30, 2004, the Authority has complied in all material respects with the following FFEL Program requirements relative to those services provided to our lender clients:

- Loan files are supported by documentation for claim filing as described in 34 CFR §682.511(b)
- Collection activities are performed in conformity with the regulations prescribed in 34 CFR §682.411.
- Accounts in a skip-trace status have records that support compliance with requirements in 34 CFR §682.411.
- Accounts in enrolled status have documentation or records that support the proper administration in accordance with 34 CFR §682.205-209.
- Accounts in grace status are converted from an enrolled to a grace status and from a grace to repayment status in accordance with 34 CFR §682.209.
- Accounts in a repayment status have principal balances that are accurately reflected on the servicing system, payments are accurately posted to borrower accounts and the accounts have payment amounts that are in compliance with 34 CFR §682.209(a)(6).
- Loan payments are applied effective the day of receipt, and interest and principal are calculated accordingly. Prepayments are applied in accordance with 34 CFR §682.209(b) or in accordance with the documented specific request of the borrower.
- The Lender Interest and Special Allowance Report calculations for interest benefits and special allowance payments are accurate and prepared in compliance with 34 CFR §682 Subpart C.
- The acquisition of student loans from lender customers are conducted in accordance with contractual requirements, as well as Authority guidelines.
- The collection of loans that have lost their loan guaranty is conducted in compliance with the regulatory requirements defined in Appendix C (Procedures for Curing Violations of the Due Diligence in Collection and Timely Filing of Claims Requirements) of 34 CFR §682 - Appendix C.
- Deferments are processed in accordance with the regulatory requirements defined in 34 CFR §682.210 and 682.211.
- Forbearance agreements are processed in accordance with regulatory requirements defined in 34 CFR §682.210 and 682.211.

James T. Farha, President

W. A. Rogers, Vice President - Operations/Controller

Roderick W. Durrell, Vice President - Finance

**Report of Independent Certified Public Accountants
on Applying Agreed-Upon Procedures**

Board of Trustees and Management
Oklahoma Student Loan Authority

We have performed the procedures enumerated in Appendix A, which were agreed to by the Board of Trustees and management of the Oklahoma Student Loan Authority (the Authority), solely to assist the parties in evaluating management's assertions about the Authority's compliance with specified Federal Family Education Loan Program requirements during the year ended June 30, 2004, included in the accompanying management assertion letter dated October 8, 2004. The Authority is responsible for maintaining records in support of, and complying with, those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representations regarding the sufficiency of the procedures described in Appendix A either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are discussed in Appendix A accompanying this report.

We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or limited assurance on management's assertions. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Trustees and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

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Oklahoma City, Oklahoma
October 8, 2004

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Oklahoma Student Loan Authority

APPENDIX A - AGREED-UPON PROCEDURES

June 30, 2004

Review of critical documents

1. We selected a sample of 30 borrower files to note the presence and completeness of required loan documentation in compliance with the record retention requirements for claim filing as described in 34 CFR §682.511(b). We noted the presence and completion of the following documentation:

For promissory note/application

- Borrower signature
- Borrower social security number
- School certification
- Approved loan amounts

For notice of guarantee/disclosure statement

- Date of guarantee
- Interest rate
- Grace period
- Loan amount

For proofs of disbursement

- Loan amount
- Date of disbursement

For deferments (if applicable)

- Borrower signature (when required)
- Type of deferment
- Certifying official
- Dates of deferment

For forbearances (if applicable)

- Borrower signature (when required)
- Dates of forbearance
- Reason for forbearance

We found that all required documents as described in 34 CFR §682.511(b) were present and properly completed for the sample selected.

Review of borrower files for due-diligence and skip-tracing compliance

1. We selected a sample of 30 borrowers and inspected each borrower's servicing record to verify collection activities were performed in conformity with the regulations prescribed in 34 CFR §682.411 and that accounts in a skip-trace status had records that supported compliance with requirements in 34 CFR §682.411.

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APPENDIX A - AGREED-UPON PROCEDURES - CONTINUED

June 30, 2004

Review of borrower files for due-diligence and skip-tracing compliance - continued

The Authority's due-diligence letter and calling campaigns were based on the requirements in the 1998 and the 1992 Amendments to the Federal Higher Education Act of 1965, as amended. Due-diligence actions were observed for conformity with these regulations.

We found that all notices were generated within the prescribed time frames and that all pre-claim requests were processed with the guarantor within the appropriate delinquency window. We found that all skip-tracing activities were performed in compliance with federal requirements.

2. We selected a sample of 30 borrowers and tested a total of 30 telephone calls from the servicing history to determine that the telephone calls were properly recorded on the telephone audit program.

We found no exceptions as a result of this procedure.

Review of accounts in an enrolled status

1. We selected a sample of 30 borrower accounts in an enrolled status and observed documentation or records that supported their proper administration in accordance with 34 CFR §682.205-209. We observed system information for the following:
 - Lending terms (i.e., loan amount issued) consistent with the Master Promissory Note and related documents;
 - Records indicating borrowers received a disclosure statement;
 - Disbursement records which confirmed that the loan was not disbursed prior to guarantee date; and
 - Student Status Change Reports received from the guarantor were processed within 60 days of receipt after notification.

We verified that system records of the borrower's issued loan amount were consistent with the lending terms defined in the Master Promissory Note and related documents.

We identified system notations indicating the processing of a disclosure statement for all accounts where a disclosure was applicable.

We verified that for all borrowers in the sample, the dates of disbursement were after the guarantee date.

We verified that system records indicated that transactions processed via guarantor reports were processed within 60 days of receipt of notification.

Oklahoma Student Loan Authority

APPENDIX A - AGREED-UPON PROCEDURES - CONTINUED

June 30, 2004

Review of accounts in grace and repayment status

Grace status

1. We selected a sample of 30 borrower accounts in a grace status to verify that accounts were properly converted from an enrolled to a grace status and from a grace to repayment status in accordance with 34 CFR §682.209. We observed system records for the following:
 - Date when grace period began, as determined by the system record of the date the borrower ceased enrollment as at least a half-time student;
 - Length of grace periods; and
 - Contact with borrowers to establish repayment terms made at the time the system recorded the graduation date or the date when the borrower ceased enrollment as at least a half-time student.

We verified that each of the borrower accounts in our sample had been properly converted from an enrolled status to grace status in accordance with 34 CFR §682.209.

We verified that, for each borrower in our sample, the grace period length was in accordance with 34 CFR §682.209.

We verified record(s) of contact with each borrower to establish repayment terms, when applicable.

We verified that the first payment due date had been set to conform with the requirements of 34 CFR §682.205-209.

Repayment status

1. We selected a sample of 30 borrower accounts in a repayment status to verify that accounts had principal balances that were accurately reflected on the servicing system, payments were accurately posted to borrower accounts and the accounts had payment amounts that were in compliance with 34 CFR §682.209(a)(6). We observed the system records for the following:
 - Payments and/or other monetary transactions were recorded on the borrower's Payment History. Monetary transactions included the application of transaction amounts to principal and interest.
 - The borrower's payment amount was established in accordance with the following regulatory requirements:
 - The length of repayment was from 5 to 10 years, except when the minimum payment amount repaid the loan sooner, the borrower had requested a shorter repayment period or the loan was a consolidation loan allowing a longer repayment term or other allowable repayment periods.
 - Periods of deferment and forbearance were excluded from the calculated length of repayment.

Oklahoma Student Loan Authority

APPENDIX A - AGREED-UPON PROCEDURES - CONTINUED

June 30, 2004

Review of accounts in grace and repayment status - continued

Repayment status - continued

- If a graduated installment arrangement was utilized, no single installment exceeded 3 times the amount of any other installment.
- The first payment due date was established in accordance with the requirement in 34 CFR §682.209(a)(6).
- If the record of notice of withdrawal/graduation was received after the end of the system recorded grace period, we noted the following:
 - A forbearance record between the end of the grace period and the first payment date; and
 - Either a record of capitalized interest for the accrual between the end of the grace period and the first payment date or a billing record for the interest accrual.

We found that the borrower's Payment History reflected borrower payments were applied to principal and interest.

We found that the borrower's repayment terms and monthly payment amounts were in compliance with federal and guarantor guidelines.

We found that the first payment due date was established in accordance with the requirement in 34 CFR §682.209(a)(6).

We found no instances where the notice of withdrawal/graduation was received after the recorded grace period in our sample.

Payment processing

1. We selected a sample of 30 borrower payments processed by the lock box facility between July 1, 2003 and June 30, 2004 to verify that loan payments were applied effective the date of receipt and that interest and principal were calculated accordingly. We observed whether applicable prepayments were applied in accordance with 34 CFR §682.209(b) or in accordance with the documented specific request of the borrower.

We verified that all payments in the sample were posted with the correct effective date. We recalculated the application of each payment, including principal and interest, and agreed these amounts to the system application of payments, without exception.

We selected a sample of 10 borrower payments not processed by the lock box facility between July 1, 2003 and June 30, 2004 and observed the effective date and processing date of the payment. We verified that all payments in the sample were posted with the correct effective date.

Oklahoma Student Loan Authority

APPENDIX A - AGREED-UPON PROCEDURES - CONTINUED

June 30, 2004

Lender Reporting System (LARS) - Lenders interest and special allowance

1. We selected a sample of 30 accounts in various statuses (i.e., enrolled, grace, repayment, deferment) and obtained the Lender Reporting System (LARS) detail reports for the sample to verify that calculations for interest benefits and special allowance payments were accurate and prepared in compliance with 34 CFR §682 Subpart C. We tested the following and compared the results with the LARS detail records:
 - Average daily principal balance and interest amount on Part II - Interest Benefits.
 - Average daily balances for Special Allowance Calculation on Part III - Special Allowance.

For selected borrowers with an enrolled, grace, repayment and/or deferment status, we recalculated the interest amount and agreed it to the Interest Benefit Calculation Section of LARS. We compared the average daily principal balance on the LARS detail to the outstanding principal balance on the Payment History for the respective quarter tested. We verified that the average daily principal balance on the LARS detail approximated the outstanding principal balances of the Payment History.

For selected borrowers in repayment status, we compared the average daily principal balance on the LARS detail to the outstanding principal balance on the Payment History for the respective quarter tested. We verified that the average daily principal balance on the LARS detail approximated the outstanding principal balances of the Payment History.

2. We reviewed the LARS for the year, noting no loans over 360 days delinquent were reported. We also obtained representation from management that no loans over 360 days delinquent were reported during the year.

Loan acquisition and conversion processing

1. We selected a sample of 30 loan acquisition transactions conducted during the period to verify that those acquisitions of student loans were conducted in accordance with contractual requirements, as well as the Authority's guidelines. We obtained the purchase agreement and noted the presence of the following documentation:
 - A summary confirmation sheet listing the accounts being acquired.
 - Effective date of conversion was conducted within the guidelines as specified in the Bill of Sale.
 - Post conversion system balances equal the balances specified in the loan sale documentation.

We verified that the 30 agreements included a confirmation sheet listing the borrowers included in the conversion, which agreed to the principal balance(s) listed in the Bill of Sale. We also verified the effective date of conversion was made in accordance with the Authority's guidelines.

Oklahoma Student Loan Authority

APPENDIX A - AGREED-UPON PROCEDURES - CONTINUED

June 30, 2004

Loan acquisition and conversion processing - continued

We verified that the purchase totals reflected in the Bill of Sale agreed to the post conversion system balances.

2. We selected and inspected a sample of 30 individual borrower files from the portfolio acquisitions tested above and noted that all of the borrower servicing histories documented that the notice of sale letter was mailed. We obtained and reviewed a copy of the notice of sale letters that were mailed to the 30 borrowers.

Uninsured loans: Collection rates and procedures

1. We selected a sample of 23 loans and observed whether the collection of loans that had lost their loan guaranty was conducted in compliance with the regulatory requirements defined in 34 CFR §682 Appendix C (Procedures for Curing Violations of the Due Diligence in Collection and Timely Filing of Claims Requirements).
2. For selected loans, we noted conformity with the following:
 - Recovery department collection policies and procedures; and
 - Regulatory requirements defined in 34 CFR §682 Appendix C.

Deferment processing

1. We selected a sample of 30 loans that were in deferment during the period and observed that deferments were processed in accordance with the regulatory requirements defined in 34 CFR §682.210 and 682.211. Specifically, we observed the following:
 - Deferments were properly coded and documented on the servicing system.
 - Request for deferment was completed by certifying official and contained dates of deferment request.
 - Borrower was eligible for deferment type based on loan type and disbursement date of the loan.
 - Generation of deferment approval letter and deferment expiration letter.
 - Borrower's next payment due date was not greater than 60 days after deferment expiration date.

We verified that all selected deferment transactions were properly coded and documented on the Authority's system.

We verified that all selected borrowers were eligible for the deferment type processed to his or her account. We verified that all selected applicable deferment forms were signed or approved by a certifying official.

Oklahoma Student Loan Authority

APPENDIX A - AGREED-UPON PROCEDURES - CONTINUED

June 30, 2004

Deferment processing - continued

We verified the system recorded the generation of the required deferment approval and expiration letters.

We verified that the borrower's next payment due date following the expiration of the deferment was not greater than 60 days.

Forbearance processing

1. We selected a sample of 30 loans that were in forbearance status during the period and observed whether forbearance agreements were processed in accordance with the regulatory requirements defined in 34 CFR §682.210 and 682.211. We observed system records for the following:
 - Borrower eligibility for forbearance;
 - Forbearances properly coded and documented on the servicing system, Master File and Payment History;
 - Generation of forbearance approval letter and forbearance expiration letter;
 - Accuracy of interest capitalization resulting from outstanding interest at time of and/or during forbearance; and
 - Borrower's next payment due date was not greater than 60 days after forbearance expiration date.

We verified that all selected borrowers were eligible for the forbearance type processed to his/her account.

We verified that all selected forbearance transactions were accurately processed and recorded on the servicing system, Master File and Payment History.

We verified that the system recorded the generation of required approval/expiration letters for selected loans.

We recalculated the interest capitalization transactions within \$1, and found that these were posted to the borrower's Payment History for selected loans.

We verified that the selected borrower's next payment due date following the expiration of the forbearance was not greater than 60 days.